DTU CENTRAL LIBRARY

EDITORIAL INSIGHT



FEBRUARY 2026

COMPILATION OF THE EDITORIAL OF BUSINESS STANDARD, BUSINESS LINE, THE ECONOMIC TIMES, MINT

TABLE OF

Contents

1 BUSINESS LINE

2 BUSINESS STANDARD

3 MINT

4 THE ECONOMIC TIMES

businessline

bl.portfolio





02 Feb 2026

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Change and continuity

Budget 2026 gives a push to frontier sectors

Finance Minister Nirmala Sitharaman's ninth Budget exudes a sense of quiet confidence — both political and economic. In its third term and on a political winning streak after the 2024 general elections, the Modi's government's Budget for FY27 is remarkably free of overt populist intent or rhetoric. Of course, there are infrastructure, logistics (railways and waterways) and farm-sector related schemes for regions that are headed for polls soon, but they do not reveal themselves as 'packages' for a particular State. On the economy, the Budget has backed growth to continue on its own steam.

After having given a consumption boost last year through tax breaks (and with corporate tax cuts having come into force before the pandemic), there are no blunt investment (or consumption) incentives on offer for the short term. So, this is a Budget for the medium to long term. It pushes for strategic autonomy, export promotion, ease of doing business and digital superiority — responding to a world order where trade and investment are being weaponised by the day. An investment focus on critical minerals, semi-conductors, electronic components manufacturing and AI-related technologies forms the kernel of the Budget. Rare earth corridors have been envisaged in Kerala, Tamil Nadu, Andhra Pradesh and Odisha, while expenditure on critical minerals exploration will be amortised over five years. Another important strategic investment pertains to a scheme for container manufacturing with an outlay of ₹10,000 crore. The focus on biopharma, with an outlay of ₹10,000 crore over five years is aimed at creating a global hub. There is surprising attention to detail as well. For instance, a ₹200 crore scheme has been announced for making lifts, fire-fighting equipment and tunnel-boring machines, for which we are import-dependent. Customs duty exemptions or rebates for critical areas include capital goods for manufacturing lithium-ion batteries, monazite for EVs and raw materials for making defence aircraft parts. A dominant investment thrust pertains to the safe harbour benefit for the IT-AI universe. Meanwhile, customs duties have also been aligned with a view to trade pacts of the present and future.

The fiscal architecture of the Budget is credible and conservative. It follows the path of recent years of reconciling fiscal consolidation with an increase in quality spending through capital expenditure. Nominal GDP growth for FY27 has been estimated at 10 per cent, which is plausible in view of the anticipated rise in inflation from very low levels this fiscal. This, in turn, suppressed nominal GDP growth, and with it direct tax collections. Gross tax collections growth has been pegged at 8 per cent (₹44 lakh crore) for FY27, against 10.8 per cent last year. Notably, direct tax collections fell short by ₹1 lakh crore this fiscal, with respect to the budgeted ₹25.2 lakh crore. GST collections are expected to fall in FY27, while income tax and corporate tax collections are expected to grow above 11 per cent. Matching the modest tax outlook is an expenditure increase of 7.7 per cent to ₹5.35 lakh crore for FY27 (7.4 per cent this year, which was undershot). However, budgeted capital expenditure is up nearly 11 per cent to ₹12.2 lakh crore. A fiscal deficit of 4.3 per cent of GDP in FY27 will be financed by net market borrowings of ₹11.7 lakh crore, similar to the current year's level, so there is no real reason for the bond markets to be alarmed. While the numbers do hold, there are certain nagging worries, such as climbing interest payments (₹14 lakh crore in FY27, against ₹12.7 lakh crore this fiscal), and its rising share in revenue receipts. Amidst this debt overhang, fiscal discipline is unavoidable.

If the Budget has not enthused markets, it should not be a concern. The higher imposition of securities transaction tax as well as the correction in buyback rules to plug anomalies are valid steps. In its attempt to woo overseas NRI investors, there is an attempt to offset fickleness in capital flows. Indeed, there is a need to address the BoP concerns arising out of a savings-investment gap. Overall, the Budget ticks the right boxes. But a focus on grassroots infrastructure in education and health is missing, even as it has focused on high-end research. The former is a pre-requisite for the latter to click.

Published by Nirmala Lakshman and Printed by Praveen Somashekar at HT Media Ltd. Plot No.8, Udyog Vihar, Greate

businessline
bl.portfolio
02 Feb 2026

Holding up fiscal rectitude

The government has stuck to fiscal consolidation and it is also investing more than borrowing for the first time



ASHIMA GOYAL

The Budget follows the trifecta that has worked over the past few years: Simplify taxes, reduce debt and deficits and improve the composition of expenditure.

OBJECTIVES AND PROCESS

Simplifying taxes focuses largely on process reform since the major rate changes have been done. The new emphasis is on customs. Fiscal consolidation continues. The debt ratio is falling towards 55 per cent. The Budget estimate (BE) fiscal deficit has decreased to 4.3 per cent of GDP compared to 4.4 per cent last year. But the share of capital expenditure including grants in aid to states for capex has gone up from 3.9 per cent last year to 4.4 per cent in the BE for FY27. For the first time the central government is investing more than it is borrowing.

This is known as the golden rule. Since investment raises growth the rule helps bring down deficit and debt ratios and reduce the share of interest payments — still at 20 per cent of revenue for the Centre.

Many governments worldwide have attempted this rule but have not been able to sustain it. Most need to borrow for current expenditure in bad times and are tempted to spend more in good times. The Centre needs to be complimented for sticking to fiscal discipline when most governments today are unable to do so.

Although the Centre's net borrowing is in line with market expectations, large expected State borrowing is said to be keeping GSecs rates high. Debt needs to reduce in outlier States. They are creating externalities pushing up costs for all borrowers.

Despite the discipline, better composition of expenditure stimulates the economy and raises productivity. Apart from the rise in capex share, expenditure is focused and targeted on well thought through schemes, reducing wastage. Although the expected share of taxes in GDP falls to 11.2 per cent from 11.4 per cent last year, and the fiscal deficit also falls, the absolute resources available are ₹35.3 lakh crore up from 33.4 last year, showing how high growth gives the government more to spend even after sharing buoyancy with the tax payer through tax cuts.



FISCAL MATH. Some States need to rein in their spending ACCOMMO

PREDICTABILITY VS DEMANDS

The principles needed to implement the trifecta are to respond to current needs while remaining largely consistent with continuing efficiency increasing reforms and better incentives.

Therefore a response to the many demands for tax cuts and expenditure allocation to specific sectors in the pre-Budget debate was only feasible it they met the above conditions. Principles make the Budget more predictable. It follows that hyping up of arbitrary demands needs to reduce.

There was a strong push for cuts in capital gains taxation to help investing households and removing withholding tax for FPIs to compensate for losses from rupee depreciation and to build confidence in nervous markets. But FPIs that make large profits in good times should not expect to be rescued in bad. That would create moral hazard. And reducing capital gains taxes would go against the principle of moving towards low and equitable taxes across a wider tax base.

The Centre needs to be complimented for sticking to fiscal discipline when most governments today are unable to do so

There are reform-consistent incentives for markets such as easier buyback and to attract FDI such as safe harbour rules that also benefit those earning foreign incomes. Leveraging a richer set of financial instruments for MSMEs, infrastructure and municipal financing are all pro financial reform and deepening.

The rise in STT on futures could have been avoided since it went against expectations of tax cuts the markets had built up. The motive of discouraging excessive retail participation and losses in future could have been met by stiffening entry rules and households could be given higher exemption limits for capital gains tax. But then banks want similar exemptions for tax on deposits.

DIVERSITY AND RESILIENCE

India's economic diversity was important in sustaining growth despite geo-economic shocks. It needs to be further increased to boost resilience to continuing global shocks. The Budget rightly supports manufacturing, services as well as agriculture in incentive-compatible ways.

It gives special attention to high tech and employment intensive sectors to leverage our comparative advantages as well as meet needs. Examples are AI being used for skilling farmers and youths. There are tax holidays for high tech data centres and some exporting firms to encourage entry. Temporary or conditional tax changes improve incentives without creating a perpetual liability.

Reforms raise potential growth, but it is necessary to sustain demand to keep growth at potential. Since export growth cannot be the only source of demand for India, rising labour productivity and incomes are essential sources of demand. The Budget has many initiatives for empowerment and inclusion.

PERFORMANCE

Turning to performance beyond the big ratios, effective capex grew at 6.5 per cent this year, reversing the softening to 3.7 per cent last year, but was still below the promised double digit growth. Expenditure on major schemes also improved to 5.3 per cent compared to 5 per cent last year but was lower than the 7 per cent promised.

Spending on subsidies rose by 9.1 per cent and on social welfare and development only at 4.6 per cent. Spending on urban development fell for the last three years, although needs are urgent.

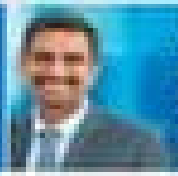
The proposed emphasis on tier 2 and 3 cities is very welcome and could help to reverse this. Despite rising public sector investment since the pandemic there is no shortage of suitable projects given India's vast size and needs. But proper planning and implementation are essential. The test of the many proposed schemes and incentives will be in their success in delivering.

It is necessary to shift from just allocating funds to designing and monitoring the actual spending. PPP will help but instead of assured funding organisations need to compete for funds on the basis of skill and delivery.

The Finance Minister began her speech by thanking the people for their support. Indeed, achieving the objective of Viksit Bharat despite continuing external pressures can bring us together. Perhaps we can rise above special interests and demands and support principled policies that help us reach our collective potential.

The writer was a member of the previous MPC

businessline
bl.portfolio



02 Feb 2026

Important amendments to tax laws

The 63 amendments announced is surprising — some of them are necessary and some are purely administrative in nature



MOHAN R LAVI

The Finance Minister opened Part B of her Budget 2026 speech by confirming that the new Income Tax Act would come into effect from April 2026. Rules and forms are expected to be released soon.

One would have thought the Budget would not contain too many amendments to the present provisions since a new one is only months away. Surprisingly, the Finance Minister has proposed about 63 amendments to various tax provisions (see table).

ICDS

Taxpayers would welcome the proposal to constitute a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (Ind AS) itself.

Separate accounting requirement based on ICDS will be done away with from the tax year 2027-28. It would be interesting to see how the Joint Committee goes about this because amending the Ind AS standards to include ICDS provisions could mean carve-outs from the International Financial Reporting Standards (IFRS).

The Joint Committee should also undertake a cost benefit analysis of ICDS standards and see if they are really required once the new Income Tax Act comes into force.

TAX COLLECTION SOURCE

Tax Collection Source rates have been changed for six different types of transaction.

The rates have been reduced for overseas travel, remittances and sale of tendu leaves and it has been increased for sale of minerals, sale of alcoholic liquor for human consumption and sale of scrap.

MAT

The only change in the corporate tax regime is the amendment to the Minimum Alternate Tax regime. It is proposed that the tax paid under provisions of MAT be made as final tax in the old regime and no new MAT credit may be allowed. However, the tax rate of MAT has been reduced to 14 per cent of book profit from the existing 15 per cent.

Set off of MAT credit may be allowed only in the new tax regime for domestic companies to the extent of 25 per cent of the tax liability. In the case of foreign companies, set off is proposed to be allowed to the extent of the difference between the tax on the total income and the minimum alternate tax, for the tax year in which normal tax is more than MAT.

These amendments will allow companies to make a smooth transition from the old tax regime (with deductions and exemptions) to the new tax regime.

In order to ensure similar treatment among all the different specified businesses of non-residents opting for presumptive taxation, it is proposed that the business of operation of cruise ships and the business of providing services or technology for the setting up an electronics manufacturing facility in India to a resident company shall also be excluded from the applicability of MAT.

Tax amendments

Area	Number of proposed amendments
Ease of living	14
Rationalising penalty and prosecution	10
Cooperatives	3
Supporting IT sector as India's growth engine	1
Attracting global business and investment	7
Corporate tax	1
Others	25
Total	61

BLACK MONEY ACT

There are many Indian taxpayers who hold assets abroad. The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 was enacted to address the issue of undisclosed foreign income and assets held by resident taxpayers.

In order to facilitate voluntary compliance and enable resolution of such legacy cases of small taxpayers, it is proposed to introduce a time-bound scheme for declaration of foreign assets and foreign-sourced income, with payment of tax or fee based on the nature and source of acquisition and grant of limited immunity from penalty and prosecution under the Black Money Act in respect of matters covered by the declaration. Cases involving prosecution or proceeds of crime are proposed to be excluded. The threshold to prosecute taxpayers under the Act is proposed to be ₹25 lakh for foreign assets excluding immovable property.

Budget 2026 has also fixed one of the issues with the Advance Pricing Agreement (APA) by permitting the associated enterprise also to modify their return based on the APA agreement entered into by the taxpayer.

In summary, Budget 2026 proposes a *pot-pourri* of amendments to tax laws — some good, some necessary and some that are purely administrative in nature.

The writer is a chartered accountant

businessline
bl.portfolio

02 Feb 2026

RBI will have to support govt's large borrowing

A CHALLENGE. The nervousness in the bond market in recent times reflects the increasing concerns that absorbing this large supply of paper may be an uphill task



LOKESHWARRI SK

That the Centre has continued on the path of fiscal prudence in the Budget for FY27, despite the pressure to vie with States in cash transfers and other welfare measures ahead of the upcoming assembly elections, comes as a relief. But despite the Centre's attempt to cut expenditure to keep deficit under check, the gross market borrowing for FY27 is still budgeted at ₹17.2 lakh crore, 16 per cent higher than the budget estimates for FY26. The palpable nervousness in the bond market in recent times reflects the increasing concerns that absorbing this large supply of paper may be an uphill task.

FOCUS ON DEBT TO GDP

The Centre's debt which spiked during Covid has continued to remain elevated due to the need for higher capital expenditure and inability to cut revenue expenditure. The Central government had outstanding dated securities worth ₹121.37 lakh crore towards the end of September 2025. State government securities accounted for ₹67.21 lakh crore. This is almost double the outstanding stock of Centre's borrowings of ₹63.14 lakh crore in September 2019; the Centre has been growing its market borrowing at a CAGR of 11.5 per cent while market borrowings of States have grown at a faster rate of 13.8 per cent in the same period.

But India is not alone in witnessing a sharp jump in debt stock after the pandemic with most other countries in the same boat. Continued geopolitical uncertainties reining growth, coupled with the need to support the economy have resulted in the governments struggling to check deficits. The IMF had projected global debt to cross $100 trillion by the end of 2025.

It is therefore well that the Centre has made the debt to GDP ratio as the fiscal anchor in FY26. It gives the Centre more room to spend and increase the fiscal deficit if the GDP growth is strong. The gradual reduction in the debt to GDP ratio of the Centre for FY26 and FY27 at 56.1 and 55.6 per cent, respectively, shows that the Centre is committed to the glide path of making its debt reach 50 per cent of GDP by FY31.

NEAR TERM CHALLENGES

The Centre's borrowing programme is however likely to face challenges in the coming quarters given the slowing demand for government paper.

The Centre should also seriously consider reinstating the favourable tax benefits for investments in debt instruments. This can bring back demand from institutional investors



EXCESS SUPPLY. The bond market has been struggling to absorb the gross market borrowings of ₹14.82 lakh crore for FY26

The bond market has been struggling to absorb the gross market borrowings of ₹14.82 lakh crore for FY26. Scheduled commercial banks are the largest buyers of G-secs and currently hold 37.5 per cent of outstanding securities. But with credit-deposit ratio of banks at historic high of 82 per cent, appetite for G-secs from banks has been rather tepid. Insurance companies which hold 26 per cent of the outstanding stock have also evinced lower interest in recent years after guaranteed return products went out of favour after withdrawal of tax benefits for debt investment. Higher demand for equity funds has been reducing demand from mutual and pension funds, which are the other large buyers of government bonds. Purchases by global bond funds has also turned volatile in recent months.

Given the reduced demand from large buyers, the RBI has had to support the government borrowing through open market operations. The RBI would have purchased Indian government bonds worth ₹4.35 lakh crore between April 2025 and January 2026, according to Nomura Research, while banks have purchased ₹86,800 crore.

WAY FORWARD

The continued stream of supply and the tight fiscal position in FY26 have been making the Indian bond markets quite nervous with the 10-year government securities yield moving close to 6.7 per cent, hardening over 50 basis points since May 2025. Yields had hardened to 7.4 per cent between 2020 and 2022 as government's borrowing spiked. But the inclusion of Indian government bonds in global bond indices such as JP Morgan global EM bond index and Bloomberg EM local currency government indices had helped yields cool towards 6.2 per cent as foreign portfolio inflows into Indian G-secs increased.

But these flows are now plateauing with outflows of $1.6 billion in December 2025. With banks also unlikely to increase their G-sec purchases much, the RBI will have to do further OMOs of at least ₹2.5 lakh crore in FY27. It may also have to switch some of the bonds falling due for redemption to later years to reduce rollover challenges.

The lower demand for longer-dated paper is however going to make this little difficult.

The Budget proposal to remove the 50 per cent cap on provident fund investments in government securities will help improve demand to some extent. But besides this, the government should try and expedite the inclusion of Indian government bonds in Bloomberg Global Aggregate Index, which tracks nearly $3 trillion of passive assets. With India's allocation likely to be at least 1 per cent, it can result in inflows of $30 billion into India.

The Centre should also seriously consider reinstating the favourable tax benefits for investments in debt instruments. This can bring back demand from insurance and mutual funds who can support the government's borrowing programme.

businessline
bl.portfolio
02 Feb 2026

Lack of direction for Rlys

Misplaced investments even as rail finances slip



SUDHANSHU MANI



PRIVATISATION. Hardly any progress

Once a standalone spectacle, the Railway Budget was where ambitions were articulated, course corrections admitted, and the nation's transport backbone placed squarely in public view. Since its merger with the Union Budget, however, IR has slipped into the margins, barely warranting a mention with vast operations and challenges compressed into a few numbers buried deep in the documents and a few lines in the speech.

For IR's budget numbers too, predictability has replaced candour. Operating ratios are kept just under the psychological threshold of 100 through familiar accounting jugglery.

With IR's inability to generate any internal surplus, capex, almost entirely supported by gross budgetary support, has been the sole source of optimism for rail watchers. Over the past decade, unprecedented investment has attempted to transform physical assets — tracks, electrification, stations, rolling stock. Yet the outcomes tell a sobering story. Passenger and freight growth remains tepid at 2-3 per cent CAGR, freight modal share continues to erode, and passenger volumes have barely equalled pre-Covid levels.

As the Budget time neared, expectations were modest, predictability was the only flavour. And that is exactly what happened. The operating ratio (OR) was pegged at 98.43 for 2025-26, and that too by keeping appropriation to Pension Fund and Depreciation unrealistically low, ₹65,500 crore against budgeted ₹68,602 crore and ₹1,000 crore against budgeted ₹1,500 crore, respectively. This had to be done otherwise the revenue expenditure shown as ₹2,77,000 crore would have exceeded total revenue of ₹2,78,157 crore.

WEAK PERFORMANCE

The revenue performance of 2025-56 is underwhelming, for passenger segment, ₹80,000 crore against budgeted ₹92,800 crore in spite of two rounds of fare revision, and for freight segment, ₹1,78,457 crore against budgeted ₹1,88,000 crore, in spite of the DFCs getting almost completed for nearly two years.

What is also notable is that the situation is likely to be more grim and, therefore, the overview document does not even present the OR picture for 2026-27.

The capex, which had appeared to plateau in the last three years after years of steady escalation, has been increased from ₹2.65 lakh crore to ₹2.93 lakh crore. Any hope of the government pausing to reassess whether scale alone can deliver transformation was misplaced, the government believes in spending on rail infra for the country's economy, even as the financial performance of the railways is in dire straits.

PRIVATE CAPITAL

The Public Investment Board (PIB), the inter-ministerial body that vets major public-funded projects, recently signalled a push for railways to rethink both how it builds and how it earns. Private capital, flexible contracting models and a sharper assessment of future freight demand were called out as central to its next phase of growth.

Therefore, one hoped that there would be some words on progress of privatisation in this year's Budget. Private capital can boost efficiency in areas like station redevelopment, rolling stock manufacture, operation of high-end trains, and augmentation of freight operation while trains for common travellers, core network control and safety remain in the hands of the government.

Misplaced investments in suburban arena, which bleed the railways, continue as the outlay on the Bengaluru Suburban Rail Project shows. Since growth of freight is stagnating, old assumptions on traffic growth, especially coal freight, do no longer hold in a changing energy landscape; capturing a greater share of containers and balance of other goods is the need of the hour. Corporatisation of railway manufacturing was the government's own stated goal in 2019 with a view to gradual transition to privatisation. Mention of these areas was, however, conspicuous by their absence. As for the actual announcements, while high-speed and new freight corridors have been talked about in recent Budgets with much actual progress, a surprise was sprung this time, perhaps with a view on Bengal elections: a Varanasi-Siliguri high-speed and a Dankuni-Surat freight corridor.

The railways needs direction and one hopes that even if the Budget failed to do much, the next fiscal will see greater clarity and purpose to make the railways more efficient.

The writer is Retd GM of ICF, Independent Consultant, and Leader of Vande Bharat project

businessline
bl.portfolio



03 Feb 2026

Better options ahead

Budget rightly checks speculation in derivatives

The stock market reacted rather violently to the Budget on Sunday, with the benchmark Nifty50 index losing around 2 per cent. It is another matter that Monday saw a sharp recovery. Market participants had urged a cut in securities transaction tax (STT), only to be rattled by the Finance Minister deciding to increase it instead.

The STT on sale of future contracts was increased from 0.02 per cent of contract value to 0.05 per cent and STT on sale or exercise of equity option contracts from 0.10 per cent of the option premium to 0.15 per cent. The move will, in fact, benefit the stock market in the long run. The stock market regulator had been worried about increasing speculative activity in the equity derivative segment since the pandemic, led by individual investors. It had taken a series of actions in FY25 to curb this speculation. This included cutting down the number of weekly index options, increasing derivative contract sizes and asking for upfront margin in equity trades. The STT rates on futures and options were raised 60 per cent in 2024. While equity derivative volumes are down around 25 per cent since the peak in 2024, the share of individual investors trading in the F&O segment continues to be at a record high of 31 per cent, rising sharply over the years *vis-à-vis* proprietary traders and mutual funds.

The STT increase announced in the Budget will act as a disincentive for these retail traders. For traders in equity futures, the outgo on STT increases 150 per cent while for traders in equity options, the increase is 50 per cent. The higher increase in STT on futures is a good idea as the capital outlay and risk is far higher. If the increase causes traders to shift to options, it is good. While the move can help increase STT collections, which were ₹52,196 crore in FY25 and are projected at ₹63,670 crore in FY26, the primary intent here is perhaps curbing speculative activity. The other important Budget proposal from a stock market perspective is the decision to tax share buybacks as capital gains in the hands of minority shareholders instead of taxing it at their income tax slab rate. This will bring down the tax incidence on investors who fall under the higher tax slabs. The proposal to tax buybacks at 22 per cent for promoters of companies incorporated in India will effectively plug the tax arbitrage between buybacks and dividend, and likely curb such buyback announcements.

There are broader Budgetary positives for investors. Company toplines will benefit from the increased spending on various infrastructure projects such as new dedicated freight corridors, new national waterways, development of infrastructure in tier II and III cities and high-speed rail corridors. Similarly, higher defence outlay will be good for defence stocks and rural consumption will get a leg-up from the allocation to the new rural employment guarantee scheme — VB-G RAM-G.

businessline
bl.portfolio
03 Feb 2026

Budget will foster competitiveness

GROWTH THRUST. A holistic approach, with liquidity measures for MSMEs and policies for textiles, will surely work



S MAHENDRA DEV
KK TRIPATHY

India's ambition to attain developed economy status by 2047 has sharpened the policy focus on long-term sustainable growth drivers, structural reforms and growing institutional capacity across activity sectors. Tabled on January 29, 2026, the Economic Survey 2025-26 set the broad policy direction for the Union Budget 2026, underscoring macroeconomic stability and sectoral priorities — particularly industries, and rural development — as foundations for inclusive, equitable and sustainable growth.

By prioritising structural reforms, productivity gains, stronger global trade linkages, infrastructure development and calibrated policy engagement, Budget 2026 places competitiveness at the centre of India's growth strategy. Sustained rural demand, improved agricultural production and productivity, easing food inflation and a stable macroeconomic framework form the bedrock of a resilient economic growth.

Against this backdrop, Budget 2026 places renewed emphasis on the labour-intensive textiles sector, particularly in the context of fresh market access opportunities arising out of the recently concluded Free Trade Agreements (FTAs) with the UK and the European Union. It delineates an integrated roadmap to strengthen self-reliance in natural fibres such as silk, wool and jute, while also supporting man-made and next-generation fibres. Key measures include modernising traditional textile clusters through capital investment in machinery, technology infusion, common testing and certification facilities, and focused support for weavers and artisans through better convergence of schemes.

By addressing long-standing gaps in competitiveness and skills, the Budget signals a strategic shift. With inherent cost advantages and vast potential for value addition, the Indian textiles industry can emerge as a global powerhouse if it decisively adopts Industry 4.0 practices, deepens collaboration with academic and research institutions, and fast-tracks the creation of mega textile parks through a competitive, challenge-driven framework.



PRIORITY. Budget 2026 places renewed emphasis on the labour-intensive textiles sector

Budget 2026 also recognises a critical reality — village industries are steadily losing ground amid competition from mechanised production, fragile infrastructure, weak market access and limited exposure to modern skills. Low productivity due to obsolete technology, restricted credit availability, inadequate branding, poor logistics, labour migration and weak integration with contemporary value chains continue to constrain their growth.

In response, the proposed Mahatma Gandhi Gram Swaraj Initiative to strengthen *khadi*, handlooms and handicrafts represents a timely intervention. By focusing on global market linkages, branding, training, skilling and quality enhancement, the initiative seeks to benefit millions of weavers, village enterprises, One-District-One-Product clusters and rural youth. Critically, it may drive the Khadi and Village Industries Commission (KVIC) initiating amendments to the KVIC Act, 1956, supported by statutory measures for market and export facilitation, infrastructure provisioning, credit and risk mitigation tools, outcome monitoring, worker social security integration and decentralisation — laying the foundation for community-led entrepreneurship.

The proposal to set up five university townships along major industrial and logistics corridors can significantly bridge skill gaps

GROWTH THROUGH MSMES

Budget 2026 goes beyond cluster revival to adopt a more holistic approach to MSME competitiveness. Alongside the proposal to rejuvenate 200 legacy industrial clusters through infrastructure and technology upgrades, it envisages the creation of champion SMEs, a dedicated ₹10,000-crore SME Growth Fund, and an additional ₹2,000-crore allocation to the Self-Reliant India Fund to safeguard micro enterprises' access to risk capital. By proposing a high-level committee to review the banking sector as part of the Viksit Bharat agenda, the Budget signals the intent to align financial sector reforms with the economy's evolving growth needs. The committee's recommendations could help identify flexible and credible pathways for future expansion without compromising financial stability, inclusion or consumer protection.

Innovative liquidity measures — mandating TReDS for Central Public Sector Enterprise (CPSE) procurement settlements, extending Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)-backed credit guarantees for invoice discounting, and linking Government e-Marketplace (GeM) with TReDS for information sharing — are expected to ease working capital constraints for MSMEs. Coupled with professional support through 'cooperative mitras' in Tier-II and Tier-III towns, these steps can strengthen MSMEs, deepen value-chain linkages, and enhance income, employment and wealth creation at scale.

Scaling up and modernising livestock enterprises, alongside promoting farmer producer organisations in animal husbandry and dairying is a strategic move to strengthen community-led entrepreneurship and expand rural and peri-urban employment. Targeting high value crops viz. coconut, sandalwood, cocoa, cashew and nuts will further encourage local investment, build enterprises at grassroots, enhance productivity and diversification, increase farmers' incomes and create new employment pathways.

The proposal to set up five university townships along major industrial and logistics corridors can significantly bridge skill gaps by fostering closer collaboration between industry, academia and policymakers. Such an ecosystem would enable technology-driven skill development while simultaneously reinforcing industrial growth, assuring business competitiveness and advancing India's journey towards Viksit Bharat vision by 2047.

Further, the Budget reinforces the government's focus on revitalising the cooperative sector by easing tax pressures and encouraging member-centric surplus sharing. It also facilitated policy support that recognises cooperatives as vital instruments of inclusive and community-led growth. The Budget attempts to re-energise industry and manufacturing as pillars of economic transformation.

By aligning policy intervention with the Make-in-India vision and the long-term goal of Viksit Bharat 2047, the Budget seeks to create feasible and inclusive growth pathways. The emphasis on MSMEs and rural development as growth engines underscored a people-centric approach — one that can convert aspiration into action and build a resilient, self-sustaining inclusive economy while ensuring that the benefits of development are widely and equitably shared.

Dev is Chairman and Tripathy is Joint Secretary in the Economic Advisory Council to the Prime Minister. Views are personal

businessline
bl.portfolio
03 Feb 2026

A pragmatic Budget amidst challenges

Balances near-term objectives with longer-term goals, and yet earmarks a larger outlay for capex



PRASHANT KUMAR

Finance Minister Nirmala Sitharaman was faced with a plethora of challenges while penning down the Budget. First, growth was anticipated to slow in the second half of FY26. Given the global policy resets and risks, the challenge was to find fiscal tools to continue to thrust near-term growth and set the stage for a sustained trajectory of growth for the future. The growth drivers had to be domestic oriented due to slowing global growth and challenges with respect to global geopolitical risks, that can threaten the supply-side dynamics.

In this context, given the challenges of the fiscal math, another round of consumption-oriented push — either through direct or indirect tax reductions — was ruled out. The Finance Minister also had the critical task of neutralising the negative growth impact on the labour-intensive exports sector and ring-fence the workers in this sector.

Budget 2026 does a fine balancing of near-term objectives with longer-term goals while responsibly maintaining a fiscal consolidation strategy, and yet earmarking a larger outlay for the capital expenditures of the government. Fiscal deficit as a percentage of GDP is set at 4.3 for FY27, while adhering to the target of 4.4 for FY26. Achieving the fiscal targets is commendable taking into consideration a higher resource sharing with the State governments, as suggested by the 16th Finance Commission. Capital expenditure in the Budget is enhanced to 12.2 lakh crore or 3.1 per cent of GDP. Much of the capex is directed towards high-speed rail corridors, coastal cargo shipments, and national waterways.

The growth drivers targeted are the legacy industries where the attempt is to boost cost effectiveness and competitiveness. The Budget also proposes the scaling up of manufacturing in "7 strategic and frontier sectors". Within this the target is to push the semiconductor industry through the India Semiconductor Mission 2.0, to fortify supply chains and develop technology and skilled workforce. The outlay for the Electronics Components Manufacturing Scheme, which was launched in April 2025, has been raised to ₹40,000 crore from the earlier outlay of ₹22,919 crore.



CAPEX. Much of it for high-speed rail corridors, coastal cargo shipments ISTOCK

The short-term challenges, specifically the stress facing labour-intensive sectors due to the US tariffs, have also been addressed and the Budget seeks to promote globally competitive and sustainable textiles and apparels through capital support for machinery and technological upgradation of traditional clusters. The other area that has found significant mention is MSME-focussed measures — a continuation of the last year's Budget efforts at strengthening the sector. The Budget provides equity support to SMEs via a dedicated ₹10,000 crore SME Growth Fund. Also, it has important measures such as making TReDS as a transaction settlement platform for all purchases from MSMEs by CPSEs. Further, TReDs receivables can be used as asset-back securities to enhance liquidity and settlement of transactions.

Recognising the sharp growth of data centres across the world and to attract global investments in this area into India, a tax holiday is provided till 2047 to foreign companies that provide cloud services to customers globally by using data centre services from India. This is important as the services sector receivables, especially from GCCs, have been a principal resource to contain any significant negatives on the external current account balances.

The writer is Managing Director and CEO, YES Bank

businessline
bl.portfolio
03 Feb 2026

Fiscal consolidation revamp to aid tax reforms

DEMAND PUSH. There cannot be any slack in aggregate demand if the 7 per cent annual growth is to be sustained. Composition of government expenditure will support growth measures



DK SRIVASTAVA

Tax reforms in 2025-26, especially GST-related measures, have led to a calibrated pace of fiscal consolidation to support growth. After achieving a reduction of 40 basis points in the government's fiscal deficit-GDP ratio from 4.8 per cent in 2024-25 to 4.4 per cent in 2025-26 (RE), the reduction in 2026-27 (BE) is only 10 basis points. In fact, both the government's net tax revenues and non-tax revenues as percentage of GDP have experienced a shortfall of 20 basis points each in 2026-27 (BE) as compared to 2025-26 (RE).

This was partly made up by an increase in non-debt capital receipts to the extent of 20 basis points of GDP which may largely be due to expected disinvestment receipts. As a result, the government's total expenditure relative to GDP in 2026-27 (BE) has been reduced to 13.6 per cent from 13.9 per cent in 2025-26 (RE). In fact, it was even higher at 14.1 per cent in 2024-25.

In order to still show commitment to continued fiscal consolidation, the government has settled on a more relaxed pace of annual adjustment. In fact, the Finance Minister confirmed what was already indicated in the Economic Survey (ES) 2025-26 which is that the debt-GDP target would be 50 per cent +/-1 per cent point for 2030-31.

This gives the government flexibility to make annual adjustments in the fiscal deficit target depending on the performance of tax and non-tax sources. It may be recalled that the cyclical movement in fiscal deficit in the presence of a shock such as Covid in 2020-21 has been unduly asymmetric. Fiscal deficit-GDP ratio, which was 3.4 per cent in 2018-19, deteriorated to 9.2 per cent in two years.

However, it has taken six years to reduce it to a level of 4.3 per cent of GDP by 2026-27 (BE). The fiscal deficit and debt targets of 3 per cent and 40 per cent of GDP respectively for the government, per the FRBMA appears several years away.



FISCAL PATH. There is an in-built flexibility in the fiscal consolidation path based on the tax revenues ISTOCKPHOTO

FINANCE PANEL SUGGESTIONS

Along with the Budget, the report of the 16th Finance Commission was also presented. In the context of vertical sharing, the Commission retained the 41 per cent share for the States in the government's sharable tax revenues. This resulted in providing for the same level of assignment to states in 2026-27 (BE) at 3.9 per cent of GDP as in 2025-26 (RE). There are, however, significant implications with respect to the horizontal transfers to the States.

The Finance Commission chose not to recommend any revenue deficit grants nor any sector/State specific grants

The Finance Commission chose not to recommend any revenue deficit grants nor any sector/State specific grants. In fact, it has not indicated any outcomes based on their assessment of individual State's financial positions in their recommendation period. The argument for not giving any revenue deficit grants was that States' aggregate revenue deficit amounted only to 0.3 per cent of GDP.

It may, however, be noted that the revenue deficits of individual States cannot be aggregated since revenue deficit of one State cannot be adjusted against the revenue surplus of another State. The horizontal scheme of transfers of the Finance Commission depends entirely on the scheme of tax devolution. Major losing States in the 16th Finance Commission's scheme when compared to the shares recommended by the 15th Finance Commission, in some cases by substantial margins, are Madhya Pradesh, Arunachal Pradesh, Uttar Pradesh, West Bengal, Odisha, Meghalaya, Chhattisgarh, Bihar, Nagaland, Manipur and Tamil Nadu.

Going forward, sustaining a growth of 7 per cent in the medium term, as argued by the Economic Survey, would require expansion of both government and private demand. While private demand would be stimulated by the earlier tax concessions, it is at the cost of a contracting overall government demand measured in terms of the government's total expenditure to GDP ratio. In fact, the ratio of primary revenue expenditure to GDP has fallen from 7.3 per cent in 2025-26 (RE) to 6.9 per cent in 2026-27 (BE). The share of capital expenditure relative to GDP is also nearly static. Under such circumstances, it is only the composition of the government's expenditure which may have beneficial growth supporting effects.

While global economic challenges may continue to exist for some more time, there should not be any net reduction in aggregate demand if real GDP growth is to reach its potential of 7 per cent. Much support cannot be expected from States as they have not received any additional transfers through revenue deficit and sector/State specific grants.

They may also have to bear the additional cost of the funding provisions in the transition from MGNREGA to Viksit Bharat G-RAM-G scheme.

The writer is Chief Policy Advisor, EY India. Ragini Trehan, Senior Manager, Tax and Economic Policy Group, EY India, also contributed to the article. Views expressed are personal

businessline
bl.portfolio

03 Feb 2026

A Budget aligned with finance panel views

The revenue shortfalls are offset by expenditure compression, keeping the headline deficit on target



LEKHA CHAKRABORTY

Finance Minister Nirmala Sitharaman presented the Budget for 2026-27 at a moment of heightened global uncertainty. Trade tensions, shifting monetary policy in advanced economies and persistent supply-chain fragilities all loom large.

Markets showed a short-term "random-walk" reaction to higher STT on derivatives. Yet the Budget responds with fiscal consolidation drive and forward-looking investment that should strengthen India's growth trajectory while preserving macroeconomic stability.

DEBT AND DEFICITS

With the fiscal deficit targeted at 4.3 per cent of GDP for 2026-27 — down from the 4.4 per cent revised estimate for 2025-26 — the government has reaffirmed its commitment to gradual consolidation, aligning with a medium-term path toward below 4 per cent. This steady adjustment is commendable.

The primary deficit is 0.7 per cent of GDP for FY27, revenue deficit remained constant at 1.5 per cent. Phasing out of revenue deficit is 'golden principle' of fiscal rules, however it is not advisable in times of macroeconomic uncertainties and geopolitical risks.

The debt-to-GDP ratio is estimated to be 55.6 per cent of GDP in BE 2026-27, compared to 56.1 per cent of GDP in RE 2025-26, with a medium-term anchor of 50 per cent (₱1 per cent) by 2030-31. A critical reform addresses off-budget borrowings (OBBs), long criticised by 16th Finance Commission for opacity.

To finance the fiscal deficit, the net market borrowings from dated securities are estimated at ₹11.7 lakh crore. The balance of debt financing is expected to come from small savings and other sources. The gross market borrowings are estimated at ₹17.2 lakh crore. General government debt dynamics benefit from these measures, alongside contained gross market borrowings and efforts to lengthen debt maturities.

FISCAL MARKSMANSHIP

Fiscal marksmanship underscores pragmatic management. In 2025-26, revenue shortfalls — partly due to moderated buoyancy — were offset by expenditure compression, keeping the headline deficit on target despite forecasting variances. Effective capital expenditure was adjusted downward, yet the overall consolidation path remained intact.

This responsive recalibration preserves credibility, demonstrating that revenue stability anchors expenditure planning while allowing flexibility amid uncertainties. Closer analysis of forecasting errors — whether systemic or random — could further refine future budgets.

CAPEX, PVT INVESTMENT

Capital expenditure remains a key growth driver, with Central outlay at ₹12.2 lakh crore and effective capex (including state support) reaching ₹17.15 lakh crore. This multi-year pipeline provides predictability, carrying high multipliers in an economy where private corporate sector is well positioned to respond.



The Budget proposals are likely to spur private investments SHIV KUMAR PUSHPAKAR

Years of deleveraging have strengthened balance sheets, with debt-to-equity ratios at multi-decade lows and interest coverage ratios improved. Banking sector non-performing loans have stabilised, freeing credit channels. A meaningful pick up in private capex cycles in 2026-27 can be expected, if there is an easing to the "demand uncertainties" amidst macroeconomic and geopolitical risks.

AI, CLIMATE REFORMS

Artificial intelligence receives ₹10,000 crore for the National AI Mission (compute infrastructure, skilling 10 million youth) and a ₹5,000 crore Innovation Fund for quantum, semiconductors, and biotechnology, with enhanced R&D deductions. The Budget has announced a 20-year tax holiday to foreign firms using local data centres built in India.

Energy transition announcements include the National Critical Minerals Mission, expanded with dedicated Rare Earth Corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu, integrating mining, processing, and magnet manufacturing to address projected quadrupling of global rare earth demand by 2040.

16TH FINANCE PANEL

The Budget aligns closely with the 16th Finance Commission's recommendations for fiscal consolidation while maintaining a status quo tax transfers at 41 per cent of divisible pool to the States, prioritising macroeconomic stability.

The fiscal forecasting errors in revenue and expenditure need to be followed up to understand the sources of errors — if systemic bias or randomness affected the fiscal arithmetic.

There is a shadow of 16th Finance Commission on this Budget. With the new tax transfer formula — Population 2011 (17.5 per cent) and income distance (42.5 per cent) take the lion share in weightage with 60 per cent total. The rest 40 per cent weightage is equally divided for four variables — demographic transition, forest, area and contribution of a State to GDP.

THE FINEPRINT

The devil lies in the details. It is interesting to note that 16th Commission's horizontal formula introduces a notable tilt towards efficiency, reportedly incorporating a new 10 per cent weight for States' contribution to national GDP alongside other criteria of income distance, area, climate and demographic performance.

This marks a departure from heavier equity focus in prior Commissions towards strategic growth.

The Budget has taken the third tier (cities) also as core partners in this journey towards Viksit Bharat, with announcements relate to "cities as the unit of analysis" and initiating allocations to float municipal bonds.

The fiscal space of subnational governments is therefore a major factor in pursuing the Viksit Bharat dream to become a developed country by 2047.

The writer is Professor, NIPFP and Member, Board of Management, International Institute of Public Finance, Munich

businessline
bl.portfolio
03 Feb 2026

Agriculture, rural sectors may have to wait for another day



SIRAJ HUSSAIN
JUGAL MOHAPATRA

Investment in India's infrastructure continues to be high priority for the government. An outlay of ₹12.2 trillion is proposed for capital expenditure. This is a 9 per cent increase from the previous year. Despite corporate profitability, private corporate investment as a share of GDP has been hovering in recent years at around 11.5-12.5 per cent.

During 2004-2008, corporate investment reached a peak of 16 per cent of GDP. So, the government's continued support to infrastructure is well thought of. But investment in agriculture and allied sector does not come mainly from the Budget allocations. Instead, the Union government provides interest subvention on loans for agriculture infrastructure.

In her speech the Finance Minister highlighted the opportunity presented by allied sectors like animal husbandry, dairy, fisheries, coconut, sandalwood, walnuts, almonds etc. But there is hardly any mention of crop sector in her speech and even horticulture was not highlighted.

The overall allocation of Department of Agriculture has increased from ₹1.23 trillion to ₹1.30 trillion. Out of this, ₹600 billion is budgeted for PM Kisan and ₹635 billion is for PM Kisan Maandhan Yojana.

The actual expenditure on interest subvention for infrastructure projects funded by banks under Agriculture Infrastructure and Development Fund is not reported separately in the expenditure budget. In any case, agriculture infrastructure needs direct funding.

For example, there is no APMC in India which meets global standards while there are several airports and roads which are of highest standards. At least in the Union Territory of Delhi, the government must provide direct support from the Budget for modernisation of Azadpur APMC.



BUDGET. Not much for farmers ANI

DIP IN RESEARCH FUNDS

Sadly, the allocation for department of Agricultural Research and Education has been decreased from ₹102.8 billion to ₹99.67 billion. There is a consensus that for higher productivity and climate resistant agriculture, much higher level of investment is needed in research.

In her Budget speech of 2024-25, the FM had mentioned that the government will conduct a detailed review of the agriculture research set-up. It was promised that funding will be provided in challenge mode by giving an opportunity to private sector also. It must be noted that private companies have contributed enormously to high yielding seeds to horticulture crops and even maize etc. It is not clearly known if the proposal has been taken forward.

It is good that the allocation for Pradhan Mantri Matsya Sampada Yojana (PMMSY) has been increased from ₹15 billion to ₹25 billion. It is in consonance with the Finance Minister's speech regarding marine goods.

Unlike in the Budgets of the previous years, no major announcement has been made regarding rural development. There is a passing mention of setting up of Self-Help Entrepreneur (SHE) Marts as community-owned retail outlets to provide marketing support to the enterprises promoted under the National Rural Livelihood Mission (NRLM). The overall allocation for rural development has been enhanced only marginally (by 2.63 per cent) from ₹2.66 trillion to ₹2.73 trillion.

₹956.92 billion has been allocated for newly announced the G Ram G. In addition, ₹30,000 crore has been provided under MGNREGA — presumably to square off the spill-over liabilities.

Outlays for the three other flagship schemes of rural development, namely, the Pradhan Mantri Gramin Sadak Yojana (PMGSY), NRLM, and Pradhan Mantri Awas Yojana (PMAY) have been retained almost at the same level as last year.

Rules for inter-state allocation of G RAM G scheme are yet to be framed. Hence, as of now, we do not know whether the allocation of the Central share of this this scheme would be fully spent since it is anticipated that a larger share might go to the States whose institutional capacity for spending under MGNREGA has been demonstrably poor.

All in all, the Budget gives an impression that agriculture and rural sectors have to wait for another day.

Hussain and Mohapatra were former Union Secretaries in the Ministries of Agriculture and Rural Development

businessline
bl.portfolio
03 Feb 2026

A credible Budget

Govt has prioritised reforms over populism



BUDGET. Long-term vision

ISTOCKPHOTO

ANANT GOENKA

The Budget 2026-27, against the backdrop of geopolitical tensions and fragmented trade flows, offers what markets and industry value most: stability, predictability, and credible reform.

Fiscal consolidation remains firmly on track, with the fiscal deficit projected at 4.3 per cent of GDP in FY27, consistent with the consolidation path announced in 2021-22. This disciplined approach has allowed India to sustain near-7 per cent growth while keeping inflation under control. Importantly, the emphasis is not merely on lowering deficits but on improving the quality of public spending, with capital expenditure continuing to anchor the growth strategy.

This Budget translates a long-term vision into granular, sector-specific action. The government frames its approach around the principle of *tri-kartavya* — accelerating growth, building people's capacities and ensuring inclusive development. This is underpinned by more than 350 reforms already implemented.

Public investment continues to play a catalytic role. Capital expenditure has been scaled up more than six-fold — from around ₹2 trillion in 2014-15 to ₹12.2 trillion in Budget Estimates for 2026–27 — supporting infrastructure creation, crowding in private investment and strengthening medium-term growth prospects.

Crucially, the infrastructure focus has evolved beyond highways to a more integrated logistics framework encompassing dedicated rail freight corridors, inland waterways and coastal shipping. The Coastal Cargo Promotion Scheme, which aims to raise the share of inland waterways and coastal shipping from 6 per cent to 12 per cent by 2047, reflects a long-term strategy to reduce logistics costs and enhance supply-chain resilience.

This national infrastructure push is complemented by a sharper focus on Tier II and Tier III cities. Through instruments such as InvITs and REITs, and institutions like NIIF and NABFID, infrastructure development is increasingly being channelled towards these regions. The City Economic Regions initiative — supported by an allocation of ₹5,000 crore per region over five years — marks a shift towards agglomeration-led development, recognising the economic potential of regional clusters, temple towns and emerging urban centres.

STRATEGIC SECTORS

On manufacturing, the focus on seven strategic and frontier sectors — particularly pharmaceuticals, semiconductors, electronics and rare earths — signals a clear intent to build domestic capabilities. Initiatives such as Biopharma Shakti and the expansion of semiconductor programmes position India not merely as a production base, but as a hub for research, innovation and high-value manufacturing. Building on the Rare Earth Permanent Magnets Scheme launched in November 2025, the Budget proposes dedicated Rare Earth Corridors in mineral-rich States, strengthening domestic capabilities and reducing import dependence in this strategically sensitive sector. At the same time, support for labour-intensive industries such as textiles and the revival of 200 legacy industrial clusters ensures that technological upgrading remains aligned with employment generation.

Growth is explicitly linked to social outcomes—whether through tourism-led employment, healthcare expansion or investments in education and skills. Sectors such as medical tourism, healthcare services and traditional wellness systems, including Ayurveda, are identified as areas where India enjoys a natural competitive advantage.

By prioritising reform over rhetoric and people over populism, the Budget strengthens the credibility of India's policy framework at a time when policy certainty is a scarce global commodity.

The writer is President, FICCI and Vice-Chairman, RPG Group

The next Crossword no 2609 will be published on Wednesday.

businessline
bl.portfolio
04 Feb 2026

Economy: Reading the fineprint

The upbeat tone of the Economic Survey cannot hide the contradictions and problems in the more detailed data provided

MACROSCAN.



CP CHANDRASHEKHAR, JAYATI GHOSH

It is probably only to be expected that the official account, in the Finance Ministry's just-released Economic Survey 2025-26, would be generally upbeat about the Indian economy and the current policy direction of the Modi government. We have also come to expect that data will be cherry-picked to provide the best and most optimistic outlook.

Yet, even within this document, it is possible to find intimations of the serious problems facing the economy, and the urgent need for a policy reset.

The most obvious question that emerges from the reading of the Survey is: if the economy is really doing so well and being so dynamic, why is private investment not increasing more? And why are both domestic and foreign investors choosing to put their funds abroad rather than investing in the country?

The Survey chooses to highlight recent increases in Gross Fixed Capital Formation (investment) that "indicate a strengthening of the investment cycle, supporting growth" (page 12). Yet even a slightly longer look would reveal a genuine weakness, particularly in private investment.

INVESTMENT BLUES

Figure 1 shows that there has been a decline in investment rates, which peaked at nearly 36 per cent of GDP in 2007-08, and that the rate stabilised, but did not recover to earlier levels, in the period after 2015. Indeed, the investment rate over the years of the UPA government (2004-25 to 2013-14) averaged at 34.3 per cent, whereas the average rate for the subsequent NDA government (2014-15 to 2023-24 — the latest year for which data are provided) was only 24.2 per cent. Significantly private investment did not recover, despite the many blandishments and incentives like the significant and unwarranted cut in corporate tax rates in 2019.

It could be argued that, notwithstanding high GDP growth rates, there was significant leakage abroad through imports. India's trade deficit has been rising significantly in absolute US dollar terms. Yet, as Figure 2 indicates, while imports as a share of GDP rose sharply in the UPA years, they have come down since and remain at much lower levels. It is also true that exports have declined and then stagnated relative to GDP — so they have not generated additional net demand from the trade sector.

KEY QUESTIONS

So what explains the sluggishness of domestic investment, especially private investment? A new set of "High Frequency Indicators" helpfully provided for the first time in the Survey can provide some clues. These are particularly important since it is now more widely acknowledged both inside and outside the country, that GDP itself is a problematic indicator of economic progress, but also India's GDP data are less reliable and more open to question.

Figures 3 and 4 show the movement of some of these indicators relative to real and nominal GDP, from 2019-20 onwards. (The numbers are calculated as annual averages from the monthly data provided in the Statistical Appendix of the Economic Survey.) The figures show the total change (in percentage terms) over the four years for which the data are available.

From Figure 3, we can see that both electricity consumption and rail freight volumes generally tracked GDP growth, showing if anything slightly higher increases. But the port cargo traffic increase was significantly lower, and domestic air freight traffic increased only marginally over the four-year period.

CHART 1

Declining trend

Investment rates (Gross fixed capital formation as % of GDP)

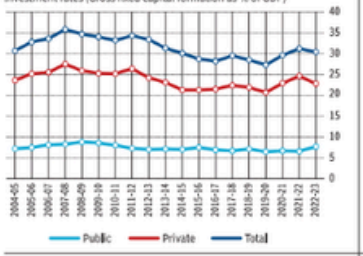


CHART 2

Trade profile

Exports and Imports as % of GDP



CHART 3

Rail surge

Real GDP growth and change in high frequency indicators, 2019-20 to 2024-25 (%)

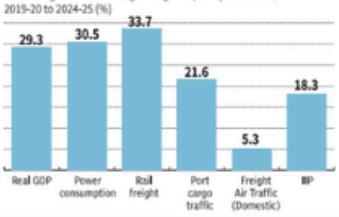
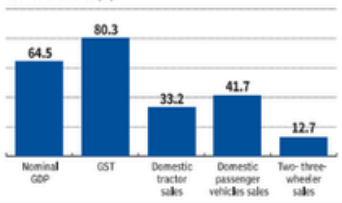


CHART 4

GST spike

Nominal GDP growth and change in high frequency indicators, 2019-20 to 2024-25 (%)

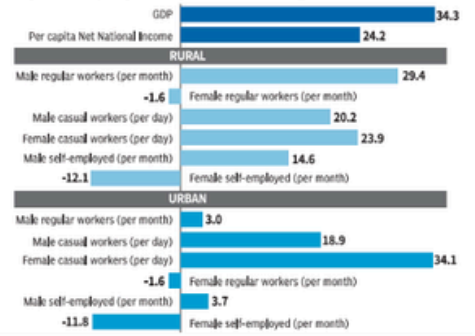


Source: ILO WESO update May 2025; World Bank WDI database

CHART 5

Wage profile

Change in real GDP, per capita net national income and real wage incomes, 2017-18 and 2023-24



The Index of Industrial Production (IIP) also grew much less than real GDP, suggesting a continued process of stalled industrialization or even deindustrialization in the economy, despite declared attempts to attract private corporate investment into manufacturing. (Note that the IIP shows a different trend than manufacturing or industrial GDP, which is overly influenced by the balance sheets of large corporate entities that account for only a fraction of total industrial activity in the economy.)

It is reasonable to expect that variables such as sales and GST collections will track nominal GDP, and that is examined in Figure 4. One striking point is how much greater the increase in GST has been, compared to nominal GDP. Since GST is an indirect tax that is inevitably much more regressive than direct taxes like income tax, this suggests that the fiscal policy has put a greater burden on the less well-off sections of the population and thus added to inequality.

The IIP also grew much less than real GDP, suggesting a continued process of stalled industrialization or even deindustrialization in the economy

CONSUMPTION DIP

Vehicle sales have clearly increased much less than nominal GDP. Tractor sales grew at around half the growth of nominal GDP, a further reflection of the relative weakness of agricultural incomes. Domestic passenger vehicles sales also increased much less, and it should be noted that the greater part of this was in the higher-end and luxury car segment.

This process of differentiation is further confirmed by the very low expansion of two- and three-wheeler sales over the past few years. Since these are the first personal vehicles typically purchased by those from lower income groups when they have the capacity to do so, this sluggish growth provides an important indication of the K-shaped nature of Indian economic growth.

More comprehensive confirmation of this growing inequality comes from data which are not provided by the Economic Survey, even though they are (still) available from official surveys — the trend in wage incomes. Figure 5 shows how the real GDP and real per capita national income increased over the period 2017-18 to 2023-24, along with data on wage and self-employed incomes in constant prices over the same period. The years are chosen because those are the years for which data from the Periodic Labour Force Surveys are available.

Figure 5 reveals beyond doubt that economic growth in India has been increasingly unequal, that wage incomes and incomes of the self-employed have not increased along with GDP growth. Female casual workers in rural areas are the only worker category for whom real wages have increased in tandem with GDP and slightly more than per capita NNI — but such workers comprise less than 8 per cent of those recognised as employed in rural areas, compared to around 18 per cent who get no remuneration at all, since they are described as "unpaid helpers in family enterprises".

Rural male regular workers are the other category whose wages showed broadly commensurate increases over this period, but even this is a very small proportion of rural male workers. Women workers in "regular" jobs experienced absolute declines in real wages on average.

In general, most wage increases were significantly below the increase in both aggregate and per capita national income over this period, indicating that overall wage income growth was well below the change in GDP. The most shocking pattern is evident for self-employed incomes, which declined significantly for women over the period. Even for self-employed men in rural areas, real incomes barely increased.

This explains what might otherwise appear to be a paradox: declining or stagnant mass consumption demand despite rising aggregate GDP. This inequality is not just a sad reflection on the Indian growth trajectory; it also helps to explain why private investment is lacklustre and mostly responds to government contracts rather than domestic mass demand. This also explains the employment crisis that is becoming more evident with every passing day.

This is the real problem that the Economic Survey should have identified, and that the Budget and other policies of the government should seek to address.

businessline
bl.portfolio





04 Feb 2026

Fair balance

16th Finance panel formula awards 'efficient' States

In its award for the sharing of tax resources for the 2026-31 period, the 16th Finance Commission has managed to strike a fair balance between rewarding equity and efficiency. It sought to address a longstanding grievance of the 'better performing' southern and western States by carving out a slightly larger share of the resource pie for them as a reward.



So, in the 'horizontal devolution' formula, equity parameters such as 'income distance' from the richer States and area have been pared, while contribution to GDP, introduced for the first time, has been accorded generous emphasis. As for 'vertical devolution', the 15th finance panel's formula of 41 per cent share of the divisible tax pool has been retained, but revenue deficit grants have been done away with, to boost fiscal rectitude. Grants to local bodies have been raised sharply. Arguing that the needs of States can be met by rationalising expenditure, the panel has said that unconditional cash transfers as well as financing of subsidies through off budget borrowings should stop. Therefore, the nearly ₹3 lakh crore grants awarded by the 15th finance panel to eliminate revenue deficit have been done away with. But grants to urban local bodies have nearly doubled to ₹9.47 lakh crore. Ideally, the ratio of finance-panel transfers to discretionary non-finance panel transfers should rise. An approach that pushes rights-based transfers with enforcement of fiscal discipline is the best one.

Southern States have been griping over successive finance panel awards. Their grouse is valid, but overstated. In their success, the labour from northern States has had a role to play. Nevertheless, the latest award does well to reward their governance without going overboard. In the horizontal sharing formula, the distance of the per capita income of a State from the average of the per capita incomes of the three richest States or 'income distance' has been accorded a weight of 42.5 per cent, against 45 per cent in the 15th panel award. In a notable perspective shift, the weight given to demographic performance has been reduced from 12.5 per cent to 10 per cent, taking into account the rising share of elderly population. This is a realistic course correction. As a result of these shifts, Karnataka, Kerala, Gujarat, Andhra Pradesh, Punjab and Haryana are the dominant gainers, while Bihar, Uttar Pradesh, West Bengal, Odisha and Madhya Pradesh have lost out. However, UP, Bihar, West Bengal, Madhya Pradesh get to keep the major chunk on account of poverty, area and population.

The latest award does not come down as harshly on cesses and surcharges as the previous ones. While urging the States to exercise fiscal discipline, the award should also have argued for a Central limit to cesses and surcharges, that erode the divisible pool. That would have seemed even-handed. But in all, the 16th finance panel formula does well to promote cooperative federalism.

businessline
bl.portfolio
05 Feb 2026

A deal sans details

Both India and the US are claiming victory

Sridhar Krishnaswami

The best thing about the trade deal between the US and India is that no one is sure of the details. As usual the announcement has brought forth the expected noise from government and opposition quarters in India; and upbeat tones from officials in Washington.

US President Donald Trump set the ball rolling on his Truth Social: tariffs on India is being brought down to 18 per cent from 50 per cent because New Delhi would stop buying Russian oil; tariffs and non-tariff barriers against American goods to zero.

But the punchline in Trump's Truth Social post was that Prime Minister Narendra Modi had committed to "BUY AMERICAN, at a much higher level, in addition to over US$ 500 BILLION DOLLARS of U.S. Energy, Technology, Agricultural, Coal and many other products. Our amazing relationship with India will be even stronger going forward". And in what must have given critics in India ammunition is the statement of US Secretary of Agriculture who said, "New US-India deal will export more American farm products to India's massive market, lifting prices and pumping cash into rural America", Brooke Rollins wrote on X.

"In 2024, America's agricultural trade deficit with India was $1.3 billion. India's growing population is an important market for American agricultural products, and today's deal will go a long way to reducing this deficit", the senior administration official maintained, blunting assertions in Indian official circles that somehow agriculture had been spared.

In what appeared to be high praise for the accord, Commerce Minister Piyush Goyal said, "It will protect the sensitive sectors — the interests of our agriculture and dairy sectors" going on to make the point that the agreement would open up huge opportunities for India's labour oriented and export sectors. "This is truly a deal every Indian can be proud of."

OPPOSITION IRE

But the political opposition did not buy into this positive spin. "The main thing is that our PM is compromised. The public needs to think about this. Narendra Modi ji has sold your hard work in this trade deal because he is compromised. He has sold the country," said Congress Party leader Rahul Gandhi. Analysts were reminding New Delhi that having to fork out 18 per cent in tariffs and in return agreeing for duty free on American products is nothing to rejoice about.



TRADE DEAL. The first step GETTY IMAGES

India came away with being better placed than Pakistan at 19 per cent and Bangladesh and Vietnam at 20 per cent. Of course China tops the Asian list at 31 per cent. Also it is being pointed out that clarity is needed if this 18 per cent is the last word on the subject or if this has to be added to the sector specific tax that is being levied by Washington on certain products.

The confusion over the purchase of Russian oil is likely to continue for sometime for questions will arise if stopping purchase by India "immediately" is putting the brakes now or at the end of the existing contracts period. A question further arises if "purchase" is not permitted from all Russian outlets or just from the sanctioned ones. And in the context of India holding out the promise of $500 billion purchase from the US, the question of a time frame arises: New Delhi's global import bill in 2025 is estimated at $750 billion; and US exports are expected to be a little over $42 billion. A 12-fold increase in American exports will be seen as too optimistic or wishful thinking.

Undoubtedly the lowering of political temperature between the US and India augurs well not only for bilateral relations but also for the Indo-Pacific and the world at large. But there is no guarantee that tariffs will not raise its head again. It is Russia today; perhaps BRICS tomorrow. Or a sober reminder that a 500 per cent tariff bill with the full blessings of Trump is pending in the US Senate.

The writer is a senior journalist who has reported from Washington DC on North America and United Nations

businessline
bl.portfolio
05 Feb 2026



CKG NAIR
V SHUNMUGAM



Cooling speculation, ignoring ownership

TRADING BLUES. The Budget's hike in STT penalises long-term household investors more than short-term speculative traders

The Budget 2026-27 did not feature any headline-grabbing reform announcements for the capital markets. Predictably, the initial market response was disappointed, indicating the desire for more substantial reform. However, the core question is not whether the Budget lacks dramatic measures, but whether it effectively enhances incentives for long-term capital accumulation rather than just controlling excesses at the margin.

India's capital markets have clearly matured, with increased retail participation, stabilised systematic investment plan flows, and a steady shift of household savings from bank deposits to market-linked instruments. Nonetheless, this progress is not yet complete.

Trading volumes, leverage, and speculative trading still outweigh genuine equity ownership. The Budget subtly recognises this imbalance, but its response falls short.

SPOT-DERIVATIVES IMBALANCE

The most visible intervention is in raising the Securities Transaction Tax (STT) on derivatives. Increasing STT on futures and options aims to curb speculative activity, especially amid high retail involvement and increasing leverage. From a financial stability standpoint, this measure is justified. Derivative trading, driven more by momentum than hedging, can increase volatility without strengthening capital formation.

However, this correction only tackles one aspect of the imbalance. Although derivatives have become costlier, cost on equity cash market, which supports long-term ownership, has not fallen. STT on delivery-based equity trades remains the same and is applied equally at both entry and exit, regardless of holding duration or investment goal. Consequently, a structural bias that favours frequent trading over lasting ownership persists.

This asymmetry is significant. A household investor purchasing shares to build long-term wealth pays more transaction tax than a short-term trader, who also does so in leveraged derivatives, despite their fundamentally different economic roles. Delivery-based equity investing provides patient risk capital, encourages new listings, enhances corporate balance sheets, and stabilises price discovery.

In contrast, leveraged trading, which is useful for liquidity and hedging, does not perform the same developmental functions. When the system rewards financial engineering over straightforward ownership, behaviour predictably follows incentives, not intent.

REDESIGN SECURITIES TAXATION

Globally, capital market policy distinguishes clearly between speculation and investment. Long-term ownership is typically encouraged through lower transaction costs, tax deferrals, or preferential treatment, while leveraged activity carries higher friction. India's current STT framework blurs this distinction. The Budget's decision to raise derivative STT without addressing equity cash transactions corrects excess at the top, but does little to reward behaviour at the base.

The same incompleteness is visible in the treatment of long-term capital gains. While stability in capital gains taxation is welcome, stability alone is not reform. India continues to tax long-term equity gains in a manner that is neither especially competitive nor clearly aligned with its goal of deepening equity ownership. For a market seeking to channel household savings into productive enterprises, the absence of incentives for longer holding periods remains a gap.

The Budget's decision to raise derivative STT without addressing equity cash transactions corrects excess at the top, but does little to reward behaviour at the base

This matters even more in light of the policy emphasis on moving savings out of bank deposits into markets and market-based instruments. Deposits offer certainty, simplicity, and low friction. Markets, by contrast, demand risk tolerance and long-term commitment. If transaction costs and exit taxes remain relatively high for delivery-based equity, households will continue to gravitate toward products that offer leverage, optionality, or short-term gains —ironically, the very behaviour regulators seek to restrain.

The Budget makes positive advances in other areas. Measures to strengthen corporate bond markets, promote market-making, and expand municipal bond issuance, are all part of a broader effort to diversify financing through markets. Over time, these steps can reduce reliance on bank credit and expand investment options for institutions and households. However, their effects will be slow and indirect.

What is needed is a clear move from simply cooling speculation to actively incentivising ownership. If STT is to continue as a policy tool, it should be restructured to better reflect its purpose. Delivery-based equity transactions could be taxed at significantly lower rates than derivatives, or taxed only upon exit. Another option is to explicitly exempt delivery-based trades, offsetting this by raising levies on leveraged products. This strategy would better align transaction costs with economic purpose.

Similarly, policy on long-term capital gains should explicitly promote the importance of holding duration. Reduced rates for extended holding periods or indexation benefits that incentivise patience would reinforce the idea that equity ownership is not merely accepted but actively supported.

Such changes would not threaten market stability; instead, they would strengthen it by encouraging fundamental-based participation rather than momentum trading.

RIGHT DIRECTION; INCOMPLETE JOURNEY

Budget 2026-27 signals caution and stability while resisting excessive leverage. However, capital market reforms must go beyond mere restraint. India's growth relies on markets that incentivise ownership and curb speculation simultaneously.

Until tax and transaction policies distinguish between these, transition from trading to investing will stay unfinished. The Budget provides a direction but stops short of completing the journey.

Nair is former Director, National Institute of Securities Markets; Shunmugam is Partner, MCQube

businessline
bl.portfolio
05 Feb 2026





Tariff cheer

But nothing is final until the agreement is signed

After months of uncertainty, there appears to be good news on the India-US trade front. US President Donald Trump has announced that tariffs on Indian goods will be lowered from 50 per cent to 18 per cent, a pronouncement acknowledged by Prime Minister Narendra Modi.



This could materially enhance the competitiveness of Indian exports in the US market and put India in a better position *vis-à-vis* its regional competitors such as Bangladesh, Vietnam, Sri Lanka and Pakistan, all of whom face US tariff rates of 19-20 per cent; the new rate is also far below China's tariff level of 34-37 per cent. Yet, the real situation is far from clear. First, there is no indication that the new tariff levels are coming into effect immediately. India has since asserted that the details of the deal must still be worked out by negotiating teams and embodied in a joint statement that would then be formally signed. Consequently, the timing and mechanics of any tariff reduction remain undefined. Second, Trump's claim that India has agreed to significantly open market access for US agricultural goods, has been disputed. Commerce Minister Piyush Goyal underlined that agriculture and dairy are protected in the emerging deal. However, within hours of Goyal's statement, White House officials repeated the claim that India has agreed to greater access for US farm exports. This contradiction underscores the need for a formal joint statement that would clarify what has and has not been conceded.

Third, Trump's unilateral declaration that India has agreed to stop buying Russian oil as part of the *quid-pro-quo* for lower tariffs flies in the face of the reality that India's oil imports from Russia are unlikely to come to a complete halt any time soon. Although gradually coming down, the Russian oil imports to India are still steady at 1.1-1.3 million barrels per day. News reports quote unnamed government sources to argue that India will continue to import from non-sanctioned Russian entities. But uncertainty persists about whether India has surrendered autonomy in this important strategic decision. Fourth, there is no confirmation from India that it has agreed to reduce tariff and non-tariff barriers against the US to zero and committed to buying $500 billion worth of American goods as Trump has claimed. Indian government sources have suggested American buys of $500 billion could be staggered over a five-year period. This deserves clarification as well, especially since India's total import basket from the US remains at about $45 billion at present.

Clarity is required in this hodgepodge of assertions, counter-assertions and hearsay. Tariff cuts are welcome news but businesses need to know not just that tariffs will fall, but when, because contracts, pricing and supply chains are negotiated months in advance. Until the text is on paper and signed, uncertainty will continue to weigh on the very businesses that this purported deal is meant to help. A social media post and hurried official clarifications are not a substitute for a formal treaty text. As the slang goes, 'It ain't over till the fat lady sings'!

businessline
bl.portfolio



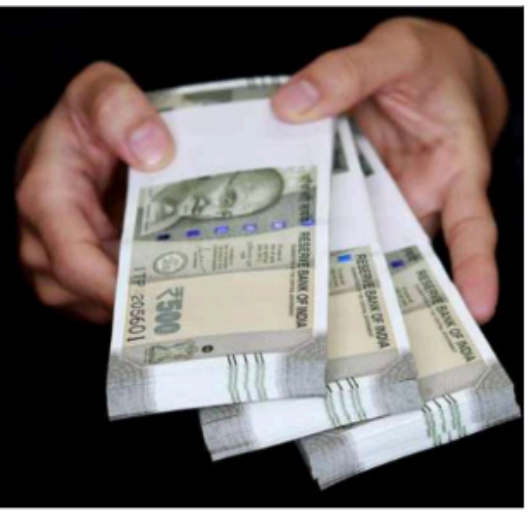


05 Feb 2026

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Budget borrowing casts a shadow on rate transmission

DISCONNECT. The surge in govt borrowing is likely to put further pressure on liquidity and push up interest rates at a time when the RBI is trying to stimulate the economy





SAUMITRA BHADURI
SHUBHAM ANAND

Budget 2026 has put borrowing concerns front and centre for India's financial markets. The government's plan to raise ₹17.2 lakh crore through dated securities this fiscal is higher than expected, immediately raising flags for investors and policymakers alike.

Such elevated borrowing is set to weigh heavily on the bond market, with analysts warning that it could push 10-year Government Security (G-Sec) yields by another 5-10 basis points (bps), further tightening financial conditions at a time when the RBI is trying to stimulate the economy.

This surge in government borrowing comes on top of already challenging market dynamics. Central banking theory suggests a simple chain reaction: when the RBI cuts the policy repo rate, banks' funding costs should fall, government bond yields should drop, and borrowing should become cheaper for businesses and households. Over the past year, the RBI has delivered a cumulative 125 bps in rate cuts since early 2025 to counter slowing GDP growth.

Yet, has this approach worked as expected? Surprisingly, the answer is no. Instead of falling, both short-term and long-term interest rates have risen, with long-term rates outpacing short-term rates. More recently, the G-sec yield spiked to an 11-month high of 6.72 per cent, prompting the RBI to advance its open market operation (OMO) purchase auctions and infuse ₹1 lakh crore in liquidity earlier than planned. This steepening of the yield curve — where long-term rates rise faster than short-term rates — signals a breakdown in monetary transmission. The RBI is trying to stimulate the economy, but the bond market is tightening financial conditions by demanding higher yields for long-term lending.

RISING SHORT-TERM RATES

The disconnect is not just limited to long-term yields. Short-term borrowing costs have also surged. For instance, commercial paper rates jumped from 9.71 per cent in November to 13.35 per cent by the end of December, while certificates of deposit rates rose from 6.46 per cent to 6.87 per cent. This situation has become more acute as the banking system's liquidity surplus shrank to just ₹0.57 lakh crore by late January — well below the usual comfort range of ₹1.5-2 lakh crore.

What explains this sharp rise? Well, persistent tight liquidity is the culprit. System liquidity turned deficit in December and has only managed a tight surplus in January. Subdued government spending, sustained foreign exchange market intervention, and a pick-up in credit demand have all contributed.

At the heart of the problem is the imbalance between credit and deposit growth. As of December 31, the credit-to-deposit ratio hit a record 81.75 per cent, with credit growing at 14.5 per cent year-on-year and deposits at just 12.7 per cent. This implies that banks are forced to compete aggressively for deposits, leaving little excess capital for government securities and pushing up short-term rates, even as the RBI attempts to ease conditions.

The overall interest rate environment could become less accommodative, especially for corporates and sub-sovereign entities, as the market digests the larger supply of bonds

Will more RBI liquidity infusions solve the problem? Temporarily, yes, but these measures alone cannot restore transmission unless deposit mobilisation improves. The race for deposits is intensifying, and without more savings, pressure on short-term rates will persist. Therefore, liquidity support can only provide temporary relief unless underlying deposit growth strengthens.

GOVERNMENT BORROWINGS

Borrowing pressures are not just limited to the Centre. States and UTs plan to borrow about ₹5 lakh crore in Q4 FY26, much higher than in previous quarters. This surge will likely push up State Development Loan (SDL) yields by 10-15 bps and may lift corporate bond yields as investors reassess risk and return across the credit spectrum. Does this mean additional pressure? While G-Secs are relatively more insulated due to their benchmark status and broader investor base, they are not immune.

The overall interest rate environment could become less accommodative, especially for corporates and sub-sovereign entities, as the market digests the larger supply of bonds. Elevated supply from States and UTs can complicate monetary transmission and challenge the effectiveness of rate cuts in lowering borrowing costs for the broader economy.

GLOBAL FORCES

The challenges do not end with domestic liquidity and borrowing. External factors have further complicated the picture. The rupee's weakness, uncertainty over the India-US trade deal, and Bloomberg's decision to delay the inclusion of Indian bonds in its Global Aggregate Index have all contributed to market jitters. Indian yields are also influenced by global trends, particularly US Treasury yields. Despite the US Fed's own pivot, US 10-year yields have remained above 4.2 per cent due to concerns over US fiscal deficits. Foreign portfolio investors demand a spread of at least 300-350 bps over US Treasuries to compensate for currency risk and emerging market volatility. To prevent further capital outflows, market forces have kept Indian 10-year yields elevated.

Is there more to the story? One can argue that long-term yields are rising due to inflation expectations or fiscal slippage, not a transmission breakdown. The evidence, however, points to a complex interplay: liquidity constraints, deposit competition, government borrowing, and global risk premiums all contribute. Both cyclical and structural factors are at work, but the persistence of these pressures suggests its mainly structural.

WAY FORWARD

What should be the next steps? Liquidity infusions and OMOs can provide short-term relief, but they cannot substitute for stronger deposit growth, more disciplined government borrowing, and credible inflation management. The RBI should continue to support liquidity and encourage banks to mobilise deposits more aggressively. Fiscal discipline by the government is a prerequisite, and borrowing needs must be contained to ease pressure on the bond market. Only with such coordinated and sustained efforts can monetary transmission be restored, and policy rate cuts translate into lower borrowing costs for the economy.

Bhaduri is Professor, and Anand is PhD Scholar, Madras School of Economics, Chennai

businessline
bl.portfolio
06 Feb 2026

Bharat Vistaar's potential

Making digital advisories work for the farmers

Kushankur Dey

The 'Bharat-Vistaar', a virtually integrated system to access agricultural resources, announced in the Budget, is a timely leap in shaping the digital agriculture trajectory.

India AI, government initiative, has revealed that the global AI in agriculture market is projected to grow to $4.7 billion by 2028 from $1.7 billion in 2023, a CAGR of 23.1 per cent.

Digital advisory services powered by AI strengthen farmer decision-making and enhance farm productivity by blending insights of supervised language models with the scientific advisory of the agricultural research and extension system.

The Finance Minister made it clear that Vistaar will be an open, federated, multilingual AI platform that will allow farmers to access real-time data, and seamlessly track various government schemes, thereby reducing farming risks.

However, a few policy issues, regarding the framework or design principles to be used to develop the 'Vistaar' platform remain. How will it differ from conventional platforms that offer plain-vanilla and customised digital advisory services, and what checks and balances will the government adopt to maintain service quality?

To curate the Vistaar platform, an inclusive multi-stakeholder pathway for the accelerated convergence of AI technologies (IMPACT) can be adopted. Here are some guiding principles to ensure the responsible use of AI in businesses, which apply to agriculture.

First, prioritising farmers' interests and safety must be considered in AI-enabled large language models. 'Do no harm' principle must guide 'Vistaar' platform development as FaaS.

Second, a risk-based regulatory architecture must be framed, with self-regulation as the standard, except in sensitive areas where strict oversight is required to ring-fence farmers from misuse of their data.

Third, the AI ecosystem needs facilitation, with Central/State governments acting as enablers by enacting legislation, implementing policies, and providing data access.

Fourth, catalysing AI adoption among different categories of farmers requires consideration of their socio-cultural and economic factors, and impact evaluation of digital agriculture projects nudging farmers' decision-making and the benefits they realise from using timely digital advisories.



AGRI OPS. Digital push PTI

A transparent and robust supervised AI system must be in place to enhance trust and reciprocity between farmers and the AI chatbot.

POLICY SUGGESTIONS

The Centre has already employed AI and IoT-enabled systems to improve crop productivity and farmer livelihoods. However, a concerted effort is needed to understand the digital agri-market and to plug the supply-and-demand gap by linking farmers to AI-chatbot-enabled 'smart' and authentic digital services.

Thus, Vistaar should be developed as a hyper-local platform that on-boards complementers to develop agroecology-mapped solutions and disseminates packaged multilingual crop advisory services to farmers. In this regard, the network of agricultural extension, such as ATMA, must be appropriately leveraged.

Though ₹150 crore was allocated to Vistaar for the first year, it could converge with the digital farm mission project unveiled in 2024-25, which includes the two pillars: Agri-stack and the Krishi decision support system. The impact of the foundational pillars on digital crop survey and crop loss assessment, and on credit offtake and farm income support, should be assessed using the Vistaar platform. To improve the effectiveness and equitable access of AI-enabled advisory services, model training with reliable big data is needed. Additionally, village-level entrepreneurs or farmer producer organisations (FPOs) and the extension wing of state agricultural universities must be roped in to assess the authenticity of advisory services.

The writer is Associate Professor, IIM Lucknow. Views expressed are personal

businessline
bl.portfolio
06 Feb 2026

Don't neglect higher education

AGE FACTOR. States with a high share of youth tend to spend less on higher education, nullifying their demographic dividend



ANAJALIKRISHNA SUDHAKARAN
ASWATHY RACHEL VARUGHESE

India's demographic dividend is often presented as a national asset that can propel growth for decades. The RBI's latest State Finances report urges us to look beyond this optimism.

By classifying States into youthful, intermediate and ageing categories and mapping their fiscal behaviour, the report reveals an uncomfortable truth. While demographic transitions differ sharply across States, education spending responses do not. Worse, where spending does respond to demography, it does so in ways that may weaken, rather than strengthen, the demographic dividend.

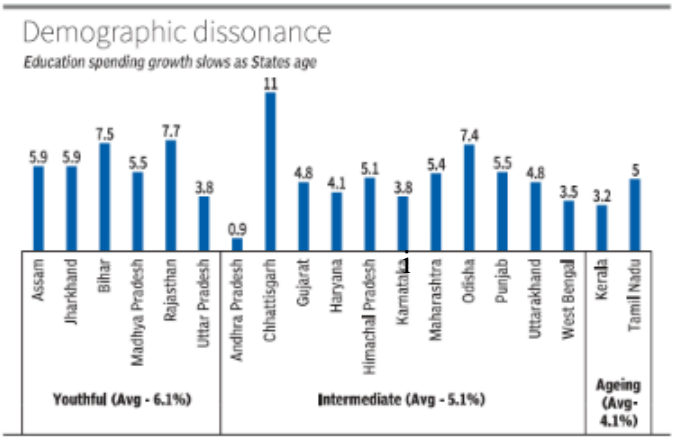
MANY TRANSITIONS

The RBI groups States based on the share of population aged 60 and above as youthful States (below 10 per cent), intermediate States (10-15 per cent), and ageing States (above 15 per cent). Kerala and Tamil Nadu have already crossed into the ageing category, and by 2036 more than half of India's States are projected to follow.

In contrary, States such as Bihar, Uttar Pradesh, Madhya Pradesh and Jharkhand will remain youthful for much longer, supplying labour to the national economy well into the 2040s.

This staggered transition should ideally result in differentiated fiscal strategies. Youthful States need to invest aggressively in human capital to absorb future labour market entrants, while ageing States must balance social security needs with productivity-enhancing expenditure. Yet the data show a convergence in one critical respect that education is steadily losing fiscal priority across all demographic cohorts.

The first warning signal emerges from the growth rate of education expenditure itself. Average y-o-y education spending is highest in youthful States at about 6.1 per cent, declines to 5.1 per cent in intermediate States, and falls further to around 4.1 per cent in ageing States during (2014-2024). Individual States, Rajasthan among youthful States, Chhattisgarh among intermediate States, and Tamil Nadu among ageing States do not alter the broader pattern. Education spending growth slows broadly in line with demographic ageing.



As States age, pension and healthcare obligations rise, compressing discretionary spending. However, this logic ignores a crucial point — demographic ageing does not reduce the need for education rather it changes its nature.

Slower education spending in ageing States risks undermining productivity gains needed to offset labour shortages. More critically, this deceleration sets a benchmark that even youthful States appear to follow.

The real problem lies in what States spend on. If slowing growth were the only issue, it might still be manageable. The deeper concern lies in the composition of education expenditure.

Across all demographic groups, school education overwhelmingly dominates State education budgets. On average, nearly 87 per cent of education expenditure in youthful States is devoted to school education, leaving just over 11 per cent for higher education. Intermediate States show a similar pattern, with around 86 per cent for school education and less than 12 per cent for higher education. Even in ageing States, where higher education shares are marginally better, school education still absorbs about 80 per cent of the total.

A few States, Kerala, Jharkhand and Haryana allocate relatively higher shares to higher education, but these remain exceptions. Even States with the largest and longest demographic dividends are not prioritising higher education.

If slowing growth were the only issue, it might still be manageable. The deeper concern lies in the composition of education expenditure

HIGHER EDUCATION VITAL

This imbalance matters because labour markets reward skills, credentials and adaptability far more than years of schooling alone. School education builds foundational capabilities, but higher education and advanced skilling determine employability, productivity and innovation. Expanding school enrolment without commensurate investment in universities, technical institutions and research systems creates a bottleneck at the point of labour market entry.

International experience reinforces this concern. Economies in East Asia that successfully converted their demographic dividends into sustained growth combined universal schooling with strong investments in tertiary education, vocational training and research. India, by contrast, spends roughly 85 per cent of its education budget on school education and barely 11 per cent on higher education.

The irony is that youthful States are not fiscally helpless. Many of them enjoy better revenue mobilisation and lower committed expenditure ratios than ageing States. In principle, this provides greater fiscal headroom to invest in higher education.

Yet education's share within social sector expenditure has declined even in these States, as budgets tilt towards subsidies, transfers and urban services. The result is a strategic neglect of higher education at precisely the moment when these States should be expanding capacity to absorb millions of future workers. The cost of this neglect will surface elsewhere in educated unemployment, informality, migration distress and eventually weaker tax buoyancy.

Intermediate States face a narrowing demographic window. They must simultaneously prepare for ageing while still investing in growth. If higher education is postponed during this phase, the opportunity to reap productivity gains may be lost permanently.

Ageing States confront a different trap. Rising pension and healthcare obligations, clearly documented in the State Finances report, compress discretionary spending.

However, cutting back on higher education and research undermines productivity growth, which is essential to sustain revenues with a shrinking workforce.

Healthy ageing, longer working lives and the emergence of a 'silver economy' all depend on continuous skill upgrading.

BEYOND DEFICITS

One reason level-wise education spending receives limited attention is institutional and political. School education is visible and decentralised, while higher education is complex, capital-intensive and slower to yield results. Its returns accrue over time and across jurisdictions, making it vulnerable in a fiscal discourse dominated by short-term deficit and debt metrics.

Youthful States must ring-fence and expand higher education spending. Intermediate States must rebalance before ageing pressures harden. Ageing States need efficiency gains and revenue reforms to prevent pensions from crowding out human capital investment.

WAY FORWARD

Ageing is already slowing education spending. Youthful States, instead of compensating, are neglecting higher education. Together, these trends risk squandering India's demographic dividend.

A demographic dividend without higher education is a wasting asset. The fiscal bill lower growth, weaker revenues and higher welfare dependence will arrive with a lag, but it will arrive nonetheless.

If demographic change is destiny, then education policy, especially at the higher level, is the instrument through which States can shape that destiny rather than merely react to it.

Sudhakaran is a PhD. Scholar; Varughese is an Assistant Professor, Gulati Institute of Finance and Taxation, Thiruvananthapuram

businessline
bl.portfolio





06 Feb 2026

EU unfreezes US trade deal after Trump's Greenland u-turn

Jorge Valero

The European Parliament has agreed to restart the ratification process of a frozen trade deal with the US after US President Donald Trump walked back his threats to seize Greenland. EU lawmakers on the trade committee made the move on Wednesday, rescheduling a cancelled committee vote to adopt the European Union's trade pact with the US, which was struck last summer but never fully implemented. The vote could take place on February 24, committee chair Bernd Lange said on X.

The decision does not guarantee easy passage for the free-trade agreement. There are still prominent EU lawmakers expressing scepticism. If the deal gets committee sign off, it would then face a full Parliament vote.

Within minutes of Wednesday's announcement, Parliament's second-largest group, the centre-left Socialists and Democrats, vowed to not support the deal unless it includes a clause suspending the agreement if the US threatens EU sovereignty.

"We will not rubber-stamp any deal," Lange said in a statement. "We still have negotiations ahead of us to improve it."

IN FAVOUR OF DEAL

Conversely, Parliament's largest group, the centre-right European People's Party came out emphatically in favour of the deal, arguing that continuing to block it would only pile more costs on EU businesses.

"Our businesses cannot wait, and neither can our economy," said Zeljana Zovko, the group's lead EU lawmaker on US trade relations, in a statement. "We must move forward now."

The EU-US trade pact was put on pause last month, with EU lawmakers citing Trump's "coercive" actions over Greenland, a Danish territory.



EU-US TRADE DEAL. Has faced a rocky path in European Parliament REUTERS

But after Trump retracted his vow to hit European countries with tariffs until they ceded the Arctic island, European Parliament President Roberta Metsola said she wanted to resume the approval process. The trade deal was initially clinched last July. The EU agreed to remove nearly all tariffs on American products, while accepting a 15 per cent duty on most exports to the US and a 50 per cent levy on steel and aluminium.

The imbalanced accord prompted criticism in Europe, but EU officials and numerous leaders defended it as a way to stabilise the relationship with the bloc's largest trading partner. The EU was also hoping to keep Trump on its side in Ukraine.

Even before Trump's Greenland tariff threat, the EU-US trade deal faced a rocky path in the European Parliament. A group of EU lawmakers opposed the deal from the start, and criticism mounted after the US extended its 50 per cent metals tariff to hundreds of additional products. The US then demanded changes to EU tech rules in exchange for rolling back the expanded tariffs, drawing further ire from opponents. BLOOMBERG

businessline
bl.portfolio
06 Feb 2026

Reality check

CPI overhaul will result in contemporary inflation numbers

There has been criticism that the official CPI (Consumer Price Index) inflation readings are divorced from reality. One key reason for this is the outdated base year of 2011-12, leading to a disconnect between the CPI basket and current household spending patterns. An Expert Group has now come up with detailed recommendations for an overhaul of the basket.



The group has suggested much-needed updates to sources, data collection and measurement methods as well. These will lead to the CPI better reflecting the lived experience of households, and hopefully, lead to better policymaking. The immediate impact of using the latest Household Consumption Expenditure Survey (HCES) data to revise CPI, will be a reduction in the combined weight of food items in it and increase in the services contribution. SBI Research estimates that food weights in CPI will fall from over 45 per cent to less than 37 per cent and clothing and footwear from 6.5 per cent to 6.3 per cent. Housing, water and utilities will gain weight (16.9 to 17.7 per cent), as will transport/communication (8.6 to 12.4 per cent) and recreation (1.7 to 4.9 per cent). But whether the latest HCES has accurately captured spends on health (weight up from 5.9 to 6.1 per cent) and education (weight down from 4.5 to 3.3 per cent) remains a question. Lower weight to food items is likely to reduce volatility in monthly CPI prints, while the higher services component could lead to higher inflation prints.

Several methodological changes will lead to a broader base of data. The new CPI will be based on a fresh survey to identify the most popular markets and shops today. The sample size will feature 358 items instead of 288 and price data will be compiled from 1,465 rural markets and 1,395 urban markets, in place of 1,181 and 1,114 so far. Manual collection and recording of data using pen and paper, will be replaced by tablet-assisted interviews. Classification of items will be harmonised in line with global standards. A key missing piece in the current CPI is incomplete data on house rent. Presently, rent data is only collected from urban centres. In the new series, it will be collected both from urban and rural areas. With rapid digital adoption, online platforms are now an integral part of shopping habits. The new series will collect price data not just from brick-and-mortar shops, but also online platforms. Prices of key services such as OTT streaming platforms and broadband charges will be collected for CPI.

Gold and silver have been among the most contentious components of CPI. The new series tries to standardise their price capture by defining certain standard pieces of jewellery. But it is moot whether gold and silver, which are treated more as assets than as consumption items, should even find place in CPI. Overall, the overhaul of CPI on these lines may usher in greater stability and predictability to official inflation numbers. This will aid better monetary policy making and more realistic Dearness Allowance revisions for employees.

businessline
bl.portfolio
06 Feb 2026



SANKALPA BHATTACHARJEE
AMARENDU NANDY

Does fiscal consolidation rest on firm ground?



PATHWAY. The Budget looks to achieve consolidation by postponing investment in human capital, weakening the very growth base on which durable fiscal sustainability rests

GETTY IMAGES

Fiscal consolidation is a widely accepted objective of macroeconomic policy, especially in an environment of elevated public debt and heightened global uncertainty. A credible consolidation path can strengthen macroeconomic stability by anchoring expectations and preserving debt sustainability. Budget 2026 signals this intent. A fiscal deficit of 4.3 per cent of GDP, a steady commitment to public capital expenditure, and a projected decline in the debt-to-GDP ratio to 55.6 per cent all point to an attempt to rebuild fiscal space after the extraordinary expansion of the pandemic years.

Whether this consolidation plan ultimately proves effective will depend not only on numerical targets but on the composition, financing, and durability of fiscal adjustment. On current evidence, Budget 2026 appears to rest on a more fragile foundation than what the headline numbers imply.

First, if we look at the details of the government's finances in FY27, revenue receipts are budgeted at approximately ₹35.33 lakh crore, while revenue expenditure is estimated at around ₹41.25 lakh crore, implying a revenue deficit of nearly ₹5.92 lakh crore (around 1.5 per cent of GDP). This suggests that a substantial share of government borrowing therefore continues to finance routine consumption — salaries, pensions, and subsidies — rather than asset creation. Although capital expenditure is budgeted at ₹12.22 lakh crore (around 3.1 per cent of GDP), it is partly debt-financed as the revenues do not cover spending. In this sense, the headline fiscal deficit understates the extent to which borrowing supports non-productive expenditure.

Second, fiscal consolidation is increasingly constrained by the arithmetic of past debt. In FY27, interest payments are budgeted at ₹14.03 lakh crore, amounting to nearly 26.3 per cent of central expenditure and absorbing around 40 per cent of revenue receipts. This implies that a substantial share of government revenues is pre-committed to debt servicing. With revenues insufficient to cover interest obligations on their own, adjustment is likely to happen through compression of discretionary spending rather than through a reconfiguration of the expenditure or revenue base.

QUALITY OF CONSOLIDATION

Third, the composition of revenues places further limits on the quality of consolidation. Gross tax collections are projected at about ₹44 lakh crore, but after statutory devolution to States, net tax revenues fall to roughly ₹28.7 lakh crore, accounting for over 80 per cent of total revenue receipts. The effective tax base remains narrow, with collections concentrated in personal income tax and GST, leaving revenues acutely exposed to cyclical fluctuations. Non-tax revenues, budgeted at around ₹6.7 lakh crore (about 19 per cent of total revenue receipts), are increasingly drawn from dividends and profits from public sector enterprises and the RBI, indicating an over-dependence on contingent inflows.

Fourth, the growing reliance on RBI surplus transfers highlights this vulnerability. In recent years, exceptionally large transfers (₹2.69 lakh crore in dividends in FY25) have played a significant role in compressing the revenue deficit and containing borrowing. While such transfers are institutionally legitimate, they are inherently contingent on financial market conditions and the central bank's balance sheet. Treating these windfalls as quasi-structural revenues risks obscuring underlying fiscal weaknesses and introduces an element of balance-sheet dependence into fiscal planning.

Non-tax revenues are increasingly drawn from dividends and profits from public sector enterprises and the RBI, indicating an over-dependence on contingent inflows

Public capital expenditure is meant to be the growth offset to these constraints, and it remains the centrepiece of the Budget's economic narrative. Although capital outlays have increased substantially in absolute terms, as a share of GDP, they remain broadly flat at 3.1 per cent, unchanged from the revised estimates for FY26. In an economy marked by underemployment and hesitant private investment, the growth multipliers from public capex cannot be assumed to rise indefinitely, especially in the absence of complementary institutional reforms and credible demand expansion.

HUMAN DEVELOPMENT

Fifth, the trade-offs become clearer when one turns to human development. Union expenditure on health in FY27 is budgeted at approximately ₹1.06 lakh crore (or about 0.27 per cent of GDP). Even after including State spending, total public health expenditure remains less than 1.4 per cent of GDP, well below the 2.5 per cent target set by the National Health Policy. Union expenditure on education stands at around ₹1.39 lakh crore (approximately 0.35 per cent of GDP), while combined public spending is between 4.1-4.6 per cent of GDP, far short of the 6 per cent benchmark reiterated in the National Education Policy. With consumer inflation moderating to 4.5-5 per cent over the past two years, nominal increases essentially serve to preserve real spending levels rather than expand them. In effect, consolidation is being achieved by postponing investment in human capital, weakening the very growth base on which durable fiscal sustainability rests.

The projected decline in the debt-to-GDP ratio to 55.6 per cent is therefore best read as a necessary but insufficient condition for fiscal sustainability. Debt levels depend not only on deficit compression, but on the quality of growth that fiscal policy enables. Consolidation built on restrained social spending and reliance on contingent revenues may stabilise ratios in the short run, but without deeper investments in human capital and revenue capacity, it remains exposed to the very growth slowdowns it seeks to guard against.

The writers are faculty members in the Economics & Public Policy Area at IIM Ranchi. Views are personal

businessline
bl.portfolio
06 Feb 2026

16th finance panel rewards performance

Formula tweaks will benefit southern States, but Commission could have pushed harder for fiscal reforms

Govind Bhattacharjee

Finance Commission recommendations are based on the three principles of equity, equalisation and efficiency. The last two FCs added a fourth: environment, while overlooking efficiency.

The 16th FC brought back the focus on efficiency, and introduced for the first time a new parameter to measure this in the form of a State's contribution to the national GDP, and assigning 10 per cent weightage to this parameter. Obviously, the southern States, which had lost their shares due to the population base getting changed from 1971 to 2011 from the 15th FC, would be more than compensated for by this change. Indeed, the 16th FC did not alter any other parameter radically, except redefining and making minor adjustments in some, but it corrected the aberrations introduced by the 15th FC in the transfer formula which now seems more legitimate.

The vertical devolution, the share of divisible pool to be shared with the States, has remained unchanged at 41 per cent — but the weightage on parameters to determine the *inter se* share of the States in the horizontal devolution has undergone some changes. While the weightage on a State's share of 2011 population has increased to 17.5 per cent from the current 15 per cent recommended by the 15th FC, that on the share of a State's area has decreased from 15 per cent to 10 per cent now. Weightage of the equalising parameter, income distance — that is, the distance of per capita income of a State (average of three years) from the average of the three highest per capita income States — has been reduced marginally to 42.5 per cent from 45 per cent.

CHANGING PARAMETERS

The 16th FC has also expanded the definition of the lone environmental parameter, that is, forest cover, by adding open forests with a canopy density of 10-40 per cent to the earlier definition of medium and dense forest covers with higher canopy densities. Additionally, it has also rewarded the States for increasing their shares of forest areas between 2015 and 2023. The share of a State is now calculated by assigning 80 per cent weightage to its share of national forest cover and 20 per cent weightage to its share in the increase. Thus calculated, this share is then given 10 per cent weightage in the horizontal devolution formula, the same as earlier.

Demographic performance, introduced by the 15th FC, was defined by the inverse of total fertility rate (TFR). The 16th FC has rejected the concept of using the inverse of TFR as a performance indicator, arguing instead that the States which have stabilised their populations are now staring at the prospect of ageing populations without enough workers to support them which will affect future growth, and hence the reward for lower population through TFR need to be phased out. Thus, it has redefined demographic performance as the inverse of population growth rates between 1971 and 2011 and also reduced the weightage of this parameter from 12.5 per cent to 10 per cent.



RED FLAG. The issue of fiscally unsustainable subsidies ISTOCK

These adjustments enabled the 16th FC to introduce the new efficiency parameter — State's contribution to the national GDP with 10 per cent weightage, by supplanting the earlier parameter of tax effort with 2.5 per cent weightage. However, these contributions would show wide variation across States, especially at the top and bottom ends, causing huge differences in devolutions to the obvious disadvantage of poorer States. To moderate these differences, the FC modified this parameter by defining a State's share as the ratio of square root of its GSDP to sum of square root of GSDP of all States, which would moderate the shares of the higher income States. The net result of these changes introduced in the devolution formula is that save Tamil Nadu, all other southern States would now receive a larger share of the devolution, as would Maharashtra, Gujrat, Haryana and Punjab. All Hindi belt States except Jharkhand would see their shares in the total devolution go down and so would be the case with West Bengal, Odisha, and all north eastern States except Assam and Mizoram. But for both groups, the changes would be marginal.

The FC red-flagged the issue of fiscally unsustainable subsidies — especially the unconditional cash transfers, that is, freebies, which are claiming increasing shares of States' revenue expenditure and turning many States' revenue account into red. But perhaps realising its own limitations, the FC only made some general recommendations for better targeting and rationalisation. The previous FCs had forcefully argued for establishing an independent Fiscal Council to restrain the governments' populist tendencies. This recommendation was singularly absent in the 16th FC report.

The writer, a former Director General of the CAG of India, is currently Professor at Arun Jaitley National Institute of Financial Management

businessline
bl.portfolio





09 Feb 2026

Trade reset

US tariff cuts are welcome but energy security is paramount

India and the United States have announced the finalisation of the framework for an interim agreement, which is a precursor to a trade deal, that signals a partial reset in bilateral commercial ties. The immediate headline is the rollback of a 25 per cent penal levy imposed last year, with US duties on Indian exports set to fall further to 18 per cent in the coming week. For Indian exporters, this is meaningful relief.



The commercial upside is clear on the export side. Labour-intensive sectors including textiles, apparel, leather, footwear and plastics will regain competitiveness in the US market. At an 18 per cent tariff, Indian goods are now better placed than their regional competitors. It is equally important to keep the gains in perspective. Nearly 40 per cent of India's exports to the US, including pharmaceuticals and electronics, already entered duty-free. The agreement expands the zero-duty basket, taking such exports to roughly $44 billion, but it does not represent a wholesale opening of the US market so much as a selective recalibration. Of course, the 25 per cent penal Russian oil duty is gone now, which is a matter of relief. On the import side, India's own concessions are wider and less precisely defined. New Delhi has agreed to eliminate or reduce duties on almost all industrial goods and has pledged to purchase $500 billion worth of US energy, aircraft and aircraft parts, technology, precious metals and coking coal over the next five years. How India will scale up its imports to $500 billion remains unclear considering that annual imports are less than $50 billion.

These moves reflect a pragmatic willingness to trade access for access. In agriculture, while the government maintains that sensitive products and the dairy sector remain protected, Commerce Minister Piyush Goyal's reference to unspecified "additional products" leaves room for interpretation. The touted benefits of cheaper imports of distillers' dried grains with solubles mask a deeper issue: DDGS is derived from genetically modified corn. Its entry would amount to a backdoor opening in a sector India has long handled with care. Also, the joint statement says India has agreed to remove non-tariff barriers on agriculture whereas there is no such commitment from the US.

The more serious concern, however, lies beyond trade. The government has reiterated that India's oil import policy is guided by national interest. Yet, the US executive order is clear that the rollback of the 25 per cent penal levy is contingent on India's commitment to stop buying Russian oil, with explicit provisions for reinstating the duties if that commitment is breached. This is not merely conditional trade policy; it is an attempt to dictate terms on a core strategic choice. Tariff relief tied to compliance on energy sourcing sets an undesirable precedent. There is still room to recalibrate before the legal text is signed. India should use that window to tighten language, close ambiguities, especially in agriculture, and reaffirm that trade agreements cannot dictate strategic choices on energy security. Engagement with Washington is important but strategic autonomy is indispensable.

businessline
bl.portfolio
10 Feb 2026

IMF chief plays down dollar's 'short term variations'

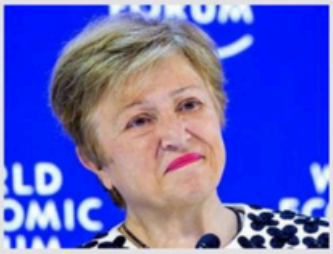
Mirette Magdy
Joumanna Bercetche

The head of the International Monetary Fund downplayed the dollar's decline over the past year, saying the US currency will probably retain its pre-eminent position.

"We should not get carried away by short term variations of the exchange rate," the IMF Managing Director Kristalina Georgieva said in an interview on Monday with Bloomberg Television.

"I don't see a change in the role of the dollar anytime soon."

People "should look closely to why the dollar plays such an important role in the international monetary system," she said, citing "the depth and liquidity of capital markets in the United States, the size of the economy and the entrepreneurial spirit of the US."



OPTIMISTIC. IMF chief Kristalina Georgieva doesn't see the role of the dollar changing anytime soon REUTERS

Georgieva, echoing comments she's made in the past year, spoke at an IMF conference on emerging markets in Al-Ula, Saudi Arabia.

DOLLAR INDEX MOVEMENT

The Bloomberg dollar index, which tracks the greenback against a basket of 10 other leading currencies, fell 8.1 per cent last year, the most since 2017. It's declined another 1.3 per cent this year as the Trump administration's tariffs and the US government's weakening fiscal position fuel concern among global investors.

On Monday, Bloomberg reported that Chinese regulators have advised financial institutions to rein in their holdings of US Treasuries, citing concerns over concentration risks and market volatility.

Treasury Secretary Scott Bessent said last week that the US "always has a strong dollar policy," and that authorities hadn't intervened to drive the greenback down. His comments came shortly after Trump was asked if he was worried about the dollar's depreciation, with the president answering: "No, I think it's great."

Georgieva said a weaker dollar can be "good" for many emerging markets because it eases their interest payments on foreign debt. "Those that borrow in the greenback will pay less now," she said. BLOOMBERG

businessline
bl.portfolio
11 Feb 2026

A win-win trade deal with US

RIGHT PATH. It will make our exports more competitive, and deliver gains to labour-intensive manufacturing units



S MAHENDRA DEV
KAMIL KPS BHULLAR

Over the past decade India has adopted a coherent strategy of entering into bilateral trade agreements with key partners and major economies to increase trade diversification and the competitiveness of India's exports. This period has seen India entering into Free Trade Agreements (FTAs) with Mauritius, the UAE, Australia, European Free Trade Association (EFTA), the UK and the European Union. The India-US bilateral trade agreement is the latest in this series and marks a significant milestone which will instil confidence among businesses and provide certainty for investors.

During 2024-25 India's merchandise exports to the US stood at $86.5 billion which comprised around 20 per cent of India's overall merchandise exports of $437.7 billion. In terms of composition, the major exports included electrical machinery, gems and jewellery, pharmaceutical products, textiles and apparels, chemicals and marine products. Before this agreement, Indian exports worth $40.96 billion to the US were subject to reciprocal tariffs of as high as 50 per cent. The agreement now reduces the tariff to a competitive 18 per cent on a major part of exports ($30.94 billion), while tariffs on another $10.03 billion worth of exports to the US have now been reduced from 50 per cent to zero.

The agreement would make India's exports to the US more competitive since the tariff differential favours India. Tariffs on other countries such as China (35 per cent), Vietnam (20 per cent), Malaysia (19 per cent), Indonesia (19 per cent), the Philippines (19 per cent), Cambodia (19 per cent) and Thailand (19 per cent) remain higher than on India.

From a sectoral perspective, the India-US bilateral trade agreement delivers substantial gains across a wide range of labour-intensive and value-added manufacturing exports by sharply reducing tariffs from 50 per cent to 18 per cent, with zero-duty access for select products. In textiles and apparel, including silk, improved access to a $113 billion US market is expected to boost exports, strengthen small businesses and production clusters, and generate employment across diverse product categories. Similar benefits accrue to leather and footwear, gems and jewellery, home décor and toys, where lower tariff enhances India's competitiveness in large US consumer markets and supports MSME-led manufacturing growth.



BRIGHT SPOT. The gems and jewellery sector will get a boost from the trade deal

In machinery and parts, reduced tariffs open opportunities in a $477 billion US market, strengthening India's presence in value-added industrial exports. Collectively, these sectoral gains reinforce India's role as a reliable supplier in global value chains while advancing scale, productivity and employment in domestic manufacturing. Significantly, India's agricultural products valued at $1.035 billion have been assured of zero reciprocal tariff which will benefit Indian farmers and exporters.

SAFEGUARDS EMBEDDED

The agreement incorporates adequate safeguards through a carefully calibrated market access framework shaped by extensive stakeholder consultations with industry, sectoral associations and line ministries. Liberalisation of industrial goods has been strictly guided by product sensitivity, combining immediate tariff elimination with phased reductions and quota-based access where required. Sensitive sectors such as automobiles, medical devices and precious metals have been protected through quotas, duty reduction mechanisms and long, staggered phasing schedules, ensuring that enhanced market access strengthens competitiveness without undermining domestic manufacturing capacity or employment. At the same time, highly sensitive agricultural products remain fully protected.

The India-US trade agreement significantly enhances market access, lowers tariffs, and improves investor confidence.

The India-US bilateral trade agreement dovetails closely with India's broader strategy of creating an enabling ecosystem for a globally competitive manufacturing sector. Policy emphasis has increasingly shifted towards aligning private and social costs of production through targeted interventions wherever market failures or externalities exist. By internalising costs related to infrastructure gaps, logistics inefficiencies, regulatory frictions, and skill mismatches, these measures aim to correct distortions that weaken firm-level incentives and economy-wide efficiency. Importantly, many of these interventions address bottlenecks at their source, such as higher logistics costs, regulatory burden, and high compliance burdens, thereby improving competitiveness not through ad hoc support, but through durable improvements in the underlying production environment.

Flagship initiatives such as the Production-Linked Incentive schemes incentivise scale, technology adoption, and export competitiveness across key manufacturing sectors, while the labour reforms, through the consolidation of multiple labour laws into simplified labour codes, are designed to enhance flexibility, formalisation, and productivity. At the same time, ongoing deregulation and rationalisation of non-financial compliances are improving ease of doing business. Together, deeper trade engagements and these domestic policy measures reinforce each other, positioning India as a reliable manufacturing and supply-chain partner in a rapidly reconfiguring global economic landscape.

From a broader economic strategy point of view, the trade agreements which have been negotiated form a key pathway to Atmanirbhar Bharat. A substantial proportion of India's imports consist of raw materials, intermediate products and capital goods which form a critical component of domestic production for both exports and consumption at home. Such imports include advanced technology imports which are increasingly required in emerging fields such as AI data centres. In this context, growth of India's electronics exports, including smartphone exports, are an important example of how learning and communities of industrial practice can be fostered through an enabling policy environment leading to productivity gains and a higher share of global exports.

QUALITY CONTROL

Similarly, the Government's balanced and adaptive approach to quality regulation, reflected in the recent recalibration of Quality Control Orders (QCOs), complements India's trade strategy by aligning domestic standards with global market requirements while avoiding excessive compliance costs. This flexibility ensures that quality regulation strengthens manufacturing capabilities and export readiness without constraining firms, thereby positioning standards policy as a strategic enabler of competitiveness

Over the past decade, India's trade strategy has combined deepening bilateral agreements with domestic manufacturing reforms to boost export competitiveness and diversification. The India-US trade agreement significantly enhances market access, lowers tariffs, and improves investor confidence. Supported by enabling domestic ecosystem, this integrated approach strengthens India's manufacturing capacity, employment generation, and global supply-chain integration leading to a win-win situation and mutually beneficial trade.

Dev is Chairman, Economic Advisory Council to the Prime Minister (EAC-PM), and Bhullar is PS to Chairman, EAC-PM

businessline
bl.portfolio

12 Feb 2026

CRR can be used to provide liquidity



GETTY IMAGES/ISTOCKPHOTO

WORTH A TRY. The existing liquidity tools at the RBI's disposal have their limits. Cash reserve ratio funds can be used as well. CRR's relevance has declined



MADAN SABNAVIS

One of the expectations from the credit policy was an announcement of a calendar for open market operations. This was against the backdrop of fluctuating liquidity over the last two months or so. True, there is a surplus right now but this can change again in March when the advance tax payments have to be made. The policy has assured supply of liquidity as and when needed, which also includes situations when the government's cash balances with the central bank increase. Such a situation may not arise as the government tends to expedite spending towards March to meet targets. The question to be addressed is: what are the options when it comes to supplying liquidity?

The RBI has several instruments that can be used. All of them have different objectives. The system surplus or deficit is denoted by the balances after RBI interventions through repo rate, VRR (Variable Repo Rate), SDF (Standing Deposit Facility), etc. The net outstanding amount reflects the net state of liquidity. These are the daily operations of the RBI under the liquidity framework. But there are also open market operations where government securities are bought and sold. Further, there are forex swaps which deliver similar results. The merits of each can be examined.

The first tool to be used is the overnight repo or VRR which can go up to 14 days. Their tenures provide clues on how the RBI views the liquidity position. These can be viewed as tools for temporary deficits.

Second, longer term VRR auctions of 90 days have been used which involve providing support for three months. This is more of a medium-term measure. This is something that has been done by the RBI recently, which is quite novel. Besides providing liquidity, it is an assurance that the RBI is not averse to going in for these longer-term measures.

The issue with any kind of repo operation is that banks need to have excess SLR holdings that can be offered as collateral. In the absence of these securities, banks would be out of the running and have to access the call or the TREPs market.

OPEN MARKET OPERATIONS

The third measure used is open market operations. In 2025 the RBI made regular purchases either on need basis or through a calendar, especially during critical times such as quarter-ends. OMO purchases involve buying certain securities from banks and providing cash in return. The RBI could choose those securities which are less liquid or those which need to be drawn out of the system to balance the maturity tenures. This again works for banks which have surplus SLR securities to sell.

But the quirk here is not just the SLR ratio. The new regulations ask banks to prepare for the maintenance of LCR (liquidity coverage ratio) which when provided for would require banks to have SLR at least in the region of 24-26 per cent. The present SLR ratio for the system is around 26 per cent, and has, interestingly, come down from 28-29 per cent at the beginning of FY26. This is because there have been some aggressive purchases by the RBI.

With an effective level of, say, 24 per cent SLR to be maintained, banks may not be able to sell securities to the RBI. Therefore, there can be limits to the use of OMOs.

The challenge really can be that with an effective level of, say, 24 per cent to be maintained, banks may reach the limit and will not be able to sell securities to the RBI. Therefore, there can be limits to the use of OMOs, especially for prolonged periods of time.

Fourth, forex swaps are now quite common where the RBI buys dollars from banks, say $5 billion, which effectively supplies around ₹45,000 crore. These swaps involve banks buying them back after a period which can be one or three years, or any duration the RBI chooses. This has been effective for sure. There are, however, two considerations here. The first is that when dollars are sold, it can be disruptive, if there is currency volatility, too. The second is that when dollars have to be bought at maturity, liquidity conditions can be tight. In such a case the RBI may have to again provide liquidity through other measures. Therefore, a lot of calibration is needed while mixing these measures.

NOT USED THUS FAR

A measure which has not been used so far is the CRR. In 2006 the regulation which limited the CRR levels was done away with, and the discretion lies with the RBI. Meanwhile, the relevance of CRR has come down over time. The fact is that no bank is ever allowed to fail in India and the credit goes to the RBI. Therefore, the case of using these CRR balances as a contingency for rescuing the bank is *passe*.

In fact the US, the UK, Hong Kong, Canada, New Zealand, Australia do not have this reserve. The justification is that there are several regulations in place like capital adequacy, LCR, SLR, NSFR (net stable funding ratio) which control banking operations. If this is in place, having the CRR can be debated, because this ratio came in when systems were rudimentary and the only reserve requirements were the CRR and SLR.

The CRR does not earn any interest from the RBI. For the ₹250 lakh crore of deposits outstanding the average cost is, say, around 5 per cent. The amount kept aside for CRR is 3 per cent of NDTL and that is about ₹7.5 lakh crore. The interest cost incurred is around ₹37,500 cr which is quite high. Lowering this reserve will also help banks to lower their lending rates without a prod from monetary policy. It will be worthwhile to consider the lowering the CRR to provide liquidity, along with other instruments.

The writer is Chief Economist, Bank of Baroda. Views are personal

businessline
bl.portfolio
12 Feb 2026

How to move up the value chain

PATH AHEAD. India should occupy positions in global production networks that are difficult to bypass or substitute



GETTY IMAGES/ISTOCKPHOTO



VISHNU VENUGOPALAN

In the seminal essay, *I, Pencil* an ordinary pencil is used to reveal an extraordinary fact that no single person on earth knows how to make a pencil entirely on their own. From the wood and graphite to the machines and transport, its creation relies on countless people's skills and decisions spread across countries, most of whom will never meet.

Over the modern industrial era, dominant ideas about how emerging economies should grow have shifted as global conditions changed. Import-substituting industrialisation dominated the post-war decades and delivered early industrial capabilities in countries such as Brazil, India, and Mexico, before running into scale, efficiency, and external balance constraints.

From the late twentieth century onwards, a different consensus gained ground involving attracting foreign investment, integrating into global value chains (GVCs), and relying on learning spillovers to drive scale and productivity. In a heavily globalised and relatively stable world order, this approach delivered substantial growth and employment.

As Richard Baldwin has argued, globalisation has unfolded in waves of unbundling. The first separated production from consumption, the second unbundled stages of production across borders and the current phase increasingly unbundles tasks rather than industries.

The implication is clear. The distinction that now matters is not whether a country participates in supply chains but which tasks it performs. Apple's supply chain tells a far larger story. Spanning 748 manufacturing locations across 28 countries and 188 supplier firms, Apple's supply chain did not include India in 2013.

Still, by 2023, India had entered the network, with more than 10 facilities in official disclosures and over 20 in the pipeline according to independent estimates.

This shift was driven not merely by cost competitiveness, but by the convergence of firm strategy, geopolitics, and policy intent.

Yet most of the value in this ecosystem still lies beyond assembly, underscoring how much upgrading remains to be done.

The Economic Survey of India 2025-26 offers insights into the way forward for India by highlighting strategic indispensability, which means occupying positions in global production networks that are difficult to bypass or substitute as a core principle. Moving up the value chain often requires building the capabilities that allow firms to internalise higher value tasks over time.

This challenge has acquired urgency as supply chains localise under the pressure of geopolitics, technology controls and resilience concerns.

What then does it take to move up the value chain?

First, task focused industrial policy. Instead of targeting sectors in the aggregate, policy must adjust to a world where production is fragmented into tasks. Value now sits in specific functions that enable systems integration and form choke-points in global production networks.

The goal is not perfect foresight, but disciplined discovery, using export incentives, capability-linked procurement, standards to nudge learning and similar policy levers. Support and incentives must be conditional on firms internalising more complex tasks over time and not merely expanding output.

Second, deepening backward GVC participation. India's limited share in global manufacturing value added stems from weak backward linkages, particularly its limited role in importing intermediates and components for export oriented production.

India's industrial ambition will depend critically on how well economic and social infrastructure are planned together

Evidence shows that for labour rich economies, such integration initially raises foreign value addition but delivers higher domestic value addition and employment over time through scale effects. Integration, not insulation, is the pathway to upgrading.

Third, cluster-led scale. Knowledge intensive tasks thrive on proximity. International experience from China's Greater Bay Area to Vietnam's key economic regions shows that industrial success depends on concentration, connectivity, and dense ecosystems. For India, this means that industrial clusters cannot be treated as standalone industrial estates.

They require deliberate regional planning that integrates social infrastructure such as housing, transport, healthcare, and education. India's industrial ambition will depend critically on the strength and governance of its clusters, and on how well economic and social infrastructure are planned together, not merely on national or sub-national level fiscal incentives.

Fourth AI-services-manufacturing convergence. Modern manufacturing is inseparable from services such as design, logistics, finance, software, and data support. Moving up the value chain, therefore, requires treating services not as a residual sector, but as a core pillar of industrial strategy.

This is also where India's comparative advantage can be leveraged more deliberately. Logistics offers an illustrative case. Nearly 41 per cent of India's total logistics cost is driven by material handling, storage, and warehousing, making these activities highly susceptible to automation and AI adoption.

The challenge is not only to upgrade capabilities, but to anticipate and manage the labour disruptions that this convergence will inevitably bring.

Finally, economic statecraft with institutional capacity. As the Economic Survey notes, reducing the cost of capital depends as much on productivity, exports and surplus generation as on finance.

That requires regulatory coherence, logistics efficiency, trade facilitation and sustained investment in R&D and skills. Industrial policy must therefore operate as a continuous problem solving function, anchored in a capable and adaptive entrepreneurial state capacity rather than as a one time policy intervention.

Moving up the value chain is neither automatic nor assured. In a global economy where production is sliced into tasks and value accrues unevenly across borders, power and influence, the challenge is first and foremost about producing the right things, and only then about producing them better and smarter.

For India, the real test is whether it can build capabilities that move it beyond participation and towards indispensability in global supply chains.

The writer is an IAS officer and former Fellow at Harvard University

businessline
bl.portfolio
13 Feb 2026

Uncertainty over North American trade pact intensifies

Catherine Lucey

White House trade adviser Peter Navarro said the North American trade pact has "significant flaws" ahead of negotiations over the deal, expressing worries about China shipping goods through Mexico and Canada. Uncertainty over the future of the deal, which was negotiated by Donald Trump in his first term, has intensified, with the president asking aides why he should not withdraw from the agreement entirely, according to people familiar with those discussions.

"I can tell you this that USMCA has some significant flaws in it, and it's going to be reevaluated in July. The great Jamieson Greer, our US trade representative, will be taking the lead on that," Navarro said.

"But nothing ever happens in the White House without the commander-in-chief, particularly on trade, so as the boss says, let's see what happens."

While Trump has been privately musing over exiting the pact, he has stopped short of flatly signalling that he will do so, according to the people familiar.

The US-Mexico-Canada Agreement is set for a mandatory review before a possible extension on July 1. That process was expected to be routine but Trump is demanding additional trade concessions from the two major trading partners and has sought to pressure them over other issues such as migration, drug trafficking and defence, further straining ties.



PETER NAVARRO. White House trade advisor REUTERS

Navarro on Thursday cited concerns about the transshipment of Chinese goods, when products from the country enter Canada and Mexico before being ultimately shipped to the US.

"One of the things that's really troubling right now, and should be troubling to the American people, is that Mexico, and to an extent, Canada, are basically being used by — staging areas for countries like China, some of the European countries, many Asian countries, Japan, Korea," Navarro added. "They leveraged NAFTA and now USMCA to get into our markets in a way which essentially is tariff avoidance at best and tariff evasion at worst." BLOOMBERG

businessline
bl.portfolio





13 Feb 2026

Linking deposit insurance premium to risk was overdue

The Reserve Bank of India (RBI) has flagged off a long-overdue banking reform by ushering in risk-based deposit insurance premiums, in place of a one-size-fits-all premium, from April 2026. Several expert panels, starting from the Narasimham Committee in 1998, have argued for the Deposit Insurance and Credit Guarantee Corporation (DICGC) to move from its flat premium to a risk-based regime to avoid moral hazard.



The idea met with pushback from co-operative banks on the ground that it would increase their premium burden. Others argued that risk-based premia would send disquieting signals to depositors on the soundness of banks. The RBI seems to have addressed both issues. Under the new system, instead of paying a flat premium at 0.12 per cent of assessable deposits, banks will pay differential premia based on their risk category, as assessed by DICGC. Banks will be segregated into two tiers. Under Tier 1 which will apply to scheduled commercial banks (SCBs), banks will be assigned risk ratings based on RBI's supervisory assessment, quantitative measures and the potential loss to DICGC from their failure. For Tier 2 banks (co-operative banks and regional rural banks), the risk rating will only use quantitative measures and potential loss to DICGC.

The RBI is perhaps constrained in exercising supervisory oversight on 1800-odd co-operative banks. For risk grading, a bank's capital adequacy, asset quality, liquidity, profitability ratios and RBI supervisory ratings for the last financial year will be used. However, reliance on back data may lead to late recognition of problems. Similarly, assessing a bank's governance based on its adherence to Board composition norms alone, seems inadequate. But since a more thorough assessment could lead to delays, the RBI has probably taken the middle path. Once banks are bucketed into risk categories, the riskiest ones will pay premium at the card rate (0.12 per cent of assessable deposits) and those rated less risky will pay 0.11 per cent, 0.10 per cent or 0.08 per cent, with discounts based on vintage. This system ensures that large SCBs earn significant savings on deposit insurance premia, while smaller/riskier banks do not face any immediate increases in premium outgo.

On disclosure, the RBI has mandated that banks stop disclosing the quantum of deposit insurance premia paid, with DICGC required to keep its risk ratings confidential. This may prevent systemic risks. But it is unfair to depositors as they cannot demand higher returns from riskier banks. However, the impact on DICGC's surpluses and balance sheet needs to be closely monitored. After the fivefold increase in deposit insurance in FY20, DICGC has seen its premium income rise at a much slower pace than insured deposits. It believes that its Deposit Insurance Fund at 2.3 per cent of insured deposits is in line with global norms. The fact remains that the DICGC has not burnt its fingers, as the RBI usually steps in with pre-emptive mergers/takeovers of banks in trouble.

businessline
bl.portfolio





13 Feb 2026

Story of a correction in EU textiles trade policy

EU repealed anti-dumping duty on certain polyester yarn exports, after being convinced by firm-level evidence

Chocko Valliappa

The renewed enthusiasm around the EU-India trade deal, particularly the reduction of tariffs on Indian textiles, is understandable. For an industry that employs millions and sits at the intersection of manufacturing, exports, and livelihoods, improved market access to Europe is not a small achievement.

But trade outcomes rarely emerge in isolation. They are shaped by history, precedent, and moments when evidence quietly reshapes policy. One such moment from the early 1990s offers a useful lens through which to view today's optimism.

A recent observation by Commerce Minister Piyush Goyal highlights a persistent paradox. Bangladesh, a country geographically smaller than Odisha, exports $45-47 billion worth of textiles and apparel annually. India, despite scale, integrated value chains, and long industrial experience, exports $36-40 billion. The gap is not a reflection of capability; it is largely a consequence of differential market access and regulatory treatment over time.

In earlier decades, India benefited from its classification as a developing country under the General Agreement on Tariffs and Trade (GATT). Through the Generalised System of Preferences (GSP), Indian textile exports enjoyed tariff concessions in the European market. Those preferences mattered,



EARNED OVER TIME. Confidence in trade frameworks PERIASAMY M

particularly when capital, technology, and logistics were still evolving.

The late 1980s marked a shift. The European Union initiated anti-dumping investigations into polyester and cotton yarn imports from India, relying on data drawn from an earlier economic context. Several audits followed across Indian mills. One episode at Sri Meenakshi Mills — founded by my great-grandfather and no longer part of the family — became emblematic of the risks of opacity. EU auditors were repeatedly denied access to data, including, on one occasion, the explanation that there was "a snake in the room."

The outcome was inevitable. The EU imposed anti-dumping duties of 7.8 per cent on certain polyester cotton yarn exports from India.

What followed, however, is less remembered. India, through the Synthetic and Rayon Textiles Export Promotion Council (SRTEPC), formally contested the findings and requested an exporter review. The EU agreed and selected five Indian companies as representative samples for detailed investigation. Sri Valliappa Textiles, run by my father C Valliappa, was one of them.

For the companies involved, this was more than a routine audit. It was a rigorous test of whether Indian cost competitiveness would be judged on evidence or assumptions.

EXACTING REVIEW PROCESS

The review process was exacting. Normal values, export prices, currency movements, internal efficiencies, and cost structures were all scrutinised. Every number had to reconcile. Every explanation had to stand up to forensic examination.

When the audit team arrived, the tone was unmistakable. Twelve EU auditors conducted an intense two-day interrogation. One point of contention became symbolic: packing costs.

Sri Valliappa Textiles' packing cost was ₹3.30 per kilogram, compared with an industry norm of about ₹4.50/kg. The auditors initially insisted on applying the industry average. The counter-argument was straightforward: we manufactured our own paper cones, giving us structurally lower costs. Why should inefficiency elsewhere be imputed to us?

The discussion grew tense. At one point, the auditors discontinued the audit. The response was firm but factual: an audit must examine reality, not hypothetical benchmarks. After a pause, they returned, verified the data in detail, and accepted the costing.

The conclusion of the EU review was decisive. Dumping margins for Indian producers were found to be below the EU's *de minimis* threshold. There was no material evidence of dumping. The anti-dumping duty on Indian polyester yarns was repealed, a decision formalised in EU regulation in 1994.

That ruling did more than remove a tariff. It quietly reaffirmed a principle that remains relevant today: trade remedies lose legitimacy when they outlive the facts on which they were built.

As the EU-India trade deal gathers momentum, this episode serves as a reminder that confidence in trade frameworks is earned over time. Today's optimism rests not only on negotiated text, but on a longer arc in which data, transparency, and persistence have occasionally prevailed over presumption.

Sometimes, the most consequential shifts in trade relations do not come from announcements or summits, but from moments when evidence forces policy to recalibrate. That is worth remembering as India's textile story with Europe enters a more hopeful chapter.

The writer is Founder and MD, Vee Technologies and Vice Chairman, The Sona Group

businessline
bl.portfolio
16 Feb 2026

New global order and economics

The collapse of the rules-based world order has resulted in an existential dilemma for the discipline of economics

LINE& LENGTH.



TCA SRINIVASA RAGHAVAN



For the last nine months everyone has been asking questions about the 'new world order'. Prime Minister Mark Carney of Canada summed up the global angst last month when he told the best and the brightest of the world at Davos that the world was back to a combination of Darwinism and Louis 18th of France.

Darwin had said only the fittest would survive. Louis had said if we don't hang together we will hang separately.

Carney, pulling the two together, said that the rule based world order was now gone and it would be survival of the fittest henceforth. He also said the middle powers must huddle together to ward off the big boys, you know, hang together.

Excellent. Large cosmic questions have a great advantage: they need not be answered except in large cosmic ways. This gives a lot of people a lot of grist for the mill.

But an important question that no one is asking is what's going to happen to that darling of academic disciplines for 75 years, economics. Or as Gabbar asks in Sholay, "*ab tera kya hoga, Kaliye?*"

The question is important because the answer depends on whether you regard the foundation of world order as being economics or vice versa, that is, economics as a product of world order. It's the old chicken-egg problem.

TWO OPPOSING ASSUMPTIONS

It all depends on what assumptions are made. One is to assume that the world order doesn't change and the other is to assume that economics doesn't change. You can take your pick depending on your politics.

The first assumption is simply another way of saying that it's the dominant players that change. Britain then, America now, and who knows who else tomorrow, could even be India.

The second assumption is purely Marxian, you know, all that base and superstructure stuff which says the world order is built on economic and commercial considerations.

Economists who subscribe to the first view say liberalism and democracy, accompanied by highly regulated capitalism, which regards profit as immoral, gives the best results socially. But those who subscribe to the Marxian view say economics must have a single goal: unregulated profit maximisation.

This sounds counterintuitive till you see Communist China focusing entirely on profit and capitalist Europe focusing on everything but profit. Again, you can decide which of these you prefer.

In this overall context economics has to decide which master it serves: government or market. Post-1945 western economics only talked about the markets. For Indians who studied economics in India, the disjunction between what was taught and what was experienced was stark. Western economics and Indian economics were poles apart.

The West has moved to the left and the rest have moved to the right. The predictable result is that the West has lost its economic dominance and the rest have gained it

The whole world is now facing this divergence. The intellectual endorsement of market economics has moved to non-western economies and its counterpart in western economics has moved towards non-market economics, that is, statism. You can see this in the published research of the last 25 years, and not just actions by governments.

In other words, the West has moved to the left and the rest have moved to the right. The predictable result is that the West has lost its economic dominance and the rest have gained it. In the West it's equity that's important. Elsewhere, it is efficiency.

THE DILEMMA OF ECONOMICS

In such a situation, or series of situations, what should economists think about? Processes or outcomes? How can economics make itself useful again?

Until what's called 'big data' captured the attention of economists they were largely focusing on processes, basically, how do you get from situation A to situation B. This involved conjecture and speculation about the behaviour of consumers, firms, markets and governments. Most of it, as Amartya Sen once said, was puzzle solving.

All of it was based on the assumption that a set of rational rules — global order — and therefore certainty would underpin economic activity. With this now in tatters, what will drive economics?

The answer probably lies in a combination of data and algorithmisation. A few economists have already started down this path to move away from thinking about processes to achieving outcomes. Perhaps economics will cease to be about solving puzzles and become about getting desirable outcomes by rules made by machines rather than humans. Apparently that's already yielding better results because machines are infinitely better at detecting patterns than humans.

One other problem is that economics was obsessed with the idea of equilibrium and stable systems. But that requires stable rules and low uncertainty, neither of which seem likely or possible now. So out goes another key basis of economics, the idea of, and quest, for equilibrium.

This is an entirely new situation for the world, at least since 1815 when Pax Britannica came into being. Before that economics didn't quite exist as a full-fledged academic pursuit. It might not in the future.

businessline
bl.portfolio



16 Feb 2026

InvIT with care

Investor interest must be central to REITs, InvITs push

Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), which manage assets of more than ₹9 lakh crore, offer asset monetisation benefits to developers and investors. As the Economic Survey FY26 observes, these instruments have opened up alternative long-term fund raising options to bank credit. But they come with risks and opportunities. There are valid concerns over regulating the management of widely-held pooled funds, even as developers and investors benefit from easy liquidity.

In this fiscal, the stock exchange regulator has reduced minimum asset size and allowed REITs to be treated as equity-related instruments for mutual fund investments. These steps could enhance participation and secondary market liquidity. But the regulator also needs to be mindful of the interests of the investors, while easing the rules. For instance, the proposal to allow private InvITs to invest in greenfield projects may not benefit investors. Infrastructure projects carry higher regulatory and implementation risk. Given the greater uncertainty over the income generated from these projects, publicly listed InvITs are currently allowed to invest 80 per cent of their assets in completed and income generating projects and the remaining in under-construction projects. With publicly listed InvITs being under greater scrutiny and having higher disclosure requirements, they are permitted to invest up to 10 per of their assets in greenfield projects. However, expanding this dispensation to private InvITs may lead to diversion of funds.

Similarly, expanding the scope of using an InvIT's borrowed funds is not a good idea. Currently, net borrowings that exceed 49 per cent of an InvIT's assets are allowed only for fresh acquisition or for development of infrastructure projects, thereby leading to improvement in the revenue generated by the InvIT. The suggestion that this higher borrowing be used to refinance loans and be used for maintenance can lead to excessive leverage and interest cost.

The proposal to allow REITs and InvITs to raise funds from mutual fund schemes categorised as medium risk by SEBI can actually be considered. Given that there are very few schemes in the lowest risk category, expanding the investment universe may not be a bad idea. Similarly, InvITs can be allowed to continue the investment in special purpose vehicles, even after the infrastructure project held by the SPV has been handed over to the government. It is difficult to wind up a SPV immediately after the end of the concessional period (when the income from the project can be enjoyed by the InvIT) in the event of litigations, need to complete tax assessments and fulfil other liabilities. But there should be specific time-line for winding up the SPV or acquiring other projects. All necessary disclosures must be made to regulators and investors. Opening up fund raising options for REITs and InvITs must be accompanied by competent oversight.

businessline
bl.portfolio
17 Feb 2026

Digital capex has a huge multiplier

UNDERSTATED. While the returns on Digital Public Infrastructure are huge, these are not captured in the Budget



RAVI POKHARNA
KUNTALA KARKUN

As Finance Minister Nirmala Sitharaman unveiled Budget 2026-27, public debate gravitated to the usual markers: capital expenditure (capex) scaled up to ₹12.2 lakh crore, fiscal deficit pegged at 4.3 per cent of GDP, and renewed emphasis on manufacturing. Yet amid these headlines, India's most productive public investment of the last decade continued to slip through the accounting cracks.

This investment does not appear as a highway, semiconductor fab, or industrial corridor. It exists instead in code, standards, and interoperable platforms. Collectively described as Digital Public Infrastructure (DPI), this "invisible steel" has become a core driver of India's economic velocity.

Budget 2026 marks a clear turn towards technology-led growth, with policy attention and funding flowing to semiconductors, AI data centres, electronics manufacturing and cloud services. But DPI, the infrastructure that binds this ecosystem together — the rails that let chips power applications, AI reach the last citizen, and manufacturing capacity generate economy-wide gains — continues to remain fragmented.

REFRAMING CAPEX

In the industrial age, general-purpose infrastructure meant roads, power plants, and ports. These assets were characterised by high upfront costs and linear returns. In the digital age, however, identity (Aadhaar), payments (UPI), and data rails (account aggregator) function as the new highways. The economics, however, are fundamentally different. Traditional infrastructure faces capacity constraints and physical depreciation. DPI exhibits increasing returns to scale: the billionth UPI transaction costs almost nothing to process, yet its spillover benefits for a small merchant in a Tier-3 town can be transformative. Unlike a bridge that serves only those who cross it, digital infrastructure creates a foundation upon which infinite layers of private innovation can be built.

The data backing the DPI-led transformation is no longer just anecdotal; it is structural. According to World Bank estimates, India achieved in just nine years a level of financial inclusion that would have typically taken 47 years without its digital commons.



STRATEGIC ASSET. India needs a medium-term DPI investment framework ISTOCK

The scale and velocity of payments illustrate this shift. In FY 2024-25, UPI processed 186 billion transactions with a total value of ₹261 trillion, accounting for almost half of global real-time payments and sharply reducing the cost of commerce for MSMEs. By January 2026, UPI had reached a record ₹28.33 lakh crore in monthly transaction value, cementing its position as the world's largest real-time payments platform by volume (NPCI).

Welfare delivery has seen comparable gains: through the Direct Benefit Transfer (DBT) mechanism powered by the Aadhaar-linked 'JAM' trinity, the government has cumulative savings of around ₹3.5 trillion by eliminating leakages and "ghost" beneficiaries (Ministry of Finance, April 2025).

On the credit side, platforms such as the Open Network for Digital Commerce (ONDC) and Open Credit Enablement Network (OCEN) are currently reducing customer acquisition costs for small lenders by 30-40 per cent, allowing credit to flow to previously "unbankable" segments (RBI, iSPIRT).

Taken together, the multiplier effect is striking. Government spending on core 'India Stack' components was less than $2 billion over a decade, yet it has facilitated a digital economy now valued at over $350 billion (RBI, World Bank).

Government spending on core 'India Stack' components was less than $2 billion over a decade, yet it has facilitated a digital economy now valued at over $350 billion

DPI versus physical infrastructure

Feature	National Highway Programme (physical)	India Stack / DPI (digital)
Primary goal	Physical connectivity	Economic inclusion and velocity
Capital intensity	Extremely high	Low (initial code and standards)
Marginal cost	Increases with wear and tear	Decreases towards zero
Maintenance	Physical repair and labour	Software updates and cybersecurity

Few public investments, physical or digital, exhibit this order of magnitude in return.

Given these outcomes, why does DPI barely register in Budget debates? First, fragmentation. DPI spending is scattered across ministries, regulators, and statutory bodies. Aadhaar sits with MeitY, UPI infrastructure flows through RBI and NPCI, account aggregators are embedded in financial regulation, and platforms like CoWIN were funded as one-off pandemic response spending. No single budget head captures DPI as national infrastructure.

Second, diffused returns. When UPI reduces costs for merchants or Aadhaar enables faster credit disbursal, the economic gains accrue across sectors; not to the sponsoring department. Traditional budget accounting does not recognise such spillovers.

Finally, timing asymmetry. DPI development costs are front-loaded into a few budget cycles, while savings from reduced leakages, lower transaction costs, and private innovation compound over decades. The result is a systematic undervaluation of DPI in fiscal decision-making.

'DIGITAL FIRST' FISCAL STRATEGY

While Budget 2026 signals intent, the next phase must focus on institutionalising DPI as infrastructure.

The first step is classification. DPI should be explicitly recognised as capital expenditure, not subsumed under routine IT or administrative heads. Create a dedicated 'Digital Infrastructure' head within the Capital Budget, consolidating all spending on identity, payments, data rails, and interoperable platforms.

Second, India needs a medium-term DPI investment framework spanning five to seven years, anchored in outcome metrics rather than inputs. Transaction volumes, cost reductions, inclusion indicators, private innovation signals, and cross-border adoption should be tracked with the same rigour applied to highways or airports. The Economic Survey 2025-26 made this case explicitly, emphasising India's DPI as the foundation for AI and cloud infrastructure, noting that "digital infrastructure is now strategic national infrastructure."

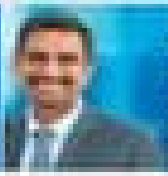
Third, sustainability must replace novelty. As DPI becomes mission-critical, underinvestment in resilience and cybersecurity becomes a macroeconomic risk. Budgeting must reflect the cost of maintaining national digital rails at scale.

Finally, Centre-State coordination can be better. Budget 2026 rightly emphasises cooperative federalism, but digital duplication remains common. Incentivising States to integrate with national rails rather than recreate them would deliver higher returns per rupee spent. None of this diminishes the importance of physical infrastructure. Digital rails cannot substitute for roads, power, or connectivity. But they dramatically raise the productivity of every rupee spent on them.

India will, and must, keep building physical infrastructure. But the next decade's productivity gains will increasingly come from reducing friction, not just adding assets. DPI is India's highest-leverage mechanism for doing that. Future Budgets should stop treating it as an accounting footnote and start recognising it for what it is: the country's most powerful capex multiplier, a bedrock of the Viksit Bharat ambition.

The writers are, respectively, Executive Director, and Senior Visiting Fellow, at Pahle India Foundation

businessline
bl.portfolio





18 Feb 2026

Wrong practice

Hefty penalty needed for mis-selling financial products

As households seek out higher return options beyond bank deposits, cases of distributors mis-selling investment products have assumed alarming proportions. Typically, they hype up returns and underplay risks. The Securities and Exchange Board of India (SEBI) has taken on this problem by barring upfront incentives, capping commissions and strictly regulating financial advisors. However, relationship managers and selling agents at banks and NBFCs (non-bank finance companies) are out of the loop.

Therefore, there was a crying need for Reserve Bank of India (RBI) to establish strong deterrents against mis-selling. It has attempted this through new draft directions on advertising, marketing and sales of financial products which cover not just commercial banks, but also small finance banks, co-operative banks and NBFCs. While the proposed rules are good, their efficacy in curbing mis-selling will depend on the ease with which customers can raise complaints and prompt enforcement actions from RBI. After clearly defining terms such as mis-selling, explicit consent and dark patterns, the draft proposes four sets of safeguards. One, it proposes that lenders seek the explicit consent of customers even to solicit business. As explicit consent is defined as the customer agreeing to a solicitation in writing, this can go a long way in curbing the everyday nuisance of unsolicited calls and mailers from financial entities. Two, no product can be pitched to a customer without a suitability assessment first. Here, what is suitable or not has been left undefined. Most financial products already have suitability assessments in place as a regulatory requirement, but this is treated as a post-sale formality. The challenge is in ensuring that this exercise is taken more seriously.

Three, lenders need to ensure that their employees don't receive any direct/indirect incentives for selling third-party products or bundle them with loans or other services. Often, bank staff push third party products far more than the bank's own loans or deposits. However, whether lenders will voluntarily restructure pay packages of their employees to comply with these directions is moot. Four, lenders need to establish a feedback mechanism whereby customers are contacted within 30 days. Where customers lodge complaints for mis-selling, the lender must repay the entire amount received and compensate losses. Banks have also been directed to follow the regulations issued by SEBI, the telecom regulator, insurance and pension regulators with respect to selling practices.

While these proposals are fairly comprehensive, they fall short in detailing what happens when lenders don't follow them. Presently, the only recourse customers have in cases of mis-selling complaints, is to approach the ombudsman. The ombudsman system is not effective in providing prompt remediation. To deter mis-selling, RBI needs to impose hefty penalties on lenders, besides ensuring proper compensation to customers.

businessline
bl.portfolio
18 Feb 2026



MA OOMMEN



DEEPAK KR

Finance panels, and needs of local bodies

GREY AREA. Despite several studies by the Finance Commission, there's no clear picture of local finance in the fiscal map of India

Finance Commission-16 is the sixth Finance Commission since the tectonic 73rd and 74th Constitutional Amendments (CAs) to usher in a third tier to India's dual federation making it multi-tier with a multi-tier public finance. The broad intent of the CAs was to make Indian democracy deep, participatory and inclusive. Article 280 on Finance Commission was also amended to add 280(bb) and (c), which mandate the FCs to recommend measures needed to augment the Consolidated Fund of a State to supplement the resources of Panchayats and Municipalities in a State 'on the basis of the recommendations made by the Finance Commission of the state'.

It is instructive to note that the Panchayati Raj Institutions (PRIs) which number nearly 2.7 lakh comprising 3.2 million representatives do not get a fair deal in the analytical part, policy recommendations and in the allocation of the grant-in-aid. Clubbing Rural Local Bodies (RLBs) with Urban Local Bodies (ULBs) as local bodies (the Constitution knows only panchayats and municipalities understood as institutions of self-government), the actual rural-urban split of the award of ₹7.91 lakh crore for the period 2026-31 works out to 55:45.

Compared to FC-15's rural-urban ratio of 66:34 of local grants there is an 11 percentage points reduction for PRIs. Both the rural and urban grants are divided into basic and performance components in 80:20 ratio. If we deduct the state matching component of ₹43,524 crore from the performance component of RLBs and ₹29,016 crore from that of the ULB performance component the size of the total union local grant comes down to ₹7.18 lakh crore. The conditionality of a 50 per cent matching contribution by the States is unwelcome particularly because the grant is called an 'award'.

The incentivisation of speedy urbanisation is done by a one-time 'urbanisation premium grant' "for the merger of peri-urban villages into an adjoining larger ULB with an existing population of not less than one lakh" subject to the formulation of a Transition Policy (on the Odisha model) as a pre-condition for claiming this grant. At least four questions call for some answers:

One, why are the vital infrastructural project costs left to be contingent on a 40 per cent matching contribution by the States?

Two, why was the option of *in-situ* urbanisation idea and improving the local areas not even discussed while arriving at the decision? The Commission surely is aware of the vast pool of the unemployed swelling the informal sector with 46 per cent workforce in the agricultural sector. The growing commuting is not likely to slacken.

Three, why has the Commission completely kept out the environmental problem of India whose capital along with 83 other cities are crossing all international pollution norms. Is it not important to address at least tangentially the problem of slums and poverty?.

Four, why is it that the Commission did not consider Articles 243ZD, and 243ZE (particularly the District Planning Committee and Metro Political Planning Committees) for the urbanisation economic growth strategy of the Commission?

STILL AN ENIGMA

In spite of seven studies sponsored by the Commission including a "comprehensive Review" of panchayat finances, the analysis of local finance is tepid. It does not speak highly of the various Union FCs and State FCs of the past that a clear picture of the local governments in the fiscal federal map of India is still an enigma. True, FC-16 gives State-wise figures of OSR (Own Source of Revenue) of RLBs and ULBs for five years from 2019-20 up to 2023-24. The total sum for local governments (bodies) for 2023-24 adds to ₹1.18 lakh crore with the contribution of PRIs an abysmally low 14.7 per cent.

No Union Finance Commission has pointed out that local governments are increasingly becoming cutting edge agents of delivery of the Union and State government schemes

The per capita OSR of RLBs for 2019-10 works out to ₹146.6 and that of ULBs ₹1,404, with ULB 9.5 times higher. The corresponding numbers for 2023-24 indicate a 10.8 times rural-urban gap. The reasons for the poor performance of RLBs ought to have attracted more in-depth examination.

The assertion of "heavy dependence of local bodies on Union and State governments for revenues" (para 10.63) does not fully agree with the statement given in the para (10.62) immediately preceding, which says OSR contributes 51 per cent of total municipal revenues for all categories of ULBs in India, and the contribution ranges between 61 per cent of total revenues of ULBs with a population larger than 40 lakh and 32 per cent for those with a population of less than 5 lakh. Undoubtedly, several municipal corporations and municipalities are capable of funding their expenditure responsibilities. The Economic Survey 2017-18 points out that India's urban local governments are closer to international norms and "have emerged more fiscally empowered than RLGs so far in India". To be sure, the finance of panchayats needs separate analysis and scrutiny. The Constitution opted for the 73rd Amendments, exclusively for the Panchayats to address their problems separately.

The Economic Survey 2017-18 had pointed out that 90 per cent of the tax potential of the PRIs remains untapped. This is not something to be lightly glossed over. Is low level equilibrium a matter of choice or is it a trap? Moreover, clubbing together tax and non-tax revenues by the Commission is not proper because user charges are collected on a *quid pro-quo* basis. It is certainly important to know what taxes are collected and in what proportion of OSR is contributed by non-tax revenues.

Imposing too much tying and conditions in the dispensation of local grants can make inroads into local government autonomy, although some are inevitable given the sluggish progress local governments have been making. The continuation of the eligibility conditions related to accounting and audit introduced by FC-15, although still a work in progress, is unavoidable.

No Union Finance Commission has pointed out that local governments are increasingly becoming cutting edge agents of delivery of the Union and State government schemes. It is high time to amend the Seventh Schedule to introduce a Local List, and bring more rationalisation in the assignment of revenue and expenditure responsibilities of the various tiers of the Indian fiscal federal system.

The writer is Honorary Fellow, Centre for Development Studies, Thiruvananthapuram

businessline
bl.portfolio





23 Feb 2026

Tricky pitch

Despite US SC ruling, India cannot give up trade talks

The US Supreme Court's majority ruling against reciprocal tariffs has opened up a scenario of bewildering possibilities for India and the rest of the world. The court has struck down the exercise of powers under the International Economic Emergency Powers Act, 1977, as a case of executive overreach, holding that Congress should not have been bypassed. The world watches with bated breath on what the Trump administration might unleash next.

The US has already invoked Section 122 of the Trade Act, 1974 to impose global tariffs of 15 per cent to deal with a 'large and serious' trade deficit. This can run only for 150 days. A review, possibly with legislative sanction, might be needed for an extension. Treasury Secretary Scott Bessent has darkly hinted that Section 338 of the Tariff Act, 1930 might come into play. The section allows for tariffs up to 50 per cent on 'discriminatory' foreign imports, but it is vague in scope, and about implementing agencies. Meanwhile, the tools being used are Section 301 of the Trade Act, 1974, and Section 232 of the Trade Expansion Act, 1962. These two have to be preceded by time-consuming investigations establishing unfair trade practices and national security concerns, respectively.

So, it would be premature to assume that high tariffs are a thing of the past. What is more likely is that future options exercised by the Trump administration could be litigated. The Congress may not endorse these options readily, as it showed in Canada's case. While the scenario is volatile, India and others seem to be better placed after the ruling to deal with a befuddled Trump administration. They are now faced with 15 per cent plus MFN tariffs on their exports. Country-specific reciprocal tariffs, 18 per cent in India's case as per the framework agreement, have ceased to be, but sectoral tariffs on steel and aluminium globally — under Section 232 — remain. It is estimated that over half of India' exports to the US will now attract 15 per cent plus MFN tariffs.

The big question now is: how should India deal with an incensed President Trump in its ongoing trade talks? Rescinding the admittedly one-sided interim framework deal is not an option, for three reasons: first, in principle, there are gains to be had from a well-tailored pact with the US; second, it is possible to leverage the confusion arising out of the court order to arrive at favourable terms; and third, a walkout can provoke a needlessly hostile response. A clause in the February 6 joint statement, in fact, says: "In the event of any changes to the agreed upon tariffs of either country, the United States and India agree that the other country may modify its commitments." India can clear its positions on areas such as application of standards, particularly in agriculture, exercise of digital sovereignty, and the need to delink trade from geopolitical alignments — issues mentioned in the joint statement. In other words, a deal is on; the terms should change.

businessline
bl.portfolio
24 Feb 2026

Energy options after US verdict

India can use the space created by the US Supreme Court ruling to diversify oil purchases without capitulating on Russian oil

CAPITAL IDEAS.



RICHA MISHRA

After the US Supreme Court struck down President Donald Trump's sweeping tariffs, now the debate is will India enhance buying Russian oil once again? Indian officials have been maintaining that price, supply stability and national energy security are paramount. India imports the bulk of its crude requirements and has used discounted Russian oil to manage economic pressures.

However, the purchase of Russian oil did drop. Russia was replaced by Saudi Arabia for the top supplier position looking at the numbers February 1-23. The top five suppliers to India are Saudi Arabia, Russian Federation, Iraq, United Arab Emirates and the US, currently.

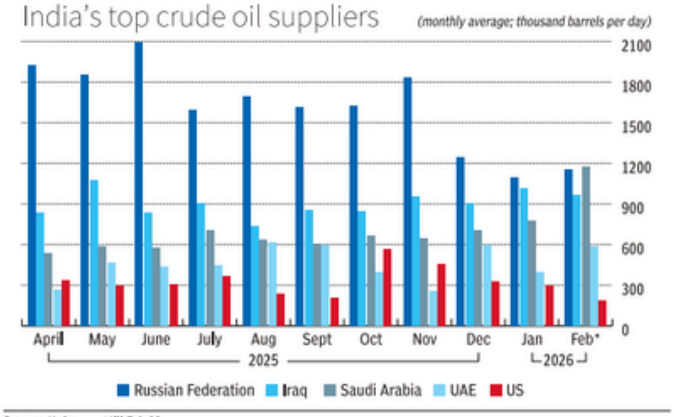
According to Prerna Prabhakar, Fellow at the Centre for Social and Economic Progress (CSEP), "India has consistently refrained from formally commenting on its purchases of Russian oil, maintaining that its energy policy is guided by national interest rather than geopolitical pressures. In this context, the recent Supreme Court ruling may reduce immediate legal pressure on India to curtail such imports."

"However, it would be prudent to remain cautious rather than assume the matter is settled. Given the unpredictability of the Trump administration and the indication that alternative legal routes could be explored to reimpose restrictions, the situation remains fluid. A calibrated and watchful approach may therefore be more appropriate than a premature renegotiation or strategic shift," she said.

Prabhakar has a point here — a watchful approach is what is needed.

Umud Shokri, Energy Strategist and Senior Visiting Fellow at George Mason University, said: "The Supreme Court knocking down Trump's "global tariffs" under emergency authority doesn't magically end US pressure on countries buying Russian energy, but it does blunt one of the bluntest instruments Washington had been waving around."





Source: Kpler *till Feb 22

On pressure over Russian purchases, he said, the immediate effect is that the US loses some tariff-threat credibility as a one-step punishment tool, especially if tariffs were being used as a bargaining chip in broader trade talks. "That said, the US still has plenty of other levers that don't depend on that particular tariff authority: targeted sanctions, financial restrictions, shipping/insurance pressure, and "secondary sanctions" style threats," he said.

The smart play for New Delhi is to honour enough of the deal to keep the relationship warm while quietly renegotiating the pieces that hurt most

Recent analysis has described the US using trade negotiations and tariff threats specifically to push India on Russian oil imports, and that pressure doesn't vanish just because one legal pathway got blocked, he cautioned.

Can India turn this to its advantage?

"Potentially, yes, in a very practical way: if a big chunk of "tariff leverage" is now legally constrained, India can negotiate trade terms with less fear of sudden, blanket tariff punishment, and instead push for clearer, rule-based outcomes (MFN tariffs, narrower trade remedies, or negotiated carve-outs). Indian trade-policy voices are already framing the ruling as a reason to reassess the trade bargaining landscape," he said.

On the energy side, India can also use the moment to diversify without capitulating: gradually reduce exposure to Russian barrels where it makes commercial and diplomatic sense, while preserving flexibility and insisting on sovereignty over import choices, Shokri said.

Well, his argument does has a point. Reporting and analysis around early 2026 have already pointed to US efforts to steer India towards alternative supplies (including US crude), and to India's partial reduction rather than a full stop.

That "managed adjustment" approach is exactly how India turns pressure into bargaining space instead of a binary yes/no fight, he said.

Vandana Hari, Founder and CEO of Vanda Insights, said, "The SC decision does put a question mark on the interim trade deal, including its implicit provision of India pivoting away from Russian oil. But I doubt Indian refiners will rush back into Russian oil. They have been actively diversifying the basket, and it would be good to stay on that path in the long run, anyway."

According to Tracy Schuchart, Senior Economist, Ninja Trader Live, Ninja Trader Group: "Yes, unambiguously. India just got handed leverage it didn't have 24 hours ago.

"Now the most the administration can do unilaterally is 15 per cent under Section 122, and that expires in five months. After that, any new tariffs require formal investigations that take months or Congressional action that's politically uncertain heading into midterms. India knows all of this," she said.

The smart play for New Delhi is to honour enough of the deal to keep the relationship warm while quietly renegotiating the pieces that hurt most, particularly the energy procurement commitments and agricultural market access, she pointed out.

businessline
bl.portfolio





24 Feb 2026

The structural gaps in infrastructure finance

Saurabh Bandyopadhyay

The Union Budget has reaffirmed India's reliance on public capital expenditure as the central pillar of its growth strategy. Public investment has expanded rapidly over the past five years. Central government capital expenditure has risen sharply in both absolute terms and as a share of GDP, marking a clear break from the fiscally constrained post-2012 period. This sustained push has helped crowd in private investment.

However, execution capacity has not scaled up at the same pace. Project monitoring data continue to show a sizeable pipeline of stalled or delayed infrastructure projects, with time overruns and cost escalations remaining widespread. Land acquisition challenges, regulatory clearances, weak project preparation and financing stress are repeatedly cited as binding constraints, particularly in highways and urban infrastructure. The divergence between rising allocations and uneven outcomes suggests that India's infrastructure challenge is now less about spending levels and more about delivery systems.

Three structural gaps in infrastructure finance merit closer attention. First, India does not lack project announcements; it lacks bankable projects. Too often, projects are launched before land is secured, demand risks are rigorously assessed, or revenue and risk-sharing frameworks are clearly defined. The result is predictable: delays, cost overruns and growing risk aversion among long-term investors.

A professionally managed and adequately funded project preparation framework — covering feasibility studies, environmental and social safeguards, and financial structuring — can materially improve execution quality. International experience shows that relatively small upfront investments in preparation significantly reduce downstream fiscal and contractual stress. Without this foundation, higher capital outlays risk translating into stranded assets.

NON-DEBT INSTRUMENT

Second, asset monetisation has emerged as an important non-debt financing instrument, particularly in the transport sector. Recycling capital from mature, revenue-generating assets into new infrastructure can ease fiscal pressures while sustaining investment momentum.

But credibility is key. Transparent valuation, competitive bidding, service-quality safeguards and clear ring-fencing of proceeds for fresh capital formation are essential to ensure monetisation strengthens, rather than undermines, public balance sheets. Absent these guardrails, monetisation risks being perceived as a short-term fiscal expedient rather than a durable financing strategy.



NEEDED. Adequate project preparation

Third, despite the scale of infrastructure spending, India's financing base remains relatively narrow. Banks and budgetary resources still dominate, while long-term domestic investors — pension funds, insurance companies and provident funds — play a limited role.

Expanding the use of long-dated, inflation-linked infrastructure bonds, strengthening pooled municipal finance mechanisms and providing regulatory clarity for institutional investment in infrastructure funds would better align financing tenors with asset lifecycles.

Recent RBI data indicate that States have increased capital expenditure as a share of GDP in recent years, reflecting a welcome shift towards growth-enhancing spending. However, aggregate improvement conceals wide inter-State variation in fiscal space, project readiness and execution capacity. Many States continue to face weak project pipelines, limited own-source revenues and rising committed expenditures. In this context, Central support — through long-tenor, concessional loans for State capital expenditure — would yield stronger results if increasingly linked to measurable improvements in project preparation, financial reporting and user-charge frameworks.

One of the most under-emphasised aspects of India's infrastructure strategy is operations and maintenance. Inadequate lifecycle funding leads to rapid asset deterioration, eroding economic returns and raising costs.

Climate risks compound this challenge. Floods, heat stress and extreme weather events are shortening asset lives and increasing maintenance burdens. Integrating maintenance planning, climate-resilient design standards and risk-sharing mechanisms into infrastructure finance frameworks would significantly improve value for money and protect public investment.

The challenge now is institutional: ensuring that projects are prepared better, financed smarter and maintained properly across both the Centre and the States.

The writer is Senior Fellow at NCAER, New Delhi. Views expressed are personal

businessline
bl.portfolio





24 Feb 2026

Intelligent summit

India should focus on AI regulation, education, skilling

The recently concluded AI summit was a signal moment in the country's digital journey. With packed halls, global CEOs, innovators, policymakers and researchers under one roof, the event underlined India's ambition not merely to consume Artificial Intelligence but to shape it. A key highlight was the buzz around home-grown large language models (LLMs).



Players such as Sarvam AI and BharatGen unveiled models tailored for Indian languages, governance needs and sector-specific use cases. The emphasis was clear — that India's AI story must go beyond English-speaking urban elites and address agriculture, healthcare, education and public service delivery. If these models deliver on scale, costs and linguistic diversity, they could democratise AI in a way global platforms have not fully achieved. Equally significant was the adoption of the Delhi Declaration which is a voluntary, non-binding framework endorsed by over 88 nations. The declaration seeks to anchor AI development in shared values. In a world increasingly fractured over technology governance, even a voluntary alignment signals recognition that AI's risks and rewards are global. Global technology leaders such as Sam Altman, Sundar Pichai and Vinod Khosla had interesting observations to make. On one hand, they suggested that AI is edging closer to systems with 'superintelligent general intelligence'. On the other, they were candid about the disruption ahead. Jobs will change, work will be redefined and productivity gains may not translate neatly into wage growth.

For India, that warning should be the real takeaway. If AI enables companies to do more with fewer workers, or with differently skilled workers, the ripple effects on income distribution and demand could be profound. The response must begin with education. Schools and colleges need to urgently rejig curricula to prepare students for a world where humans collaborate with machines. Foundational digital literacy, critical thinking, interdisciplinary learning and ethical reasoning must move from the margins to the core. Coding alone will not suffice; understanding how to work alongside AI systems will be as crucial as building them. Industry, too, must shoulder responsibility. Companies deploying AI at scale should commit to structured workforce transitions, identifying roles at risk, mapping emerging opportunities and investing in training. The cost of transition cannot be borne solely by displaced workers.

Finally, regulation requires foresight. Allowing industry to craft its own guardrails may spur innovation in the short term. But as AI diffuses at population scale, stronger institutional frameworks will be necessary to manage risks, from bias and misinformation to systemic shocks in labour markets. The experience of social media is instructive. Policymakers globally reacted years after platforms became ubiquitous, by which time data breaches and manipulation had taken root. India must ensure not to repeat that lag.

businessline
bl.portfolio





24 Feb 2026

AI: Blinded by optimism

NEVER BEFORE. We are not facing another industrial revolution. We are facing the industrialisation of cognition. That difference must serve as the basis for our policy response



GETTY IMAGES/ISTOCKPHOTO



R KRISHNA KUMAR

As the recent AI Summit concluded, one question lingered in public discourse: Will I lose my job? While many responses from the stage were optimistic or evasive, the IMF Managing Director's warning of significant employment disruption turns this question from casual curiosity into a legitimate concern. There are three core issues in the current 'AI revolution' that need serious attention. The first is job loss, the second is the major shift it brings to education, and the third is its impact on the healthcare sector. We will concentrate on the first two.

Many delegates responded to the first issue, recalling past technological shifts, such as the Industrial Revolution, the mechanisation of mills, and the computer revolution. Some mentioned retraining and predicted an increase in client-facing roles. Overall, they seemed to avoid addressing the core issue. Every technological revolution has brought both benefits and displacement. The Industrial Revolution shifted labour from agriculture to manufacturing. The transition was gradual. Mill automation displaced workers but expanding service sectors absorbed them. The computer revolution became a productivity tool, creating entirely new industries. The present AI revolution is fundamentally different. Earlier revolutions replaced physical drudgery. Generative AI tools are not merely machines; they are digital entities capable of performing reasoning, synthesis, and structured decision support. This revolution replaces cognitive abilities. It attempts to build a powerful digital clone with superhuman abilities.

HIERARCHY OF COGNITION

Every profession has a hierarchy of cognition. Juniors use operational cognition, which encompasses algorithmic execution. As we move up the ladder, algorithmic execution is replaced by cognitive compression, the ability to compress years of knowledge into a capsule for decision-making. The AI revolution is, in fact, a form of cognitive automation capable of mastering both types of cognition. Entry-level white-collar roles across sectors are clearly vulnerable, not just computer programmers. But it is a mistake to assume senior roles are immune. AI's ability to compress millions of documents into actionable knowledge capsules challenges even experienced professionals.

The real competition is no longer the colleague sitting next to you. It is a system with vast computational memory, continuous retraining, and no cognitive fatigue. The term "retraining" becomes ambiguous when the competitor is being retrained faster and at scale. The question one has to answer is: Can I go up the value chain faster than AI? Can I be the David in my fight with the Goliath?

The real danger for India is the possible erosion of the demographic youth bulge, especially among white-collar youth. If this segment weakens, consumption slows, investment patterns shift, and the macroeconomic impact becomes significant. Unlike previous revolutions, displaced youth today have limited alternative sectors to absorb them quickly. Large-scale manufacturing is not an alternative, as its contribution to employment is only through a trickle-down effect. Agricultural absorption is unrealistic. Informal sectors lack stability. If cognitive automation spreads faster than job creation in adjacent sectors, the demographic boon risks becoming a demographic bane.

The pedagogical transformation required is enormous. We have to move to open-book and AI-assisted learning and examination formats, besides faculty retraining

A frequently proposed safety valve is large-scale employment as AI evaluators, auditors, or regulators. This is intellectually comforting but structurally flawed.

Meaningful evaluation requires mastery of the domain equal to or greater than that of the system being assessed. When AI continuously re-trains and aggregates global knowledge, staying consistently ahead of it becomes unrealistic for large populations. Presenting AI monitoring as a mass employment solution risks becoming another evasive reassurance rather than a credible strategy.

In sum, no level of the hierarchy is safe. It is a fallacy to claim that only junior-level programmers will be affected. Anyone who sits at a computer for their job is at risk of losing their seat.

HIGHER EDUCATION CHALLENGE

Higher education faces a disruptive challenge: what to teach, how to teach, and how to assess. When ChatGPT is banned in institutions, it often becomes the most valuable resource after graduation. This creates a clear contradiction. Our educational system is primarily solution-based — aimed at producing correct answers from given input data within a structured system. Meanwhile, industry increasingly requires decision-making amid uncertainty, relying on strong domain expertise. AI tools are excellent at what a graduating student can do, and also have the cognitive depth to make decisions. There is a risk that a graduating student will face a massive wall, regardless of the discipline.

The pedagogical transformation required is enormous. We have to move to open-book and AI-assisted learning and examination formats, faculty retraining with the changed world in mind, shift from information delivery to decision architecture, and emphasise ethical reasoning and contextual judgment. If we do not restructure higher education, we risk graduating students trained for a world that no longer exists.

AI challenge cannot be faced with blind optimism. The solutions are not easy to find. Strengthening MSMEs, reinvigorating manufacturing, and accelerating "Make in India" initiatives may provide partial buffers. Small-scale sectors have thrived on innovations. But policy responses must move beyond slogans. AI is a double-edged sword. Its benefits in productivity, healthcare, and design are undeniable. Yet its fodder — data centres, computational scale, and rapid self-improvement — gives it unprecedented momentum ahead of humans.

We are not facing another industrial revolution. We are facing the industrialisation of cognition. That difference must serve as the basis for our policy, educational, and economic strategies.

The writer is Institute Professor, Indian Institute of Technology Madras

businessline
bl.portfolio





25 Feb 2026

Critical alliance

Pax Silica can consolidate India's digital heft

India's decision to join the Pax Silica alliance marks a consequential shift in its technology and industrial strategy. Launched in December 2025, it aims to reduce dependence on China-dominated supply networks by coordinating cooperation across mineral extraction, chip manufacturing, advanced computing, and AI systems. The immediate backdrop is the vulnerability exposed by China's tightening grip over rare earths and critical mineral exports.

Over the past few years, Beijing has imposed export controls on gallium, germanium, and other strategic inputs essential to chipmaking and advanced electronics. Even calibrated restrictions have had ripple effects across global supply chains, slowing production cycles and raising costs for manufacturers. For India, which is attempting to establish itself as an electronics manufacturing hub under its Production-Linked Incentive (PLI) schemes, such disruptions result in delayed shipments, supply bottlenecks, and strategic dependence. Semiconductors and electronics depend on a complex web of inputs: critical minerals, fabrication equipment, design tools, software, advanced manufacturing know-how, and capital. Pax Silica seeks to align trusted partners across this chain. The advantages are tangible.

First, membership strengthens India's access to diversified sources of critical minerals. This reduces the risk of future supply shocks stemming from unilateral export controls. Second, the alliance could ease access to advanced semiconductor equipment and design tools, areas where a handful of firms dominate. Third, closer cooperation in AI and semiconductor R&D can accelerate India's ambition to move up the value chain, from being largely an assembly base to becoming a design and innovation centre. For the United States, India's inclusion is strategic. Washington's China+1 strategy is not simply about shifting factories; it is about building scale outside China and diversifying risk. India offers what few countries can: a vast domestic market, a large engineering talent pool, growing digital infrastructure and geo-political leverage.

However, Pax Silica's impact will depend on how it is executed, particularly under the Trump administration, where trade and technology stances have been more transactional and unpredictable. India will have to be careful that deeper integration does not compel automatic alignment on export controls, digital regulations, or trade standards that may not always sync with its domestic priorities. Furthermore, India must navigate the "intelligence-sharing" layer of Pax Silica. Beyond hardware, the alliance necessitates harmonizing standards for AI ethics and data sovereignty, which may clash with New Delhi's preference for localized data control. To truly de-risk, India must ensure Pax Silica facilitates the mid-stream processing of minerals on home soil. Only by embedding itself into the R&D and refining stages can India become an indispensable pillar of the global silicon order.

India's innovation mirage

For progress, incentivise patent grants, not filings

Sudhanshu Mani

The recent India AI Impact Summit 2026 did much that deserves acknowledgement. The scale of participation was encouraging. But it raises questions about innovation and outcomes.

The development of the Vande Bharat Express is celebrated as a triumph of Indian engineering. But it was not a world-class leap. It was a beginning. Yet in nearly eight years, technological advancement has been limited. We applaud intentions, proposed investments and presentations, then declare victory prematurely. In doing so, we risk normalising mediocrity.

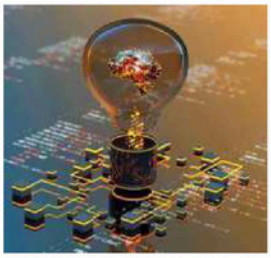
It is uncomfortable to admit, but ambition demands comparison. Two decades ago, Chinese products were dismissed as cheap imitations. Today they dominate transport, infrastructure, electronics and miscellaneous manufacturing through relentless iteration. Progress was not proclaimed. It was pursued with discipline.

That's why the controversy at the AI summit struck a deeper nerve. A four-legged robot displayed by Galgotias University as indigenous innovation was a commercially available Chinese robo-dog. When questioned, the defence rested on semantics, with bald attempts to shift blame on to reporters. To compound matters, a South Korean drone product had been displayed in similar fashion. The university was eventually asked to vacate its stall, but the damage was done.

SYSTEMIC DISTORTION

This episode is not about one university. It reflects a systemic distortion. India ranks an impressive fifth globally in patent applications. Yet our patent grant rate is about 40 per cent for IITs and NITs, and is estimated at low single digit levels for many private universities that file aggressively. Japan stands near 70 per cent and South Korea around 60 per cent. We file energetically but convert poorly.

The deeper issue lies in incentives. The government reimburses up to ₹2 lakh per domestic patent filed and ₹5 lakh per international filing. Educational institutions receive substantial fee concessions, reducing filing costs to roughly ₹1,600. The National Institutional Ranking Framework factors patent filings into rankings. More filings can mean a better rank. A better rank attracts more students, and more revenue.



PATENTS. Link incentives to commercialisation GETTY IMAGES/ISTOCK

The arithmetic is seductive. A patent filed cheaply can yield reimbursement up to ₹2 lakh. Multiply that by more than 2,000 filings by private universities and the figure approaches ₹50 crore annually from domestic patents alone. Several private universities report filings exceeding a thousand in a year. The concern is not enthusiasm for intellectual property. It is what follows. Even where IIT and NIT patents are granted, commercialisation remains limited. The cycle in private universities becomes procedural: file, claim reimbursement, improve ranking, attract admissions, repeat.

Innovation risks becoming an accounting exercise. In such an environment, showcasing imported hardware under 'patriotic' lighting becomes less surprising. When metrics reward volume over value and performance over proof, theatre enters quietly.

India's ambition to be an AI powerhouse is neither fanciful nor misplaced. We possess scale, talent and digital infrastructure. But leadership is not declared. It is earned through sustained research, rigorous validation and commercial success. Innovations must survive scrutiny and markets.

Shifting reimbursements from filing to grant would be a start. Linking incentives to commercialisation would be stronger. Auditing abnormal filing-to-grant ratios would restore seriousness. Reforming rankings to weight granted patents and measurable impact would align aspiration with achievement.

Innovation is not a form you submit. It is a problem you solve. Whether in railways or AI , the lesson is the same. If we celebrate beginnings as destinations, we will remain at the starting line, as others move ahead.

The writer is retd GM of ICF and Independent Consultant; leader of Vande Bharat project

businessline
bl.portfolio
25 Feb 2026

Banks grapple with changing savings behaviour

Banks need to deal with structural liquidity mismatches created by money moving into alternative investments from bank deposits

K Srinivasa Rao

The deepening of financial markets, along with increased financial literacy and quick access to bank savings through digital channels, has fuelled a gradual shift of bank deposits into alternative investments, including mutual funds, equities, bonds, small savings, G-secs, gold, silver, real estate, and derivatives.

The customer profile of banks is shifting toward young, tech-savvy customers having a higher risk appetite for exploring non-bank investment options. The increased flow of bank deposits moving back and forth between alternative investments in financial markets and the banking system in a different form is creating risks. The business model may need to be recalibrated to align with the evolving transformation in asset and liability composition, tenor, and pricing.

THE DEPOSIT CHURN

A common argument is that deposits that move to other institutions should eventually return to the banking system after the round trip, as the receiving institutions will use banks to route them. If a bank customer moves funds from a savings account to alternative financial instruments, the system's liquidity might eventually recover, but the ALM structure and interest rates will change drastically. The flight of deposits from banks to financial markets and their return to banks will be subject to certain "liquidity leaks" and a major "pricing trap".

While most money remains in the banking "pipes", a significant portion leaves the system temporarily or permanently.

Even when that money returns to the bank via a Mutual Fund Institution's bank account, it is placed in high-cost bulk deposits or CDs (Certificates of Deposit), where the bank might have to pay 7.5 per cent or more.

Thus, banks might be losing low-cost retail deposits and replacing them with "expensive" wholesale funding. This narrows their net interest margin (NIM), which is why many banks introduce differentiated deposit schemes with attractive interest rates to prevent deposit outflows and protect their NIM.

LEAK OF LIQUIDITY

Not all deposits that leave the bank may return to the banking system. Some may go as taxes that get parked with the RBI. This money is effectively withdrawn from the commercial banking system until the government spends it and returns it to the economy.

Banks' growth profile *(in %)*

	FY23	FY24	FY25
Deposits	11.0	13.6	12.5
Credit	15.0	16.1	14.6
CD ratio	75.1	78.0	80.4

April 25 to Jan 26 *(in %)*



As of early 2026, government cash balances have hovered between ₹1.5 lakh crore and ₹4 lakh crore, creating a temporary liquidity shortfall.

Physical cash withdrawals have surged. In the 14 months leading to January 2026, currency withdrawals amounted to ₹4.4 trillion — three times higher than the previous year's trend. Every rupee held in a physical wallet is a rupee that cannot be multiplied as a bank deposit. To stabilise the rupee against global volatility, the RBI often sells dollars and "mops up" (absorbs) rupees. This is a permanent removal of liquidity from the banking system.

The "churn" of money moving between banks and alternative investments through markets creates constant friction, often choking banks' lendable resources and slowing the velocity of money. Deposits don't simply "revolve" into alternative investment instruments; they create structural liquidity mismatches, higher funding costs, and systemic risks — despite total household savings remaining stable in the long run.

The RBI's support through liquidity adjustment facility (LAF) can be only temporary. Ultimately, banks will need to recalibrate their business models to manage their operations while protecting their NIM. Through non-core banking services, banks should galvanise institutional accounts of wealth management entities and serve them with a priority tag. Customer service quality could raise deposit stickiness at the margin *(see table)*.

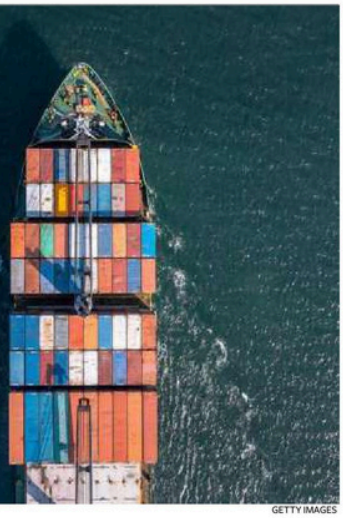
Similarly, the non-funded products should be used to serve corporate accounts actively raising funds through bonds and the ECB route, with specially trained employees to improve retention of funds. SLBC forums and lead bank relationships should be explored for government accounts. Banks will have to gear up for higher liquidity and pricing competition as deposits flee to other investment channels and lose much of their sheen on their return journey back to banks.

The writer is Adjunct Professor, Institute of Insurance and Risk Management. Views expressed are personal

businessline
bl.portfolio

25 Feb 2026

WTO must provide space for industrial policy flexibility



REFORM THRUST. WTO rules should explicitly accommodate supply-chain risk mitigation and sourcing diversification

GETTY IMAGES



VS SESHADRI

Industrial policy is likely to be a key topic for discussion at the forthcoming 14th WTO Ministerial Conference (MC-14) in Yaoundé, Cameroon, where reform of existing multilateral trade rules will dominate the agenda.

The European Union has put forward proposals focusing on the negative trade effects of state interventions in industrial sectors. It calls for stronger disciplines to address excess subsidisation, the non-commercial conduct of state-owned enterprises, unlimited guarantees, and measures that artificially sustain non-viable firms, generating overcapacity.

At the same time, the EU acknowledges the need for balance — between effective rules, policy space for industrialisation, and mechanisms to address negative spillovers and what it terms "weaponised dependencies".

The US also refers to severe and sustained imbalances in the international trading system arising from predatory economic practices. However, it questions whether the WTO is institutionally capable of addressing challenges such as overcapacity, economic security, supply chain resilience, and strategic concentration. Its contention is that members benefiting from such practices are unlikely to agree to reforms that dilute their structural advantages. The implication is that solutions may need to be pursued outside the WTO framework.

There is, however, another dimension that neither submission confronts explicitly: export controls on so-called dual-use products. For decades, such measures on high-technology items were largely confined to Western economies and had limited impact on countries like India. That is no longer the case. China's use of restrictive export licensing on critical minerals and magnets has introduced a new element of unpredictability. When critical inputs are weaponised, supply chains become strategic vulnerabilities.

Developing countries such as India have borne the cumulative impact of deliberate overcapacities, aggressive export pushes at suppressed prices, targeted export controls, and unilateral tariff actions by third countries. These practices have tangible consequences for industrial development and domestic employment. And it is difficult to conceive of remedial actions outside the WTO.

INDUSTRIALISATION PUSH

This context explains India's recent shift towards greater self-reliance in strategic sectors and areas of high import dependence. Initiatives such as Production Linked Incentive schemes, the semiconductor programme, and the Critical Minerals Mission reflect efforts to strengthen domestic capabilities while diversifying markets and sources of supply.

The recent Budget and the Economic Survey's renewed emphasis on "*swadeshi*" underscore a broader commitment to industrial capacity in sectors prone to market failures or strategic distortion without adequate support.

Predictably, some members have viewed these policies as not in their interests and have invoked existing WTO rules. China has in recent months initiated dispute proceedings against India on certain measures alleging breach of WTO rules relating to subsidisation and Trade-Related Investment Measures (TRIMs). Others have challenged earlier initiatives, including in the mobile phone sector.

India should not seek blanket exemptions or sweeping carve-outs. Such an approach would be neither defensible nor likely to command support

WTO REFORM CAN HELP

This is precisely why WTO reform matters. The reform discussions should examine whether clearly defined flexibilities can be incorporated into WTO rules to support legitimate industrial development objectives.

Today, both developed and developing countries are pursuing industrial strategies in sectors of their choosing — including steel, semiconductors, batteries, electric vehicles, and critical minerals — using instruments they deem appropriate. India will not be isolated in raising the issue of policy space; elements of the EU's own submission implicitly recognise it. Critics may label such policies protectionist, but the broader trend is unmistakable.

At its core, the debate concerns policy space. Providing adequate policy space for future development has intrinsic value — even if not fully utilised. It is analogous to binding a tariff at a higher ceiling. The space itself matters.

Which WTO agreements merit re-examination? The agreements on subsidies, safeguards, anti-dumping, and TRIMs are obvious candidates. There could be others.

Take the Safeguards Agreement for example. Its remedial measures are temporary, require compensation, and impose high evidentiary thresholds. In an era characterised by rapid supply shocks and strategic concentration risks, these disciplines warrant reconsideration.

Looking ahead, WTO rules should explicitly accommodate supply-chain risk mitigation and sourcing diversification. Members should have flexibility — under clearly defined and transparent conditions — to limit excessive import dependence in designated strategic products from a single source country, without being compelled to undertake prolonged and procedurally burdensome investigations.

INDIA'S AUTO EXPERIENCE

India's earlier experience offers perspective. In 1997, when seeking to build its automobile industry, India issued Public Notice No. 60. Manufacturers seeking import licences for restricted automotive products were required to sign Memoranda of Understanding committing to domestic production facilities, minimum investment, specified indigenisation levels, and export obligations.

The European Union and the US challenged these measures at the WTO. India lost the dispute in 2001. Yet the policy had lasting impact. It helped attract major manufacturers and contributed to the development of a globally competitive automobile ecosystem. Today, even advanced economies are exploring measures to promote domestic manufacturing and local value addition in strategic sectors.

CALIBRATED PROPOSALS NEEDED

Translating the aforementioned reflections into concrete reform proposals will require care. India should not seek blanket exemptions or sweeping carve-outs. Such an approach would be neither defensible nor likely to command support.

What is needed instead are carefully calibrated amendments, anchored in legitimate public policy objectives — resilience, diversification, development, and economic security. This WTO debate may not follow a simple North–South divide. Concerns about overcapacity, strategic dependencies, and supply-chain concentration cut across levels of development. Some export-driven economies may resist expanded flexibilities. But many others — developed and developing alike — are grappling with similar vulnerabilities.

If WTO reform is to be meaningful, it must engage honestly with the realities of industrial policy in an age defined not only by efficiency, but by resilience and security.

The writer is former Ambassador and Senior Fellow, Delhi Policy Group

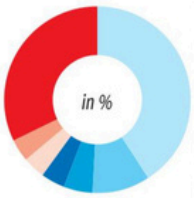
businessline
bl.portfolio
25 Feb 2026

Renewable energy drives India's power transition

Renewable power is growing rapidly worldwide. India accounted for about 5% of global renewable capacity in 2024 and ranked as the third-largest contributor after China and the US. India's installed capacity is projected to rise from 475 GW (Giga Watt) in FY25 to 705 GW by FY30. India's solar installation costs fell 60.6% and wind costs 20.4% (FY16–FY24), making renewables significantly cheaper than fossil fuels. Renewables' contribution to generation is projected to increase from 14% in FY25 to 30% by FY30, while thermal power's share declines to 58%, signalling structural decarbonisation of India's grid. Key trends:

India emerges as the world's third-largest RE market

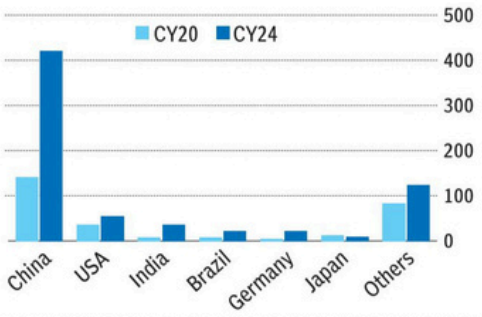
Global RE market break-up (in 2024)



China	41
US	10
India	5
Brazil	4
Germany	4
Japan	4
Others	32

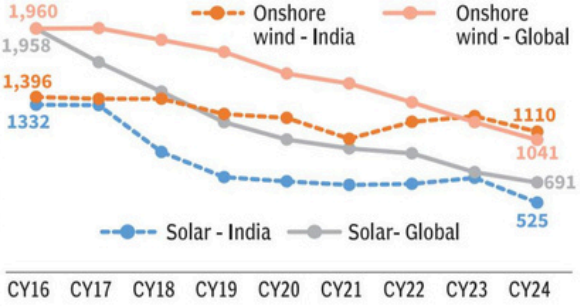
India ranks third in annual RE installation with 35 GW added in 2024

RE capacity additions in key countries (GW)



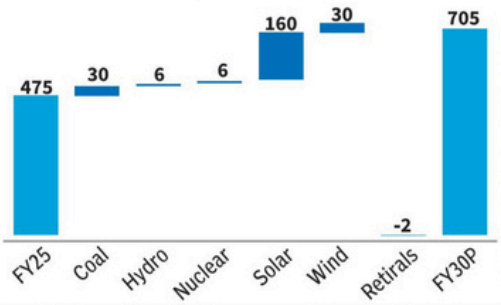
RE costs decline sharply, unlocking massive competitiveness

Installation cost (Global & India) ($/kW)



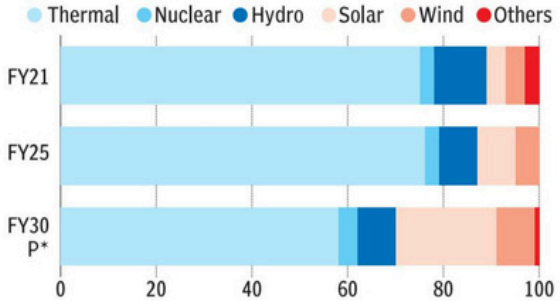
India's RE installed base expanding rapidly

Growth in India's electricity installed capacity (GW)



Renewable energy share is expected to more than double in 2030

Power generation mix projections in India



Source: RHP of Clean Max Enviro Energy Solutions and Crisil Intelligence GW refers to Giga Watt *Projected

businessline
bl.portfolio
25 Feb 2026

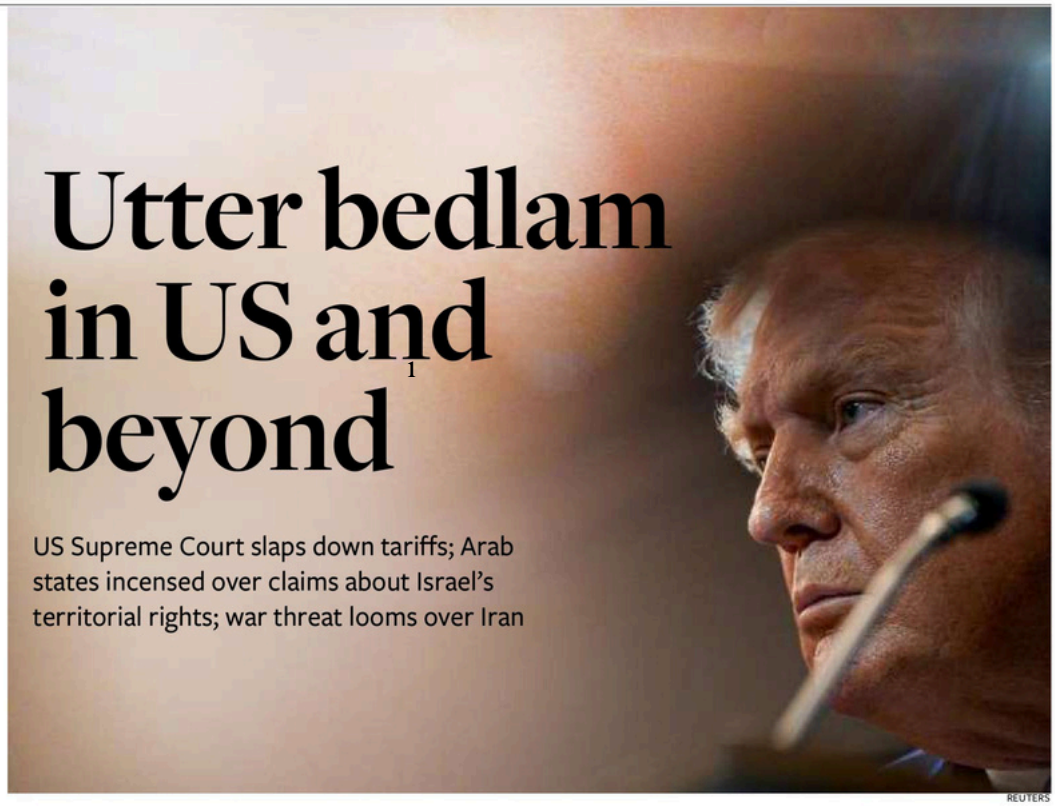
THE WIDER ANGLE.



PARAN BALAKRISHNAN

Utter bedlam in US and beyond

US Supreme Court slaps down tariffs; Arab states incensed over claims about Israel's territorial rights; war threat looms over Iran



REUTERS

It has been the toughest week of Donald Trump's presidency so far. The bad news began tumbling out when the US Supreme Court finally stood up to him and threw out his global tariff scheme that had been the cornerstone of his entire one year as president.

Trump raged and ranted at a press conference after the judgment was delivered. But that was only the start of his troubles. The next hammer blow came from a different direction. During an interview conducted at Tel Aviv's Ben Gurion Airport, the US Ambassador to Israel, Mike Huckabee, told interviewer Tucker Carlson that Israel had a biblically ordained divine right to the region from one bank of the Nile to the Euphrates. That would include large chunks of Egypt, Jordan, Iraq, Syria and parts of Saudi Arabia. Unsurprisingly, these Arab states were incensed by Huckabee's claims.

But on Monday, Trump was facing an even greater dilemma. He's threatened to strike Iran if it doesn't do his bidding and a giant US fleet including two aircraft carriers is heading to the region. But even Trump knows an assault on Iran could put his fleet at an enormous risk and trigger an all-out Middle East war. Almost certainly, there would be American bodybags. At a situation room meeting Monday, he was said to have been enraged when his military told him they couldn't guarantee victory and his hopes for a quick Venezuela-like swoop were next to impossible.

TARIFF HAVOC

Meanwhile, what happens to tariffs is anyone's guess. Trump immediately declared after the ruling he'd slap a 10-per-cent tariff on products from almost everywhere in the world, then hiked that to 15 per cent. But even trickier is whether the government should return the money it appears to have illegally collected as tariffs. Illinois Governor JB Pritzker has demanded an $8.6-billion refund. "Your tariff taxes wreaked havoc on farmers, enraged our allies and sent grocery prices through the roof," Pritzker thundered.

More dangerously, Neal Katyal, the superstar constitutional lawyer who argued the tariff case, fired a warning shot across the government's bows, saying a task force would be launched, "to fight for refunds. We'll fight tooth-and-nail for them if the federal government tries to hold that money back." The sums involved are an eye-watering $130-175 billion.

Closer home, the Congress Party is hitting out at the government, saying it should have waited for the ruling, which everyone knew was coming, before striking a trade deal with the US.

All this unfolds against the backdrop of mounting Middle East tension. Head back to Ben Gurion Airport where Carlson, a rightwing TV star, confronted Huckabee. Carlson turned out to be an unexpectedly fierce interviewer who sank his teeth into Huckabee. The ambassador, one of Trump's many awful diplomatic choices, is a Christian fundamentalist and a Zionist extremist. Asked if Israel could claim half a dozen countries, Huckabee replied: "Not sure we'd go that far." "It would be a big piece of land," he added. But then, not content with stuffing one foot into his mouth, he then proceeded to shove in the other, saying: "It would be fine if they took it all."

A full-scale conflict between the US and Iran would place New Delhi in an uncomfortable position, forcing it to balance energy security, concerns of its large UAE diaspora and strategic partnerships

The consequences, meanwhile, of a war between Iran and the US are almost too awful to contemplate. Israel would almost certainly be drawn into it. And US warships would be dangerously exposed. The only winners might be companies benefiting from rising oil prices.

INDIA IN A BIND

India has plenty to worry about if war in the Middle East erupts. For starters, Prime Minister Narendra Modi is in Israel on an official visit, and it definitely wouldn't be good if he were caught in a war-zone. He's already become part of an Israeli political game because the country's opposition is threatening to boycott his parliament address as the chief justice hasn't been invited, part of Netanyahu's bid to undermine the Supreme Court. The House speaker has threatened to fill the empty seats with former Knesset members so Modi has an audience.

Modi's trip is important because India is playing a delicate Middle East balancing act. It has deepened ties with Israel in defence and technology, while also maintaining close relations with the Gulf states, recently signing a far-reaching agreement with the United Arab Emirates. A full-scale conflict between the US and Iran would place New Delhi in an uncomfortable position, forcing it to balance energy security, concerns of its large UAE diaspora and strategic partnerships.

Whether Trump doubles down on Iran, backs away or seeks compromise will shape not only the remainder of his presidency but also the stability of a very fragile international order.

businessline
bl.portfolio
26 Feb 2026

Disinvestment must gather pace

COMPELLING CASE. The shortfall in proceeds can be made good by a calibrated attempt to divest in public sector banks



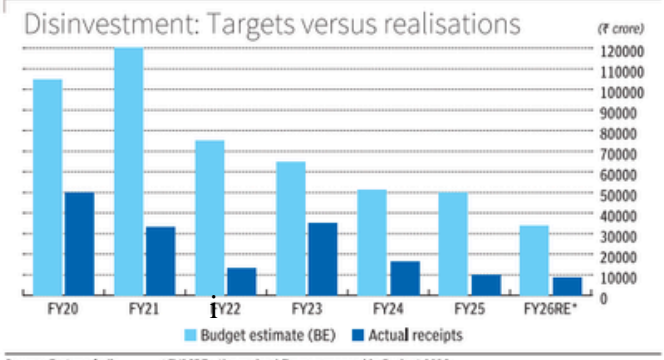
S ADIKESAVAN

One of the more underwhelming aspects of the Union Government's economic strategy in recent years has been the pace and consistency of its disinvestment programme. The bold thrust imparted to the process during the tenure of Atal Bihari Vajpayee — when a dedicated Ministry of Disinvestment was created — had signalled a decisive shift in policy thinking.

Although that institutional structure was later rolled back under the United Progressive Alliance (UPA), the reformist spirit it embodied had raised expectations of a sustained, strategic reduction in the Government's role in commercial enterprises.

In contrast, the past several years have witnessed uneven momentum. From 2020 onwards, the gap between disinvestment targets and actual realisations has become increasingly visible. Budgets have been estimating sizeable resource mobilisation plans through stake sales, only for the final numbers to fall short. The shortfall has not always been due to lack of intent; market volatility, pandemic-induced disruptions, and procedural delays have all played their part. Yet, the pattern of repeated misses has inevitably raised questions about execution expertise of the bureaucracy and resolve.





Source: Fortune India *FY26RE - the revised figure proposed in Budget 2026

CALIBRATED WITHDRAWAL

The Government's strategic disinvestment policy, announced in 2021, was unambiguous in its direction. It envisaged a calibrated withdrawal of the State from non-strategic sectors, while retaining presence only in four defined strategic areas. In other sectors, the Government's holding was to be progressively reduced, with private capital and management expertise expected to drive efficiency, innovation, and competitiveness. The policy marked a reformist milestone. However, policy articulation has not been matched by sustained action.

The financial sector offers a compelling case for a more intense attempt to divest. Among public sector enterprises, some of the Government's largest equity holdings are in public sector banks. Government ownership ranges from about 56 per cent in the State Bank of India (SBI) to nearly 90 per cent in smaller banks like Central Bank and IOB (where a nominal sale was executed). The Government still has substantial stakes in banks that are now, by most metrics, in far better financial health than they were a decade ago.

For instance, SBI, the country's largest lender, is poised to report a net profit exceeding ₹75,000 crore this year, with nine-month profits already crossing ₹60,000 crore. The Group's transformation into a modern financial behemoth with leadership in mutual funds, insurance, credit cards and booking stands as a testament to institutional resilience and managerial capability within the public sector framework.

Importantly, market conditions now appear conducive for calibrated stake sales. The primary market has remained buoyant, with strong fundraising through initial public offerings (IPOs) and offers for sale (OFS) aggregating ₹1,75,000 crore in nine months. Even if secondary market returns have been relatively flat in the current financial year, investor appetite for quality equity remains robust. Significant capital has been raised across sectors, reflecting confidence in India's medium-term growth prospects.

At a time when fiscal space is carefully balanced between capital expenditure and welfare commitments, disinvestment proceeds provide valuable headroom

In this context, the Department of Investment and Public Asset Management (DIPAM) could consider a more assertive approach to share sales, consistent with the 2021 strategic policy. SBI is an illustrative candidate. The bank has recently climbed to become one of the five largest listed entities in India by market capitalisation. A calibrated reduction of, say, 5 percentage points in the Government's stake — while retaining a comfortable majority of 51 per cent — could potentially yield upwards of ₹55,000 crore at prevailing market prices (though prices usually have dipped at least temporarily in certain OFSs).

MULTIPLE BENEFITS

Such a move would carry multiple benefits:

First, it would generate substantial non-tax revenue without imposing additional burdens on citizens or businesses. At a time when fiscal space is carefully balanced between capital expenditure and welfare commitments, disinvestment proceeds provide valuable headroom.

Second, a larger public float would improve liquidity in the stock, potentially enhancing its inclusion weight in global indices and attracting greater participation from institutional investors.

Third, a gradual reduction in Government shareholding — while retaining control — would reinforce market discipline. Enhanced scrutiny by a broader investor base tends to sharpen governance standards and strengthen accountability. Foreign investments could also come in through this route.

Fourth, it would send a strong reform signal, demonstrating that announced policies are being executed with seriousness and consistency. Credibility in economic management is built not merely on announcements but on delivery.

Fifth, for the banking system as a whole, diversified ownership structures can foster greater operational autonomy, agility in decision-making, and innovation in product offerings — without compromising the Government's strategic oversight.

A similar approach could be calibrated for other public sector banks, particularly where Government ownership significantly exceeds the threshold required for control. Stake reductions can be sequenced to avoid market glut and aligned with favourable market windows.

Crucially, disinvestment targets must be realistic and aligned with market capacity. Just as the Government has established a generally satisfactory track record in mobilising revenues through direct and indirect taxes — barring occasional cyclical slowdowns — so too must it aim for achieving targets in non-tax revenue mobilisation. Setting challenging targets and meeting them consistently would restore confidence in the programme.

The blueprint has already been drawn. The policy has been announced. What is required now is momentum — steady, calibrated, and credible —to translate intent into impact.

The writer is a commentator on banking and finance

businessline
bl.portfolio





26 Feb 2026

Rhetoric to reality

PSBs outperform private banks; this should be kept up

Usually when government officials shower praises on Public Sector Banks (PSBs), this comes off as mere rhetoric. However, recent statements from government officials that PSBs are in good health and can generate aggregate profits of ₹2 lakh crore this year, do ring true. Results for the latest quarter ended December 31, 2025 showed PSBs outshining their private peers; a reversal from the NPA crisis of more than a decade ago.

Capitalising on an improvement in credit offtake, PSBs have managed loan growth of 14-15 per cent this quarter, against 11-12 per cent by private banks. PSBs' low credit-deposit ratios, at 70-75 per cent by end-2025 (80-85 per cent for private banks) have allowed them greater headroom to lend. Post-Covid, PSBs also managed to hang on to their CASA (current account savings account) base much better than private banks, as households reallocated their savings from deposits to market avenues. PSBs have leveraged this to compete aggressively on loan pricing. RBI data show that weighted average rates for PSBs hovered at 8.43 per cent by December 2025, while private bank loans were much pricier at 10 per cent. They have pulled ahead on asset quality, too. As gross Non-Performing Assets (NPAs) of banks contracted by over 12 per cent in the December quarter, PSBs accounted for much of this reduction. Focussed on MSME, corporate and secured retail loans, PSBs have contained slippages better than private banks (focused on unsecured retail loans) in this cycle. With strong loan growth, falling provisions and treasury income, PSBs managed net profit growth of over 18 per cent in the December 2025 quarter, while private banks managed only 4 per cent growth. This has led to PSBs gaining a 52 per cent share in the ₹1 lakh crore profit pool of domestic banks. As a result, the Centre has been able to cut the apron strings on recapitalising PSBs, allowing them to tap markets for capital needs.

For now, the strong show from PSBs looks set to continue. Yes, as the rate cycle bottoms, treasury gains can peter out; credit-deposit ratios too can remain firm, if credit growth remains strong. However, there seem to be no big asset quality worries for PSBs because corporate and MSME borrowers maintain good balance sheet health. PSBs also retain a strong focus on core banking, without straying off into activities such as pushing market products which have raised regulatory risks at private banks.

To maintain their current asset quality, PSBs need to improve their underwriting capabilities before next corporate capex boom arrives. This would require tech and AI adoption in mining borrower data, loan evaluation and monitoring. Governance reforms that usher in longer tenures and greater accountability for PSB chairs and boards, and performance-based pay for staff, are needed for efficiency gains. Overall, the Centre looks to be on the right track in not proposing one more round of PSB mergers and evaluating deeper reforms through a high-level panel.

businessline
bl.portfolio
26 Feb 2026

Education reform, the answer to AI jobs threat

The government and educational institutions must join hands with reskilling and policy support to meet the AI challenge

Nilanjan Banik
Pranjal Chandrakar

Indian IT stocks have fallen of late, on fears that large language model agents such as those developed by Anthropic can automate chunks of work currently outsourced to Indian IT services.

India is already facing a problem with jobs and growth in real wage rates. Real wages for salaried jobs in India have experienced stagnation or decline in recent years, with data up to mid-2024 showing they were 1.7 per cent lower than pre-pandemic 2019 levels.

While nominal wages have increased, high inflation has eroded purchasing power, causing negative real wage growth in 2020-21 and uneven recovery since (PLFS).

Indian IT companies are already laying off workers, with over 50,000 employees at risk of losing their jobs this year. The top six IT companies added just 3,847 employees in Q1 of FY26, a 72 per cent drop from Q4FY25.

This is bad news, as around 80 per cent of India's 50 million white-collar workers belong to the IT sector, which indirectly supports the livelihoods of another 250 million blue-collar workers such as drivers, security guards, and domestic help, with the implication of further worsening their economic conditions. According to a report from the Federal Reserve Bank of New York, among college graduates aged 22-27, computer science and computer engineering majors are facing some of the highest unemployment rates, ranging between 6.1 per cent and 7.5 per cent, respectively.

That is more than double the unemployment rate among recent biology and art history graduates, which is just around 3 per cent. In an ironic twist, job applicants leverage AI tools such as Simplify to mass-customize their resumes and applications, only to have companies use similar AI technology to automatically screen them out.

HUMAN DIMENSION

The silver lining is AI cannot be a perfect substitute for human workers. Humans and AI make decisions differently, and these differences create powerful complementarities rather than pure competition. Humans excel at contextual understanding and intuitive judgment. They can make sense of ambiguous situations, use experience-based knowledge, and adapt quickly when circumstances change. Much of this "implicit knowledge" comes from hands-on experience and is difficult to codify.



EDUCATION. AI challenge GETTY IMAGES

AI, on the other hand, thrives in environments rich with data. By processing vast amounts of information, AI can detect subtle patterns that humans might miss. It is highly consistent and does not suffer from fatigue or cognitive overload. And because it scales at low cost, AI can perform millions of decisions rapidly. Yet AI also has weaknesses: it requires large, high quality datasets to function effectively, and it struggles in unfamiliar or novel situations where historical data is limited.

The government and the educational ecosystem in India need to gear up for this change before AI starts transforming itself from being "task" specific to the whole job itself.

Unfortunately, that does not appear to be the case. For example, there has been a cut in revenue expenditure of ₹6,701 crore in the education sector in the 2025-26 Budget. Indian IT companies are also not keeping up with the required investment needed for the AI lead innovation. India spends only 0.6 per cent of GDP, against 3.75 per cent of GDP spent by China on R&D.

There is a need for government intervention by combining reskilling, sector-specific support, and pro-employment policies, rather than trying to stop automation. A clear direction should be given to educational institutions to design curricula suited to producing STEM graduates, and to incentivize NIRF rankings on the basis of how well universities adapt to that goal. As in the case of the UK, the government could also provide direct subsidies to students enrolling in AI-related courses or pursuing a PhD.

India should upgrade its workforce with AI, not allow replacement by it. Otherwise, India will slowly be transforming into a gig economy where the labour market is increasingly characterised by the prevalence of short-term contracts, low skilled, and freelance work.

The writers are with School of Management, Mahindra University

businessline
bl.portfolio





27 Feb 2026

Last mile finance

Local body finances need boost, with more transparency

Debates on Finance Commission awards revolve around the share of revenues to be shared with States and the norms for sharing between States. However, what is less discussed are the financial needs of local bodies, rural and urban. They do need more funds — the question is the form in which this should be provided or raised (grants or own taxes), and the terms, if any, that should accompany grants.



The need to provide more funds is a Constitutional imperative. The 73rd and 74th Amendment mandate regular elections to rural and urban local bodies, respectively. The corollary is that these bodies need the funds to be effective. The 16th Finance Commission has earmarked ₹7.9 lakh crore as grants for local bodies for the 2026-31 period. Such sums have been rising sharply every five years. The latest panel has increased the allocation of grants by 84 per cent in the case of rural bodies to ₹4.35 lakh crore over the 15th panel, and by 230 per cent to ₹3.56 lakh crore for urban local bodies. The rural to urban ratio here is lower than in the past, as there's a sharp push this time to promote smaller towns and cities. Even so, assuming an average tax devolution to States, from the Centre, of about ₹16 lakh crore annually over this period (41 per cent share), the overall allocation of ₹7.9 lakh crore over five years is still less than 10 per cent.

The key question is whether this share should be raised, or these bodies should be encouraged to step up their own resources. Urban local bodies raise 50 per cent of their resources on their own, but it is also true that they are faced with rising urbanisation and its challenges, such as pollution, poverty and natural disasters. This explains the role of municipal bonds as well as green finance. Rural local bodies raise less than 10 per cent of the resources through own revenues, while supporting over half the population. The Economic Survey FY18 which dwells on transfers to local bodies in depth, raises the question of whether, in the case of rural bodies, the low own taxes share works as a convenient arrangement — where the elected representatives fight shy of antagonising their small voter base. The Survey also cites the basic maxim of taxpayers having a stake in the system and holding it accountable, more so where governments are in proximity. In that case, the power to collect taxes could be shifted to the district level, linking some transfers with rewards for performance. In fact, for new financial instruments to take root, better records and audits are a must; the 16th finance panel recognises this. Half the basic grants accounting for 80 per cent of the total are tied to waste and water management, while performance grants are linked to raising own resources. The devolution between local bodies is based largely on population (90 per cent) and area (10 per cent).

Finally, political and economic institutions for grassroots governance have not done well enough. Elections to panchayats and municipalities are delayed for years. Financial and political reform must go together.

businessline
bl.portfolio
27 Feb 2026



MS SAHOO
CKG NAIR

Securities Bill has a problematic Section

ANTI-MARKET. An omnibus exemption for public sector companies from governance norms risks weakening accountability and competitive neutrality



GETTY IMAGES

The Securities Market Code Bill, 2025 is a significant and overdue attempt to modernise India's securities law architecture. It has many positives. Yet, one provision, Section 65(2), risks diluting the reformist ethos that the Bill otherwise seeks to advance.

Section 65(2) empowers the Centre, in public interest, to exempt any listed public sector company (PSC) from any or all requirements relating to the issue of capital, minimum offer size, issue and transfer of securities, corporate governance, disclosures, substantial acquisition and takeover regulations, public shareholding norms, concentration and prudential norms, risk management, and incidental matters. In effect, it enables the executive to suspend core securities market disciplines for an entire ownership class. It strikes at the philosophical core of India's post-1991 reforms.

Economic liberalisation was not merely about allowing private entry; it was about redefining the state's role in markets. The doctrine of the 'commanding heights', where public enterprises dominated key sectors under preferential policy regimes, was gradually dismantled. Sectoral reservations were reduced and ultimately abolished; competition was introduced in banking, telecom, and insurance; and disinvestment diluted state ownership in commercial enterprises. The reform consensus rested on a simple proposition: the State would move from a privileged market participant to a rule-maker and referee. Section 65(2) unsettles that equilibrium by reintroducing regulatory asymmetry based purely on ownership.

SHORT SHRIFT TO NEUTRALITY

A central pillar of the reform has been competitive neutrality. Public and private enterprises operating in the same market have been subject to the same competition law, the same disclosure standards, and the same governance expectations. If an enterprise raises capital from public markets, it must submit to public market discipline. The proposed exemption provision departs from this fundamental logic. It creates a dual regime, one in which private companies remain fully bound by governance, disclosure, and takeover norms, while listed PSCs may be relieved from them through executive notification. That disturbs the level playing field and injects uncertainty into regulatory expectations.

More fundamentally, the provision creates an anomalous relationship between market access and market discipline. Listed PSCs access equity markets, attract institutional and foreign portfolio investors, benefit from liquidity and price discovery, and rely on market valuation to support disinvestment programmes. Yet, under Section 65(2), they may be exempted from the very rules that underpin investor confidence: public shareholding requirements, takeover protections, governance standards, and risk management norms.

Markets operate on reciprocity: access to capital is conditional upon transparency, predictability, and adherence to uniform standards. To enjoy the benefits of the market without being fully subject to its discipline is to create regulatory free riders. Over time, such asymmetry can irretrievably weaken confidence in the system, painstakingly built over decades.

The justification offered is 'public interest'. But public interest cannot be presumed solely from state ownership. Many listed PSCs operate in sectors where private firms of comparable scale compete directly: banking, insurance, energy, infrastructure, and financial services. If a public sector steel company and a private sector steel company serve the same customers and access the same capital market, the rationale for exempting one from governance norms while holding the other to full compliance becomes difficult to sustain.

To enjoy the benefits of the market without being fully subject to its discipline is to create regulatory free riders. Over time, such asymmetry can irretrievably weaken confidence in the system

Several public sector entities already operate under special statutes that confer bespoke governance structures. Where differentiation was necessary, Parliament has consciously provided it. Section 65(2) adds a further, sweeping executive override atop these arrangements. Such a notification-based power inevitably raises questions about regulatory autonomy and predictability.

Independent securities regulation evolved precisely to ensure that rule-making is stable, transparent, and insulated from short-term pressures. The prospect of selective exemptions for an issuer or class of issuers may unsettle investor perception, particularly among global institutions that value consistency of regulatory treatment.

There is little evidence that regulatory relaxation enhances enterprise value. In recent decades, private peers in several sectors have commanded stronger valuation multiples than public sector counterparts of similar scale. Markets reward governance quality, board independence, disclosure rigour, and credible minority shareholder protection. Diluting these disciplines may not improve performance; it may simply increase perceived governance risk and the cost of capital.

NEED FOR SAFEGUARDS

Minority shareholders in listed PSCs, including retail investors, pension funds, and domestic institutions, rely on takeover norms, public float requirements, and disclosure standards for protection. When the state is both the controlling shareholder and rule-maker, such safeguards assume greater significance. Any measure that sidelines these standards runs counter to the stated objective of listing more PSCs and deepening divestment.

It is natural for the state to protect its enterprises, particularly where public resources and policy objectives are intertwined. But excessive protection can be counterproductive.

The Bill is an opportunity to reinforce India's commitment to deep, credible, and globally competitive capital markets. That commitment rests on equality before regulation, institutional clarity, and competitive neutrality. Section 65(2), in its present form, risks signalling that ownership may once again determine regulatory obligation.

If public enterprises seek capital from public markets, they must accept the discipline that accompanies it. Section 65(2), which permits the government to exempt listed PSCs from core securities market disciplines, risks reversing three decades of economic reform.Genuine sector-specific challenges can be addressed through transparent consultation, regulatory amendments applicable to all similarly situated entities, or targeted legislative changes debated in Parliament.

Ownership, by itself, cannot become the basis for differential regulatory treatment in competitive markets. A modern securities code must reinforce equal rules and institutional credibility, not dilute them.

Sahoo is former Chairperson, Insolvency and Bankruptcy Board of India; Nair is former Director, National Institute of Securities Markets

businessline
bl.portfolio
27 Feb 2026

Reimagining FCI to raise farm incomes

The revamp of FCI must be in sync with MSP and fertilizer subsidy reforms. Curbing grain wastage must also be a priority

Amit Kapoor
Pradeep Puri
Ananya Khurana

The Food Corporation of India (FCI) was set up in 1965 as a bulwark against hunger, responsible for procuring grain at assured prices, stabilising markets, and feeding millions through the Public Distribution System (PDS).

Six decades on, the mission remains vital, but the context has shifted dramatically. Today, India stands at a point of opportunity: managing abundant cereal stocks, building resilience against climate variability, and optimising fiscal resources.

FCI should pivot from open-ended physical MSP procurement to a more calibrated role focused primarily on maintaining buffer stocks for food security, while reducing unnecessary costs. This basically implies delinking procurement volumes from storage capacity so that procurement responds to buffer stock norms and does not exceed them by default.

Modern silo capacity and smarter buffer stock management, aligned with domestic price stabilisation objectives, can transform price stabilisation from a reactive exercise into a predictable, rules-based system. FCI cannot be revamped standalone or in one stroke. It must evolve alongside reforms in MSP and fertilizer subsidies through Direct Benefit Transfers (DBT), guided by broad stakeholder consultation and consensus. This could address chronic storage inefficiencies, reduce fiscal burdens, and eventually support India's ambition to reach $100 billion in agricultural exports by 2030.

Buffer stocks act as economic insurance as they are procured in surplus to prevent price crashes and released during shortages to curb inflation. Norms are set quarterly to meet the National Food Security Act (NFSA) requirements, strategic reserves, and contingencies, yet stocks often exceed these levels.

As of July 1, 2025, rice and wheat reserves stood at 736.61 lakh tonne against norms of 411.20 lakh tonne, forcing Open Market Sale Scheme (OMSS) releases to moderate prices. Such overhangs inflate carrying costs, risk quality loss, and add logistics expenses, implying the need for smarter storage and faster rotation. It is excess procurement, not capacity constraints, that generates today's inefficiencies.

In 2023-24, FCI spent a staggering ₹1,87,834 crore on procurement, logistics, employee remuneration, and depreciation on its traditional storage capacity, translating to ₹22,347.62 per tonne. Of the total expenditure, the Comptroller and Auditor General flagged ₹62.76 crore spent on storage and supervision of food stock as avoidable costs in Punjab and Haryana alone. Set this beside a modern domestic silo operator that manages similar functions at around ₹534 per tonne, illustrating how technology and incentives dramatically lower costs.



REFORMING. Food management SRINATH M

ADVANTAGE SILOS

While conventional FCI godowns cost about ₹915 crore per million tonnes to build, modern silos cost only marginally more at about ₹1,000 crore, whereas global benchmarks hover around ₹207-₹373 crore. Even with higher upfront costs, silos slash losses, improve quality, and deliver long-term savings.

India's rapid rollout of Public-Private Partnership (PPP) silos is a step in that direction. The six modern facilities (50,000 tonne each) commissioned in Bihar, Punjab, and Gujarat promise scientific storage, bulk handling, and rail integration. Silo capacity is projected to rise from 2.8 million tonne to 9 million tonne across 250 locations in three years, with long leases and per-tonne storage charges creating clear performance incentives. The payoff is real: scientific storage of wheat can reduce losses to 0.3-2 per cent, preserving quality and lowering re-bagging, fumigation, and shrinkage. These efficiency gains matter because they ensure that even if MSP procurement is scaled back, food security remains intact as long as buffer-stock norms under the National Food Security Act (NFSA) are maintained.

All this hinges on policy discipline. Rule-based OMSS bands should automatically trigger releases whenever stocks exceed buffer norms, with reserve prices calibrated to regional wholesale indices and transport costs. Faster OMSS releases could generate fiscal savings that can be redirected toward DBT, agronomic extension, and support for lagging regions.

Eliminating wastage of nearly 28 per cent of subsidised foodgrains could unlock savings of about ₹70,125 crore, allowing reinvestment in scientific storage that preserves grain quality, cuts losses, and improves realised farm returns.

At the same time, predictable price stabilisation would reduce crash risk and encourage diversification away from water-intensive cereals toward pulses and oilseeds. Crucially, this does not dismantle food security.

Kapoor is chair, Puri is Senior Fellow and Ananya Khurana is senior researcher at the Institute for Competitiveness



SIMPLIFYING TAX MATTERS

MAT rationalisation to help migration to new tax regime

Budget extends full MAT exemption to all non-residents opting for presumptive taxation

MONIKA YADAV
New Delhi, 1 February

In a major overhaul aimed at simplifying corporate taxation and encouraging companies to migrate to the new concessional tax regime, Finance Minister Nirmala Sitharaman on Sunday proposed to convert the Minimum Alternate Tax (MAT) into a final tax. The FM, while reducing its rate, restricted the use of accumulated MAT credits.

Currently levied at 15 per cent on book profits for companies opting for the old tax regime with exemptions and deductions, MAT will now become a final tax with no fresh credit accumulation from Assessment Year 2026-27. The rate has been slashed to 14 per cent to soften the impact.

"To encourage companies to shift to the new regime, set-off of brought forward MAT credit is proposed to be allowed only in the new regime to an extent of one-fourth of the tax liability," Sitharaman said in her Budget speech.

FOREIGN COMPANIES WILL BE ALLOWED TO SET OFF ONLY TO THE EXTENT REGULAR TAX EXCEEDS MAT LIABILITY

Existing MAT credits accumulated up to March 31, 2026, can still be carried forward for 15 years, but domestic companies opting for the new regime (22 per cent basic rate + surcharge/cess) will be able to set off only 25 per cent of their regular tax liability each year.

Foreign companies will be allowed to set off only to the extent regular tax exceeds MAT liability.

Separately, the Budget extends full MAT exemption to all non-residents opting for presumptive taxation. This includes new additions such as operation of cruise ships and provision of services/technology for setting up electronics manufacturing facilities in India.

According to Amit Maheshwari, partner with AKM Global, importantly, MAT technically applied even to non-resident companies opting for presumptive taxation, creating a fundamental mismatch because MAT is computed on book profits, while presumptive schemes are intended to be simplified.

"This overlap increased compliance burden and caused uncertainty, and led to potential prolonged litigations, despite judicial reasoning and consistent government assurances that presumptive regimes should function as self-contained codes.

Henceforth, the Finance Bill, 2026 addresses this controversy by expressly exempting non-residents taxed on a presumptive basis from MAT, aligning the law with legislative intent and providing greater certainty to foreign businesses, in line with the ease of doing business objective," Maheshwari said.

"This policy change effectively incentivises companies to migrate to the new tax regime, as the continued benefit of MAT credit is now tied to such a move. While the government has not made the new regime mandatory, the structure of the MAT credit carry-forward rules is a clear nudge, if not an outright push, for taxpayers to shift to the new, simplified regime. Companies that remain in the old regime will find their ability to utilise MAT credits severely curtailed, making the new regime the more attractive option for most," said Hitesh Sawhney, partner at Price Waterhouse & Co LLP.

According to Maheshwari, MAT credit accumulated up to March 30, 2026, remains eligible for limited set-off. However, this may create a hurdle for utilising accumulated MAT credits.



Slight relief

- MAT to be levied at 14% as a final tax from Assessment Year 2026-27 with no fresh credit accumulation
- MAT credit setoff allowed only under the new regime, limited to 25% of annual tax liability
- MAT credits till March 31, 2026, can be carried forward for 15 years, but usage will be constrained
- Full MAT exemption extended to non-residents under presumptive taxation, including cruise and electronics-linked services

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



Budget shows a future-ready Bharat: Goyal

Q&A The government has announced a one-time relief for special economic zone (SEZ) units, allowing limited domestic sales to absorb excess capacity from them, while ensuring units in the domestic area are protected, Commerce and Industry Minister **Piyush Goyal** told **Shreya Nandi** in a post-Budget interaction. Edited excerpts:

What's the rationale behind the changes in Customs duty?

■ This is a Budget that shows a future-ready Bharat, and carries forward the reforms that the Prime Minister initiated on August 15 last year. Almost 350 reform measures have already been taken, and the "Reform Express" powers on the various initiatives of this Budget. For the first time, it covers so many areas, and even minor areas have been brought to focus. It gives a boost to manufacturing. The Budget further gives a boost with the setting up of three chemical zones... It also gives fillip to the textile sector with five new textile parks, promoting man-made textile, which is almost two-thirds of global trade. It gives a ₹10,000 crore boost to container manufacturing. Electronics components budget is doubled from ₹20,000 crore to ₹40,000 crore. Micro, small, and medium enterprises (MSMEs) have been provided ₹10,000 crore. This is a Budget of opportunities.

Could you tell us about the one-time measure for SEZs?

■ Existing units in SEZs will be allowed to sell a certain proportion of their production (in the domestic market). Predominance will continue to be for exports in the domestic tariff area (DTA), with a debate on the duty that they have to pay, so that it can replace some of the imports that come in from abroad and provide opportunity for excess capacities in India to service the domestic market. We will also keep in mind that domestic manufacturers should not suffer, so that there is an equalisation of benefits. The limit will be determined sectorally by the finance ministry.

What's the eligibility?

■ Broadly, it will be the existing units, but we may keep some sectors out of it. For example, oil, petrol and diesel, or refineries may not be included for domestic sales.

Do we need any changes in the law, or will a notification be enough to implement this?

■ We will implement that method, no matter what it takes. Some of it could be done by rule-making. Some of it could be through legal changes.

Going forward, do we see this step as a push for the SEZ Amendment Bill?

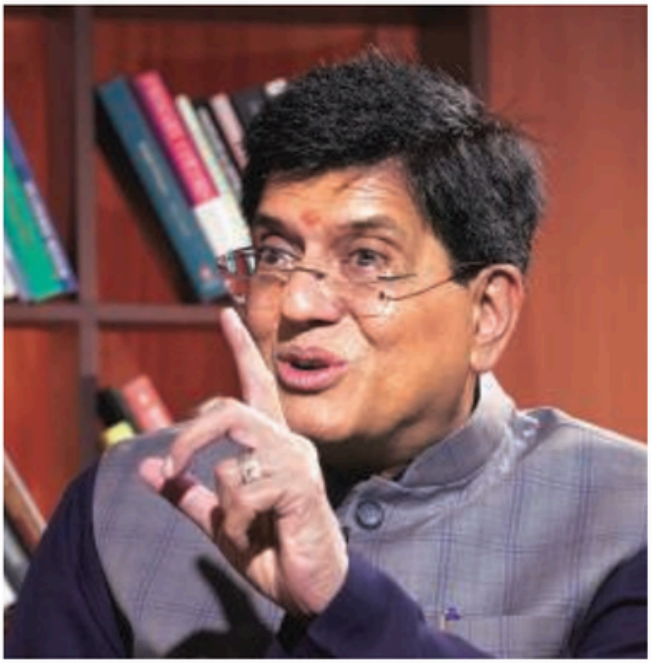
■ Well, it's too early to jump the gun. Today, we are celebrating an excellent Budget.

Do you think the Budget can help labour-intensive sectors such as marine, textiles, and leather navigate the turbulent global trade architecture at the moment?

■ Well, India continues to do well despite the turbulence in global trade. This will help us to do even better. This Budget provides huge opportunities to look at growth in these labour-intensive sectors, also in the services and technology sectors.

A lot of focus is on reskilling to prepare our youths for technologies of tomorrow. Also, sports and education have not been left out, and defence has been given significant power. Infrastructure spending — once again, a 10 per cent growth — at ₹1.12 trillion, and the multiplier impact of that will give a boost to India's growth story.

Would you like to quantify the export boost for these labour-intensive sectors?



"A LOT OF FOCUS IS ON RESKILLING TO PREPARE OUR YOUTH FOR TECHNOLOGIES OF TOMORROW. ALSO, SPORTS AND EDUCATION HAVE NOT BEEN LEFT OUT, AND DEFENCE HAS BEEN GIVEN SIGNIFICANT POWER"

■ Boost will come when people will exploit the opportunity, but I have no doubt in my mind that our business and industry is ready. Our business and industry is also very excited with all the free trade agreements (FTAs) that we have entered into, which will open up a plethora of opportunities in the developed world. My sense is that we are moving rapidly towards the $2 trillion export target. Of course, we lost two, two and a half years due to Covid, so maybe by 2032-33, we can aspire to have a trillion dollars of merchandise and another trillion dollars of services exports, given all the various measures in this Budget.

In view of the Customs duty reduction announced in the Budget, do we need to have any anti-dumping duty measures in place to ensure that the domestic market is not impacted?

■ It will depend on case to case. If there is dumping or there is a surge in imports at prices below cost, then an anti-dumping duty application can be considered. It goes through a quasi-judicial process. If it is justified, we will take appropriate measures. Our effort in reducing Customs duty is more to promote availability of raw material and intermediate goods at affordable prices, both for domestic consumers to benefit and to promote our export of finished products.

Can we expect a scheme for leather and footwear soon?

■ We are examining the possibility of supporting the leather and footwear sector.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



A status quo Budget

There is nothing negative, but also nothing to shift a global investor's view of India



MARKET PICTURE

AKASH PRAKASH

ILLUSTRATION: BINAY SINHA



The markets have reacted negatively to the Budget. The main disappointment seems to be the lack of any movement on capital gains tax for equity investors. Most market players were caught by surprise by the substantial increase in securities transaction tax (STT) on derivatives and are worried by the large gross market borrowing number of ₹17.2 trillion. Many feel that interest rates will increase as the ₹17.2 trillion number does not include ₹1.3 trillion budgeted for short-term borrowings/T-bills.

There was a feeling that this Budget would be used as an instrument to attract foreign capital, both foreign direct investment (FDI) and foreign portfolio investment (FPI), through certain targeted incentives. We have seen FPIs sell over $40 billion of equities since September 2024 and India has received no net FPI flows for over five years. Even in FDI, while the gross flows may be reasonable, net flows are less than $10 billion per annum — too low for a country with the size and potential of India. We are in a very volatile geopolitical and economic environment; the rupee remains under pressure despite strong macro fundamentals. We have to push to attract foreign capital as it is needed for the sustainability of our growth story.

The Budget arithmetic is reasonable. We are targeting a fiscal deficit of 4.3 per cent, after hitting the FY26 target of 4.4 per cent. For FY27, nominal GDP growth is assumed to be 10 per cent, gross tax revenues are projected to increase by 8 per cent, with corporate tax and income taxes rising by 11 per cent and 11.7 per cent, respectively. Indirect taxes are budgeted to rise by only 2.3 per cent as we have a full year of the new GST rates. Gross tax revenues have fallen to 11.2 per cent of GDP, given the cuts in tax rates.

Non-tax revenues are flattish, with total revenue receipts of the central government growing by only 5.7 per cent. The government's total expenditure will grow by 7.7 per cent to ₹53.47 trillion. The total increase in expenditure of the government in FY27 is budgeted to be ₹3.82 trillion. Of this increase, ₹3.1 trillion will go to boost the effective capital expenditure of the central government (capex and grant in aid for capital asset creation). The balance ₹70,000 crore is more than eaten up by an increase of ₹1.3 trillion in interest payments. Thus net of an increase in interest payments and grant in aid, the central government has actually budgeted to shrink revenue spending in FY27. This is visible in subsidies, which are actually budgeted to decline by ₹19,240 crore in FY27. This is admirable spending control, especially in the context of what is happening on revenue expenditure of the states.

Central government capex, which is estimated to grow by 11.5 per cent to ₹12.2 trillion, is largely spent on defence capital equipment, roads and rail. All three have seen increases. Defence capital expenditure has increased 18 per cent from ₹1.86 trillion to ₹2.19 trillion; Railways net capex has risen by 10 per cent to ₹2.78 trillion, and roads by 8 per cent to ₹2.94 trillion. The mix of total expenditure towards capex has improved to 32 per cent in FY27 from as low as 21 per cent in FY18 (including grant in aid to states). The worry is the ability of the government to continue increasing this number over time, as its capital spending seems to be stagnating at 3.2 per cent of GDP.

The only weakness in the Budget arithmetic is the assumption of ₹80,000 crore in divestment receipts, and the expectation of ₹3.16 trillion in dividends from the Reserve Bank of India/public sector banks — a historically high number on both counts.

Despite the tight control on expenditure, the government has increased the money allocated to rural employment guarantees from ₹88,000 crore to ₹125,692 crore. There are also hefty increases in spending for the Jal Jeevan Mission and the PMAY urban and rural schemes.

In terms of more structural issues, the rejigging of the tax on buybacks is positive and should hopefully encourage companies to once again return capital through this route. There has been a very serious effort to give certainty on taxation for global capability centres and captives, through the use of safe harbour provisions and many other procedural changes in taxation to improve ease of business. The new income tax Act will come into force in FY27 and there seems to be an attempt to simplify and decriminalise various processes. Cuts in the tax collected at source on overseas education and medical bills are welcome.

The continued focus on the electronics components sector is important with an additional allocation of ₹40,000 crore. There are various new schemes to help develop rare earth magnets, chemicals, bio pharmaceuticals, semiconductors and the capital goods sector. A comprehensive package has been put together to help textiles and various support measures have been announced for MSMEs, including ₹10,000 crore for equity support and measures to ease working capital. Lots of focus on Tier-II urban centres, incentives for municipal bonds and seven new high-speed rail links. For the youth, there is focus on healthcare job creation, university townships and tourism. There seems to be an attempt to simplify Customs procedures for credible exporters.

There is nothing very negative in the Budget. It continues down the path of fiscal correction, and continues to improve quality of expenditure with prioritisation on capital spending. Given the weak revenue picture, there was not much scope to do anything dramatic. However, I think investors are not seeing any big ideas from the government either. There is nothing in the Budget that captures the imagination as to how India will navigate and take advantage of the choppy global waters we are currently sailing in. There is nothing in this Budget to change a global investor's view of the country. Those who are negative will remain so. They will cite high valuations, capital gains tax and weak earnings. With limited scope to further increase central government capex will this Budget kick start the long-awaited private sector capex cycle?

We have built a world-class equities market, both primary and secondary. The increase in STT will only raise ₹10,000 crore but will hurt trading volumes and liquidity substantially. Why take any risk on domestic flows? If we want to reduce derivatives speculation, there are other tools in terms of margins and contract size.

India will remain a stock-specific market, we can see a turn either when earnings accelerate or the AI trade wobbles. The consolidation phase will likely continue.

The author is with Amansa Capital

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00

www.business-standard.com

Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



Tax nudges and tight fiscal math

Efforts to attract foreign inflows and steer investment are welcome, but revenue assumptions do not match GDP growth



MACRO PERSPECTIVE

R KAVITA RAO

In her Budget Speech for 2026-27, Finance Minister Nirmala Sitharaman has articulated a plan to encourage investment in a range of industries through tax and non-tax measures. Viewed in the context of global uncertainties and the emerging need to encourage and sustain foreign capital inflows, the Budget proposes support for agriculture, manufacturing as well as services with an eye on improving employment outcomes and broad-based participation in the labour market.

Here we focus mainly on two sets of issues: The changes in the income tax regime and the fiscal balance as presented in the Budget.

Changes in income tax: Part B of the Budget speech includes a number of important announcements in income tax rules. One significant announcement relates to the nudge to corporations to move from the old income-tax regime to the new regime. As reported in the revenue foregone statement, the share of corporate incomes reported in the old regime is not declining consistently over the years. Across all income categories reported, the share of incomes reported in the old regime has increased between 2022-23 and 2023-24. Nearly 38 per cent of total incomes in 2023-24 were reported under the old regime, compared with 34 per cent in the previous year. The introduction of the regime did not, *per se*, do enough to nudge adoption of the simplified regime with lower taxes and fewer exemptions and concessions.

IF NO FURTHER RATIONALISATION OF RATES IS PROPOSED, GST COLLECTIONS MIGHT PROVIDE AN UPSIDE IN REVENUES IN 2026-27 IF GDP GROWTH RATES HOLD

To address this concern, the Budget proposes to change the format of the minimum alternate tax (or MAT). MAT is applicable in the old regime as a pre-payment of tax for which credit MAT is available in subsequent years. Going forward, partial MAT credit will be available only to companies that adopt the new regime. For companies that choose to remain in the old regime, MAT will become a final tax with a rate of 14 per cent, marginally lower than the current 15 per cent. With this change, it is expected that a number of companies will opt for the new regime, allowing for a gradual phase-out of the complexity of multiple regimes. A commendable change and a useful nudge.

The second set of changes in income tax is aimed at attracting foreign inflows into the country alongside improving the business environment for globally integrated activities. These include two sets of provisions. To make India an attractive destination for select forward-looking sectors, the Budget proposes a long-term tax holiday till 2047 to foreign companies providing Cloud computing services globally using Indian data centres. The long horizon of the tax holiday could provide an attractive incentive to encourage investment in Indian data centres. Safe harbour rules, with profit margins of 2 per cent of invoice value for the supply of components to electronics manufacturers and tax exemption for the supply of capital goods for toll-manufacturing in India up to 2030-31, are expected to encourage these activities in India.

Information technology (IT) and information technology-enabled services (ITeS) are major foreign exchange earners for the country. The rationalisation and reduction of profit margins under safe harbour rules for the IT and ITeS sectors, and the streamlining of advance pricing, are aimed at supporting the growth of this sector.

The selective process of identification of sectors and segments for incentives suggests considerable homework. However, the return to incentives within the tax regime might be a cause for concern and it could induce requests for expanding the scope of incentives to cover other sectors as well. Periodic review of the effectiveness of these interventions might be useful for ensuring the effectiveness of policies.

Fiscal equation: The finance minister has stood by her commitment to bring the fiscal deficit-to-gross domestic product (GDP) ratio down to 4.5 per cent or lower by 2025-26. Fiscal deficit for 2025-26 at 4.4 per cent of GDP matches the target set in the Budget. With the new fiscal anchor of debt-to-GDP and the objective to reduce the ratio to 50 per cent (+/-1 per cent) by 2030-31, the finance minister has chosen a modest target of reducing the debt-to-GDP by 0.5 per cent in the current fiscal, which translates into a fiscal deficit-to-GDP of 4.3 per cent for 2026-27 — almost the same level as in 2025-26. Given the uncertain global economic environment, this target does provide some fiscal space to address the country's short-term and medium-term goals. However, going beyond the headline number, there are some issues to consider. GDP for the year is projected to grow by 10.1 per cent, which could be broadly decomposed into 7 per cent real growth (following the Economic Survey) and 3 per cent inflation in the GDP deflator. There could be some modest downside risks to inflation, as in the last two years.

The revenue forecasts, however, do not match up to the GDP forecasts. Gross tax revenue is forecast to grow by 8 per cent while the tax revenues net of transfers to states are growing at 7.2 per cent. Looking at the components, while direct taxes are growing at over 11 per cent, slower growth is reported for Central goods and services tax (CGST) and Customs. While the proposed changes in Customs tariffs could account for a slowdown in Customs revenues, there is no reason for CGST to register a moderation in growth. The impact of the GST rate cut should be incorporated into the prices during the current year. If no further rationalisation of rates is proposed, GST collections might provide an upside in revenues in 2026-27 if GDP growth rates hold.

The author is director, National Institute of Public Finance and Policy, New Delhi.
The views are personal

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00

Business Standard
www.business-standard.com



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Devolution for growth

Finance Commission rejigs inter-state formula with care

The Sixteenth Finance Commission had to perform its function amid considerable scrutiny. Over the past decade, relations between the Union and the state governments have declined — and not just for partisan political reasons. A broad range of issues, from the role of governors to the redrawing of parliamentary constituencies, has placed the federal structure of the country under strain of the sort it has not seen in four decades. The Commission thus had the onerous task of ensuring that the division of government revenues would not contribute to these tendencies. Its report, tabled in Parliament on Sunday, needs to be welcomed precisely because it seems to have achieved that purpose. It has re-examined the formula by which the taxes under the divisible pool are calculated, and has included "contribution to gross domestic product" as a factor. This has ensured that the share of some southern states, including Karnataka, as well as of more developed states on the western coast, such as Gujarat, has in fact increased.

State governments have long argued that their space for policy experimentation and autonomy has been shrinking. Goods and services tax was a necessary reform but it unquestionably reduced their fiscal autonomy. Meanwhile, of the revenue that remained available to them, a larger and larger part was taken up in financing and implementing schemes that were developed and chosen by the Union government — and for which local politicians would receive no political credit. Reduction in their resources would thus have been a dangerous step to take at this point. The Commission has maintained the states' share in the divisible tax pool at 41 per cent, the ratio chosen by its predecessor. But it should be noted that this is taken out of a pool that is smaller than it should be, because of the Union government's tendency to resort to various cesses that count as taxes but which it can retain in toto. Thus, the Commission's recommendations will not end the demands from the states for a larger share — but it may have pre-empted complaints about unfairness.

The states' more limited space to manoeuvre may be one of the reasons why their debt is once again beginning to be a concern at a macro level. The Commission has urged that off-Budget borrowing by state governments be stopped. The controlling of state fiscal deficits at around 3 per cent of gross state domestic product (GSDP) was a major reform, and no short cuts around that should be permitted to take hold. Off-Budget borrowing creates more complications. For one thing, this has led to a great loss of transparency about the liabilities of many of these governments. For another, it serves to weigh down the broader bond market. For states themselves, servicing a heavy debt can be a major part of why they feel themselves unable to institute new policies that involve expenditure. The Commission has also done well to recommend the discontinuation of the revenue-deficit grant, which will help improve fiscal discipline. The Commission, which was led by economist Arvind Panagariya, needs to be appreciated for having swum against the political tide and ensured that the more productive states will have resources, and that incentives for fiscal probity and growth-enhancing policies are restored.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DELTECH UNIVERSITY

ILLUSTRATION: BINAY SINHA



Transfer design and emerging outcomes

The 16th Finance Commission's devolution framework departs from earlier models, with its implications for fiscal equalisation still evolving

Two core aspects for any scheme of fiscal transfers relate to their vertical and horizontal dimensions. The core vertical determinant of transfers — the share of states in the sharable pool of central taxes — has remained largely unchanged over time. It was, in fact, the Fourteenth Finance Commission (FC14) that sharply raised this share from 32 per cent, as recommended by FC13, to 42 per cent. This increase of 10 percentage points came as a surprise to the central government.

This revised share became a rigid number for subsequent Commissions, except for a 1 per cent reduction by FC15 when Jammu & Kashmir was converted into a Union Territory. Thus, the 42 per cent, later 41 per cent, share of states in the sharable pool of central taxes has continued to operate from 2015-16 onwards and this would continue at least up to 2030-31. With devolution continuing as the primary transfer mechanism, and limited assessment of this ratio by subsequent FCs, the share has largely remained unchanged.

The Centre's response has been to discontinue transfers through grants that are to be given to the states under Article 275. With the recommendations of FC16, three channels of grant-based transfers have now been eliminated — namely, revenue-need grants arising out of the provision of Article 275, sector-specific grants, and state-specific ones.



D K SRIVASTAVA

Narrow information base for criteria-based devolution: The information base used for the inter-se distribution of transfers to states is now dependent only on the information incorporated in the tax devolution formulae and has become narrow in this sense. The tax devolution formulae by nature tend to be broad-based and cannot capture the informational details that affect the fiscal parameters of states. India's states are highly differentiated in terms of their size, needs and cost conditions.

The information base of tax devolution formulae has certain limitations. In particular, this information is highly dated since there is a requirement of using the available Census population data, which in the present instance is available only for 2011. Since population is a core factor used by FC, the 2011 population data will be nearly 21 years out of date by the final year of the recommendation period of FC16, which is 2030-31. The fiscal capacity of states is captured by data on nominal per capita gross state domestic product (GSDP). For this purpose, the years used by FC16 pertain to 2018-19 to 2023-24, excluding the Covid year of 2020-21. This is centred in 2021-22. This also, therefore, will be dated by nine years by the final year of the FC16 recommendation period.

Revenue deficit is a function of tax devolution: The Commission has decided not to undertake any assessment of post-devolution revenue needs of individual states or to give any grant on this basis. These grants have come to be known as revenue-deficit grants. The argument for not undertaking such an assessment exercise or to give any revenue deficit grants as stated by FC16 is that the aggregate revenue deficit of states is only 0.3 per cent of GDP (Para 9.48 of FC16 report.

However, this reasoning may be open to debate, as aggregating revenue deficits across states does not reflect the fiscal position of individual states. The Commission's mandate includes examining the revenue balance position of individual states. A revenue surplus in one state does not directly offset a revenue deficit in another. It is more appropriate to consider the sum of the revenue deficits of the deficit states, which amounted to 0.8 per cent of GDP in 2023-24 — quite a large sum considering the two other grants recommended by the Commission, namely local body and natural calamity grants, together amount to only 0.4 per cent of GDP.

However, there is another important consideration. For determining revenue-deficit grants under Article 275, the exercise involves estimating post-devolution revenue deficits and revenue surpluses. If the devolution scheme changes, then the past profile of revenue deficits does not matter. The profile of revenue balance would depend on the devolution scheme that the Commission recommends. In this scheme, the Commission has added an additional criterion based on the share of GSDP of a state in all-state GSDP. This factor may lead to higher surpluses for states that already have revenue surpluses and higher revenue deficits for states that already have revenue deficits, since higher-GSDP states are designed to get higher devolution. This impact needs to be examined. A state-wise examination of the fiscal impact of the FC16 devolution framework could have provided a clearer assessment of the impact of its overall transfer scheme on fiscal equalisation. This change represents a notable departure from earlier frameworks and highlights an area that requires further review to ensure that it does not become a precedent for future FCs.

Tax devolution— losing and gaining states: In the FC16 design of tax devolution, the new criterion of GSDP contribution was given a weighting of 10 per cent, which was accommodated by reducing the weighting of the income distance criterion by 2.5 per cent (reduction in the equalising criterion) and the weighting of area criterion by 5 per cent (a reduction in the criterion reflecting cost disabilities). Further, the tax effort criterion, having a weighting of 2.5 per cent, was dropped. The list of major states that have lost in the FC16 tax devolution scheme compared to that of FC15 are Madhya Pradesh, Arunachal Pradesh, Uttar Pradesh, West Bengal, Meghalaya, Bihar, Odisha, Chhattisgarh, Rajasthan, Manipur, Nagaland, Tripura, Sikkim, and Goa. These are generally either low fiscal capacity states or relatively small states. Undertaking a post-devolution needs assessment may have allowed some states' losses to be partly addressed, while keeping the gains of other states intact.

The author is chief policy advisor, EY India. Ragini Trehan, senior manager, tax and economic policy group, EY India, also contributed to the article. The views are personal



Disinvestment target

Govt should have a clear road map

One of the more notable features of the Union Budget this year is its reliance on disinvestment and asset monetisation. The Budget has projected raising ₹80,000 crore under miscellaneous capital receipts — read as disinvestment and asset monetisation — for 2026-27. That is a sharp increase from ₹33,837 crore in the revised estimates for 2025-26 and ₹17,202 crore in actual collections in 2024-25. However, realising the ambition will depend on planning, market conditions, and the government's ability to manage institutional constraints. It has been observed for many years in the past that the government declares a big target but is unable to achieve it for one reason or another.

Even for 2025-26, miscellaneous capital receipts were budgeted at ₹47,000 crore, but were later revised down. As the Economic Survey 2025-26 noted, disinvestment during the year focused largely on market-based transactions. Three offer-for-sale transactions — in Mazagon Dock Shipbuilders Ltd, Bank of Maharashtra, and Indian Overseas Bank — mobilised around ₹7,717 crore, while remittances from the Specified Undertaking of the Unit Trust of India added approximately ₹1,051 crore. Infrastructure monetisation through infrastructure investment trusts yielded another ₹18,837 crore. Strategic disinvestment has progressed slowly, with only 13 transactions completed out of 36 central public-sector enterprises (CPSEs) approved in principle since 2016, reflecting persistent legal and procedural bottlenecks.

The fiscal context reinforces the importance of these receipts. The central government's debt-to-gross domestic product (GDP) ratio has been projected to be 55.6 per cent, down from 56.1 per cent in the revised estimates for 2025-26. The government is aiming to reduce the debt-to-GDP ratio to 50 (±1) per cent by the end of March 2031. Achieving this will require sustained fiscal consolidation. Since the government intends to sustain the momentum on capital expenditure to support economic growth, which is a sensible choice, disinvestment receipts will be useful in this regard. It can help attain the objective of sustaining higher capital expenditure along with fiscal consolidation. As an industry body recently noted, reducing the government's stake to 51 per cent in 78 listed CPSEs can help unlock value worth about ₹10 trillion. The government could also choose to list the unlisted CPSEs to unlock value. In fact, to revive the disinvestment programme in a major way, the government needs to revisit its strategic disinvestment policy, which was announced in the 2021-22 Budget. It promised to keep a minimal presence in the strategic sectors. CPSEs in the non-strategic sectors were to be completely privatised or closed.

Implementing the policy will not only help raise resources but also revive market sentiment. The government is also reported to have a healthy asset-monetisation pipeline. Therefore, in a way, the target of ₹80,000 crore for 2026-27 represents a policy test. Its realisation will depend less on favourable market conditions and more on the government's ability to articulate a clear road map and sequence transactions suitably. It might also have to overcome some political opposition, which is one of the reasons why governments over the years have been hesitant to aggressively pursue disinvestment.



It's a deal

India must continue with reforms

Patience appears to have paid off. After speaking to Prime Minister Narendra Modi late on Monday (India time), United States (US) President Donald Trump announced that, effective immediately, both sides had agreed to a trade deal under which the US will reduce the reciprocal tariff from 25 per cent to 18 per cent. In fact, the relief is much bigger, which was also reflected in the stock market — the benchmark BSE Sensex gained 2.5 per cent on Tuesday. Aside from the so-called reciprocal tariff of 25 per cent, the US had imposed an additional 25 per cent tariff on India for importing crude oil from Russia, placing Indian exporters at a significant disadvantage. Now with an 18 per cent tariff, though still high in the historical context, India now has a tariff advantage of 1-2 percentage points over countries such as Vietnam and Bangladesh.

Although it is a big relief that both sides have agreed to a deal, it was not immediately clear what made Mr Trump change his mind. The government said that the interests of sensitive sectors had been protected, though the joint statement was awaited at the time of going to press. To be fair, the Indian side was constantly working with the US administration to arrive at a deal. In his social media post on Monday, Mr Trump said that India had agreed to buy more American goods, in addition to $500 billion of US energy, technology, coal, and other items. He also noted that India had agreed to stop buying oil from Russia, which would help end the Ukraine War. Further, India would move forward to reduce tariff and non-tariff barriers on imports from the US to zero. Even though more clarity is needed on this, several points are worth making here. As India faced much higher tariffs in the US, the government and exporters aggressively pushed for diversification into other markets. The government also showed more openness in dealing with other trade partners, which helped conclude trade negotiations with the European Union (EU), for example.

A renewed reform push was also visible on the domestic front. It is important that the process continues and the scope of reforms is expanded. India needs to prepare to become more relevant in European markets and take full advantage of the India-EU free-trade agreement, along with the trade deal with the US. The deal with the US, aside from helping India regain market share, particularly in labour-intensive sectors, will also provide relief on the capital account. The uncertainty on trade was affecting capital flows. Foreign portfolio investors (FPIs), for example, sold stocks worth about $19 billion in 2025, and the selling pressure is continuing this year. FPI selling had put significant pressure on the rupee. Since India now has an agreement with the US, the expectation is that flows will now reverse. It should also help attract foreign direct investment. India would again be considered by large global corporations looking to diversify away from China.

Although India's economic outlook has improved significantly after the US deal, policy managers must keep in mind that the current American administration is inherently impulsive and the broader global uncertainty — both economic and geopolitical — will persist. The imposition of reciprocal tariffs on trading partners, for instance, had no sound economic basis. Even in areas other than trade and economic policy, it is now clear that the US has a much narrower worldview. Thus, while India must capitalise on the trade deal, it should continue to diversify exports, improve domestic capabilities, and build policy buffers.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



DELHI TECHNOLOGICAL UNIVERSITY
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DEL TECH UNIVERSITY

ILLUSTRATION: BINAY SINHA



And now comes the hard part

The 'mother of all trade deals', the Indo-US thaw, and a sensible Budget signal the beginning of the implementation phase



BEYOND IDEOLOGY
R JAGANNATHAN

From evidence over the last few days, it would seem that a week is as long a time in economics as in politics. It started with the announcement of the "mother of all trade deals" between India and the European Union, followed two days later by one of the finest Economic Surveys ever presented in India, followed by a sensible Union Budget that focuses on building long-term strengths while shunning populism altogether, and capped by Donald Trump's dramatic social media post announcing the India-United States (US) trade deal where tariffs on our exports will be cut to 18 per cent in return for zero tariffs on US goods.

One may wonder whether the overly cautious Economic Survey and the Union Budget have been overtaken by events, especially the "grandmother of all deals" with the US. That would be a mistake, for the Survey's key pieces of advice, which have been taken seriously in the Budget, remain as valid as before. We cannot jump from caution to euphoria in seven days, which is our national tendency.

But deal or no deal, India has its work cut out in a world in which not only geopolitical rupture, but multilateral trade and supply chains are also going to be rejigged, making protection of India's interests more challenging. Our potential for failure is more internal than external, as we have a calcified system that is not only resistant to change, but often opposed to it.

Consider just the trade deals. Assuming we have to make them work, and our own tariffs and non-tariff barriers are going down to zero in many areas, the task of preparing our businesses to compete effectively for export and domestic market share is daunting. Both the government and bureaucracy, including the Customs administration, need to work to make this happen.

We could still end up being vassals to the big global companies, as licensing and import-driven domestic growth become easier for many companies as India cuts tariffs — as has happened with cheap Chinese imports. This is where the Survey's observations on driving domestic innovation and making businesses competitive are paramount. The Survey noted that "the Indian private sector, historically risk-averse and comfortable with technology licensing or import, has failed to step up as the primary engine of R&D…The global technology landscape is bifurcating…and India cannot afford to be a client state."

The stock markets and the rupee may, in a knee-jerk reaction, revive for a few days, but the underlying risks and stumbling blocks remain. The Survey wondered why India's macroeconomic stability is not good enough to attract large flows of investment. Portfolio investors have been voting with their feet, and other evidence suggests that many wealthy Indians are moving to destinations like Dubai. There is clearly a lot we must do to set our house right.

The Reform Express may sound like an Express to us, who are used to slow speeds of change, but in a dramatically shifting external environment it is a bullock-cart that ambles along. We must get the core message of the Survey right. The survey calls for an "all-of-society" approach to get reforms done faster, because hard reforms need all stakeholders to accept the reality of change, from governments (both Centre and states), to the bureaucracy, businesses, trade unions, farmers and households in general.

The job of getting all of society to work together means politics needs to move beyond electoral considerations. It means the government must get opposition parties, state governments, businesses (both big and small), and the ordinary citizen to work towards a common goal, making some sacrifices if needed. This is a process that has to begin with an enlightened political understanding of the leadership's role in this change.

There are a few things that the Modi government must work on immediately.

First, communication. Reforms are no longer only about legislation and policy changes; various stakeholders need to be brought into the loop. This means opening lines of communication to prepare them for what lies ahead. This communication must begin within government, which means that both the senior and lower levels of ministries and the bureaucracy must know what is expected of them if government is to become an enabler rather than a disabler of business. The tax and enforcement arms must be spoken to sternly.

Second, monitoring and support. When change comes at gale speed, there will be winners and losers. Unless the losers are identified early and helped to make the necessary transition, they will become speed-breakers. Even winners need help, for early success means they must be enabled to scale up.

Third, asking before deciding. The government must ask questions of business and the wealthy, so that it can formulate the right policies and support systems for growth and innovation. For example, why did the tax cuts of 2019 and other tax reforms not ignite an avalanche of investments by India Inc? Why isn't business investing in research & development, and especially those businesses that have huge hoards of cash, from information technology (IT) services companies to those run by the Ambanis, Adanis, Tatas, Birlas, Mahindras, and others? Why are the new millionaires moving to new tax and living jurisdictions? Is it because of the perception that there is too much victimisation by tax or enforcement officials, or is it just the everyday pain of dealing with an extractive state apparatus?

Fourth, states and local bodies. State governments, and especially those headed by non-National Democratic Alliance parties, must be part of the new reform consensus. The conversation can begin at the national level, but must move to the states and sub-state actors involved in governance. The BJP-ruled states are not necessarily doing much better just because they operate under a "double-engine" illusion. If the Opposition has its grouses, why are BJP-ruled states not gung-ho about reforms? Why are they not letting their urban areas grow by investing in water, roads, and sewage infrastructure? If urban governance is going to be key to growth, why are our cities so badly governed?

Fifth, there must be multiple conversations with our micro, small and medium enterprises (MSMEs), especially at the state and local body levels, to make sure their lives are free from over-regulation. The creation of an "entrepreneurial state", as the Survey recommends, means we cannot have debilitating and extractive officials operating in the system when MSMEs are key to not only jobs, but also the successful creation of competitive supply chains that can then feed the big boys.

Sixth, we must never forget agriculture, the most unreformed area in India. After the Modi government was forced to withdraw the three farm reform laws in 2021, it has focused on trying to work around the issue by encouraging the creation of farmer producer organisations (FPOs), giving specific support to fisheries and animal husbandry, and promoting high-value agri-products like coconut, cocoa, and cashew (this Budget). But it has to engage with small, medium and large farmers, too, and wean them off the idea that minimum support prices (MSPs) are the cure for all the farm sector's ills. MSPs are needed, but they are not the solution. The government should not wait till the next time farmers congregate at the borders of Delhi to start talking.

If headwinds have to be turned to tailwinds, as the Survey suggests, these are the kinds of politico-economic conversations and dialogues with stakeholders that must be instituted before actual reforms are implemented. It can't be done by Budgets or trade deals alone. The real work begins after these things get done.

The author is a senior journalist



Discom distress

Finance Commission's recommendations must be debated

Power subsidies are a major source of weakness in state-government finances, resulting in off-Budget borrowings. The governance structure of state-owned power-distribution companies, or discoms, is the root cause of repeated cycles of losses, debt accumulation, and bailouts. In this regard, the Sixteenth Finance Commission has recommended transferring accumulated working-capital and other non-asset-backed loans to a special-purpose vehicle to clean up balance sheets. This will make privatising discoms easier. To incentivise states, the Commission has proposed that the repayment or prepayment of this warehoused debt be made eligible for support under the Union government's Special Assistance Scheme for Capital Investment, but only after privatisation. The Commission, however, has acknowledged that effective governance reform within public ownership is possible, citing Gujarat and Haryana as exceptional cases where state-owned utilities have delivered sustained financial and operational performance.

After a decade of losses, the state discoms reported profits of about ₹2,700 crore in 2024-25, a turnaround from the losses of over ₹25,000 crore the previous year. Aggregate technical and commercial losses have fallen to around 15 per cent, and the gap between the average cost of supply and average realised revenue has narrowed to just six paise per unit. Outstanding dues to power generators have fallen significantly following the enforcement of rules on late payment of surcharges. At first glance, the sector appears to have turned the corner. But this profitability is best understood as cyclical and policy-induced, not structural. Much of the recent improvement has come from administrative measures, including automatic fuel cost pass-through, accelerated smart metering, and central schemes such as the Revamped Distribution Sector Scheme. Power tariffs continue to be shaped by political considerations rather than economic costs. Free or heavily subsidised power for agriculture and households remains widespread.

In many states, regulators delay tariff orders for years, forcing utilities to charge outdated prices that bear little relation to costs. Even in 2024-25, fewer than half the states issued tariff orders on time. The financial burden of these losses does not disappear; it is merely transferred to state Budgets through explicit subsidies, or to future taxpayers through debt and guarantees. In fact, power subsidies booked by discoms rose sharply from ₹1.29 trillion in 2018-19 to ₹2.62 trillion in 2023-24, with states directly absorbing losses through grants amounting to ₹43,600 crore in 2022-23. The financial stress is also concentrated. Eight states account for 83 per cent of the accumulated losses of the state-owned discoms, amounting to ₹5.86 trillion of the accumulated losses of about ₹7.08 trillion in 2023-24. The Reserve Bank of India, in its recent assessment of state finances, has warned that off-Budget risks threaten medium-term fiscal sustainability. However, since the conditions in the sector have not improved despite a number of bailout programmes, the recommendation made by the Finance Commission is worth debating.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00

Business Standard
www.business-standard.com



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



DELHI TECHNOLOGICAL UNIVERSITY
DELTECH UNIVERSITY

Closing the loop on turbulence

The Donald Trump administration is often viewed as a presidency that elevated global anxiety, leaving countries on edge, particularly over tariffs, threats, and, most unsettlingly, uncertainty. India, however, largely succeeded in blunting the sharper edges of America's tariff weaponisation. It avoided retaliation, maintained resilient economic growth, and adopted a deliberately restrained, if frustratingly reticent, approach to the provocations emanating from Washington. In hindsight, this strategy proved useful. Despite the asymmetric economic relations between the United States (US) and India, the anticipation around striking a trade deal appeared more acute in Washington than in New Delhi. That said, the prolonged absence of a trade deal was not without costs. It carried clear economic disadvantages for India, particularly in sectors heavily dependent on exports to the US.



HARSH V PANT & VIVEK MISHRA

Beyond sentiment, the trade deal carries undeniable economic significance, underpinned by the interaction between the world's largest economy and a buoyant fourth-largest one. The revised tariff rate of 18 per cent could spur significant economic activity between the two countries and re-energise sectors such as textiles, auto components, gems and jewellery, and other key areas of bilateral trade. However, the political significance of the US-India trade deal is even more consequential bilaterally, regionally, and globally.

At a bilateral level, the deal closes the loop on a rather sordid phase in India-US relations, during which Mr Trump's intransigence spilled over into both political and economic domains. Symbolically, the agreement marks a political turnaround, which is particularly welcome from New Delhi's perspective, given Washington's sudden regional and global reorientation. While India and the US were negotiating the trade deal, global developments moved rapidly, often creating the impression that the Trump administration had other priorities.

At least four developments signalled a political shift in Washington, which appeared unfavourable to India. The first was the adoption of a nakedly mercantilist approach to a relationship not traditionally framed in such terms, catching India off guard before it recalibrated. Reciprocal tariffs of 25 per cent were widely seen as excessive and interpreted as a deliberate attempt to force Indian concessions. Second came an additional 25 per cent in punitive tariffs imposed on India for purchasing Russian oil — an especially severe move, given that India had no direct stake in the Russia-Ukraine war, yet became a convenient intermediary through which pressure on Moscow was intensified. Third, US policies in India's neighbourhood began to diverge from past patterns, particularly in Washington's engagement with Pakistan. To be fair, while there appeared to be an uptick in US-Pakistan ties, this did not translate into concrete harm to Indian interests. Broadly, the shift seemed driven by American economic considerations and regional strategic positioning. Finally, the trade standoff created space for the cultivation of anti-Indian sentiment in the US, which at times fed into the broader conservative and nativist currents gaining ground domestically.

Against this backdrop, the announcement of the trade deal and the ambitious promise of $500 billion in bilateral trade, even in the absence of a clear timeline, mark a significant turning point. For both countries, the agreement could galvanise the relationship's other aspects that had been placed on the back burner. The long-delayed Quad meeting, for instance, now carries renewed political legitimacy, something that would have been harder to sustain in the absence of a trade breakthrough. The Quad meeting, under India's chair ship, would also provide the requisite to the Indo-Pacific strategy and regional balancing. The Trump administration's strategy documents — the National Security Strategy and the National Defense Strategy — already seemed anchored in a commitment to the Indo-Pacific, although with a caveat that regional partners will have a greater sharing of the burden. Although a lot could depend on how India wants to steer its Indo-Pacific commitments, the support from Washington could provide strong scaffolding.

Staying the course in India-US relations appears to have paid dividends. Three distinct strands emerge from this episode. First, India and the US have entered a new phase in their relations, one in which entrenched asymmetry is gradually giving way to greater parity. Second, the tariff episode prompted India to reassess trust and pursue a strategy of soft balancing through internal economic and labour reforms, as well as diversified external partnerships. Finally, while the trade deal represents a historic opportunity for India, it also brings challenges, the foremost among them is managing complex great-power relations, particularly with Russia and China. Much will depend on how Washington's own bilateral relations with these powers evolve.

Perhaps the most significant shared challenge for India and the US will be reversing the negative perceptions that took hold during the trade standoff. If the current momentum is sustained, this episode may eventually be remembered as a brief detour rather than a defining rupture in bilateral ties. For India, however, the enduring test will be its ability to manage independent relationships without external spillovers — as the Russia-Ukraine conflict has starkly demonstrated.

The authors are, respectively, vice-president and fellow (Americas), Observer Research Foundation



ILLUSTRATION: BINAY SINHA



A trade deal bonanza

India needs faster fiscal consolidation



IF TRUTH BE TOLD

AJAY CHHIBBER

India weathered the 2025 Trump tariff shock remarkably better than expected. Gross domestic product (GDP) growth is likely to exceed 7 per cent in 2025, and external balances remained positive throughout. Front-loading of goods exports to the United States, access to cheaper Russian oil, strong service exports, and higher remittances helped. The rupee depreciated sharply, at one point breaching 92 to the dollar as net foreign portfolio outflows reached $18 billion, but a weaker rupee perversely kept India's exports more competitive.

What kept global growth in 2025 much better than projected by the International Monetary Fund and the World Bank was artificial intelligence (AI) and spending on related infrastructure like data centres. The fact that most countries chose not to retaliate to US unilateral tariffs, which could have triggered a global trade war, was another factor. Nevertheless, US President Donald Trump's continuing threats to take over Greenland, attack Iran, and his unpredictable behaviour on tariffs have kept the global uncertainty index and the price of gold close to $5,000 an ounce.

Even in this fractured, more protectionist world, India's growth momentum for a Viksit Bharat remains dependent on exports and attracting more foreign direct investment (FDI). The win-win European Union (EU) trade deal negotiated in record time will help attract more FDI from the EU once bilateral investment agreements are signed, boost India's labour-intensive export sectors, and signal to the rest of the world that India is ready to lower tariffs and is open to trade.

It was also, as we now see, a signal to Mr Trump that India cannot be bullied and was instrumental in his sudden approval of a US-India trade deal, slashing tariffs from 50 per cent to 18 per cent, lower than what Bangladesh, Vietnam and other Asian competitors are paying. The US realised it would need to move quickly to forestall India from aligning its rules and regulations in line with the EU.

The details of the India-US trade deal are not yet available but the overall positive sentiment around it will pull back some of the short-term portfolio capital that left in 2025. The rupee and Indian equities have already seen a bump-up. Whether India's China+1 strategy, which Mr Trump's 50 per cent tariffs had derailed, will get back on track remains to be seen. Mr Trump's unpredictability, and on-and-off signals may give long-term investors pause.

The 2026-27 Budget has allocated funds to build resilience and manage risks. It has reduced import duties on intermediate inputs for labour-intensive exports and for critical products India needs to reduce dependence on China and build more resilient supply chains. Continuing the push for public capital expenditure — which people expected would now pause — is welcome, especially as recovery in private investment and FDI may await completion of the EU trade deal and greater certainty on US intentions towards India.

AI could be a big boon or bane for India. The increased but targeted outlay for AI to support India's AI National Mission, along with the support for semiconductors, in the Budget is, therefore, welcome. However, in this new world order, where allies or alliances do not count and everyone is rearming, India's defence expenditure as a share of GDP was low at under 2 per cent of GDP. With worsening relations in its neighbourhood and no dependable allies, the increase in defence outlay for modernisation to 2 per cent was overdue and necessary.

But the slowdown in the glide path for fiscal consolidation, with the fiscal deficit set at 4.3 per cent of GDP for FY27, is worrisome. India's debt dynamics — especially with rising public debt at the state level and increased spending after the Eighth Pay Commission kicks in — will require faster fiscal consolidation. As Sajjid Chinoy has shown, even with 11 per cent nominal GDP growth — higher than the 10 per cent projected in the Budget — India's overall public debt remains close to 80 per cent of GDP by 2030 because state public debt exceeds 30 per cent of GDP.

This means faster fiscal consolidation at both the Union and state levels is necessary to create the fiscal space India must have to deal with bigger shocks. One way to achieve this in the Union Budget would have been to forgo increases in allocations for internal security, which are already high. Another would be faster privatisation, projected at a modest 0.2 per cent of GDP in this year's Budget.

The Trump shock also pushed India into a more accelerated reform mode in 2025 — cleaning up goods and services tax, encoding labour reforms, opening insurance and defence production to 100 per cent FDI, and signalling the intent to deregulate. But keep the promised Reform Express going on the so-called factor market by removing obstacles to land acquisition and zoning, increasing labour flexibility further to firms over 300 workers, and reducing the cost of energy, while also fixing its creaky and highly corrupt legal and administrative system.

The Budget has announced yet another committee to look at banking reforms for Viksit Bharat. It will look at ways to increase India's credit-to-GDP ratio, phase out the statutory liquidity ratio (SLR), and develop the bond market — issues discussed in my January Column. But any of these financial sector reforms will depend on reducing the public-sector borrowing requirements, which at their highest-ever level of ₹17.2 trillion (about $190 billion), up 16 per cent from the previous year, will test the RBI, as debt manager of the government, to keep G-Sec yields in check while operating within the guidelines of the inflation-targeting regime.

If new and bigger shocks laid out in the Economic Survey hit, such as a major correction in the US equity markets, India has limited fiscal space to respond. Leaving itself vulnerable with exceedingly high public debt ratios is not a sound strategy in today's uncertain and jittery world. Let me end by offering big congratulations to the Narendra Modi government for navigating two big trade deals, which could be game changers and will lift India's growth prospects, improve FDI flows, and make India a more open and competitive economy. Let us hope the EU deal is ratified this year, and that Mr Trump sticks to the US deal.

The author is a distinguished visiting scholar at the Institute for International Economic Policy, George Washington University. His book *Unshackling India* was declared the best new book in economics by the *Financial Times* in 2022

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00

www.business-standard.com

Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Staying the course on fiscal consolidation

The Central government has been on a consolidation path in the last five years, with the fiscal deficit-to-gross domestic product ratio declining from a high of 9.2 per cent in FY21 (pandemic period) to 4.4 per cent in FY26, and budgeted at 4.3 per cent in FY27. The pace of consolidation has slowed in FY27, compared to previous years. The Centre is focusing on its medium-term goal of achieving a debt-to-GDP ratio of 50 (+/-1) per cent by FY31 from the current level of 56 per cent. This implies that the Centre can afford to proceed more gradually with fiscal consolidation, provided nominal GDP growth remains healthy and government debt declines in line with the outlined trajectory.



RAJANI SINHA

The Centre has managed to attain the fiscal deficit target of 4.4 per cent of GDP in FY26, despite concerns over lower tax revenue collection. Lower gross tax revenue of around ₹1.9 trillion was offset by a higher dividend transfer by the Reserve Bank of India (RBI) and lower expenditure — mainly revenue expenditure — enabling the government to achieve its fiscal deficit target for the year.

For FY27 as well, the fiscal arithmetic looks achievable. The government has budgeted gross tax revenue growth of 8 per cent, which appears reasonable given projected nominal GDP growth of 10 per cent. The budgeted dividend transfer from the RBI and public sector banks (PSBs) of ₹3.2 trillion in FY27 will help further. The high RBI dividend transfer this year is likely due to RBI's gain from dollar sales (forex intervention) and higher interest income. Interestingly, the government has kept a high disinvestment, including asset monetisation, target of ₹80,000 crore, against ₹35,000 crore estimated for FY26. For the last three years, the government has been setting a low disinvestment target at around ₹50,000 crore and has still failed to achieve it. Hence, achieving the high disinvestment target for FY27 will be a key monitorable.

On the expenditure side, it is important to note that the focus on capital expenditure (capex) has continued. The Centre has budgeted capex of ₹12.2 trillion for FY27, implying growth of 12 per cent (year-on-year). The total capex (including the Centre's grant-in aid for capex and central public sector enterprises capex), is impressive at ₹22 trillion, showing a strong jump of 20 per cent (YoY). The total capex (Centre's capex+ grants for capex+ CPSE capex) to GDP is budgeted to increase to 5.6 per cent in FY27, up from the 5.1-5.2 per cent range in the previous four years. The share of the Centre's capital expenditure in total expenditure is budgeted to increase to 23 per cent in FY27, compared with an average of 13 per cent in the pre-pandemic period (FY15-19). While the focus on roads and railways has continued, there has also been a sharp increase of 17 per cent in defence spending in FY27. This is on top of a high 16 per cent growth in defence spending in FY26.

The Centre has continued its fiscal consolidation and its move towards better-quality expenditure, but the pace of consolidation has slowed. This provides the government with flexibility to support domestic demand and growth amid global turbulence.

But we need to be wary of a few aspects of India's government finances:

- India's general-government debt (Centre + states) to GDP has fallen from 89 per cent in FY21 to 81 per cent in FY25. This is commendable at a time when government debt is rising globally. However, due to higher cost of capital and a narrow revenue base, India's interest payment burden for the general government (measured as interest to revenue ratio) remains at a high of 24 per cent.
- The Eighth Pay Commission recommendations (effective January 2026) will put pressure on the government finances in FY28, making fiscal consolidation more challenging.
- It will be critical for the government to garner higher revenue from asset monetisation and disinvestment. Also, it would be good to earmark that collection for capex.
- There are signs of stress emerging in some state government finances due to the dole-out of freebies and lower goods and services tax collections. It will be important to encourage prudent spending by state governments to improve overall general-government debt levels.
- As the Centre slows its pace of fiscal consolidation, there will be pressure on the debt market due to high redemptions over the next few years. In FY27, the redemption is at a high of ₹5.5 trillion (as against an average of ₹2.9 trillion in previous five years). Over the next three years, the redemption is likely to remain above ₹6 trillion, shooting up further in FY31. This coupled with higher state government borrowing would put upward pressure on government yields.

To conclude, the path of fiscal consolidation will be challenging in the coming years. The Centre is demonstrating fiscal discipline, but state governments also need to follow suit. The general-government debt to GDP is likely to remain on a downward trajectory, the high levels will nevertheless continue to exert pressure on India's interest payment burden. The government should not deviate from its long-term objective of fiscal prudence, even as the going gets tough.

The author is chief economist, CareEdge



Fiscal policy planning

India needs a medium-term plan

One notable shift in the Union Budget this year was the yardstick for gauging fiscal performance. The government had earlier announced that, starting in 2026-27, it would maintain the fiscal deficit at a level that keeps its debt as a percentage of gross domestic product (GDP) on a declining path. Accordingly, the government is aiming to bring down the debt-to-GDP ratio to 55.6 per cent in 2026-27, compared to the revised estimate of 56.1 per cent in 2025-26. The fiscal deficit, as a result, has been pegged at 4.3 per cent of GDP in 2026-27, as against 4.4 per cent this financial year. It is worth highlighting that the government has done remarkably well in fiscal management over the past several years. It has reduced the fiscal deficit from 9.2 per cent in the pandemic year (2020-21) to 4.4 per cent. Further, the consolidation has been achieved with a substantial improvement in the quality of expenditure.

However, the way forward could be challenging. The government has communicated that it intends to reduce the central-government debt-to-GDP ratio to 50±1 per cent by 2030-31. There are two important issues here. First, even if the government achieves this target, the debt level will still be high. The Fiscal Responsibility and Budget Management framework had envisaged limiting the general-government debt to 60 per cent of GDP and the central-government debt to 40 per cent by March 2025. In the current scheme of things, the central government's debt stock will be about 10 percentage points higher than the level desired in 2031. Second, the government could have been more ambitious on consolidation next year, given that it may become more difficult in the coming years. The government, for instance, has to provide for the Eighth Pay Commission. There will also be a general election before 2030-31. Thus, given that the economy is growing at a rate higher than expected, the government could have gone for more tightening.

Ideally, to keep debt on a sustainably declining path, the government should run at least a small primary surplus. The pace of debt reduction will be determined also by nominal GDP growth and interest rates. Thus, it will be important that growth remains at higher levels. Further, in terms of overall fiscal and macroeconomic management, two other issues are worth keeping in mind. One, it is important to look at general-government debt, which is at about 80 per cent of GDP. As a recent analysis in this newspaper showed, debt levels in states can be expected to rise, potentially negating the reduction at Union level to a large extent in the coming years. Thus, it is crucial to find ways of faster consolidation, both at Union and state levels. Two, in overall fiscal planning, it is important to factor in the financing capacity of the economy.

Higher funding requirements of the government can crowd out private investment. As reports suggested, the bond market is concerned about a higher supply of government bonds. Notably, household financial savings in 2024-25 were about 6 per cent of GDP, much lower than the general government-financing requirement. If private corporate investment revives as desired, market interest rates could move up sharply. Therefore, it is fair to argue that there is a need for medium-term general-government fiscal planning beyond the annual Budget numbers.



After the trade deal

Exporters will benefit if New Delhi stays active

The India-United States (US) joint statement, which unveiled a framework for an interim trade agreement, might be the signal for a significant thaw in ties between the two nations. How swiftly it results in implementation is not certain, but it is hoped that some relief for exporters, battered by the cumulative 50 per cent tariffs imposed by US President Donald Trump some months ago, will arrive in a timely fashion. While the 25 per cent surcharge, slapped on India for buying Russian oil, was not specifically mentioned in the statement, it is widely assumed that this will be removed; Mr Trump, in his original post on the subject, claimed that India had "agreed to stop buying Russian oil, and to buy much more from the US and, potentially, Venezuela". The remaining 25 per cent will now be reduced to 18 per cent, which is competitive vis-a-vis many of India's Asian peers.

Further, India has ensured that certain lines of agricultural goods remain protected. Some farm goods from the US — fruit, soybean oil, and nuts among them — will be allowed into Indian markets now. But major domestic products, including rice, wheat, poultry, and dairy, will remain protected. Meanwhile, major industrial goods will apparently face sharply reduced tariffs, though it remains to be seen which are zero-rated and what the glide path is for the others. Either way, this is a win for Indian consumers, who in a short while have seen important sectors freed up to trade from both the European Union and the US. India has also promised to buy $500 billion worth of goods from America. Major commitments to buy aircraft from Boeing will comprise a reasonable chunk of that; and if increased purchases of fossil fuels do indeed materialise, that too will help. There have long been plans to diversify imports of coking coal away from Australia, and the US is a possible alternative. Finally, if major investment in data centres fructifies — perhaps incentivised somewhat by the tax holiday announced in the recent Union Budget — shipments of the graphics-processing units, or GPUs, which are the backbone of such installations, could be a major chunk of this $500 billion commitment.

The past weeks have marked a major turning point for an India that has been leery of new trade pacts since 2014. Previous free-trade agreements fell into political disfavour because some in New Delhi believed that exporters did not gain enough from them. In order to ensure that things are different this time, the government must pick up the pace of internal reforms. Some of this is implied in the joint statement's section on regulatory alignments. But more will be needed, particularly in the realm of basic factor-market reform. The government must also escape the mindset that market access alone will lead to export growth. It is vital that new systems be created to allow small and medium enterprises to properly understand and navigate new opportunities, as well as the unfamiliar regulations in these export markets. Logistics costs need to be reduced, and power reforms deepened. Modern supply chains don't work one way. Inputs from elsewhere in Asia have to be accessed cheaply and reliably for exports to the West to grow. Entry into trade pacts such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership must be given fresh consideration.



UCBs: RBI's five-year itch

The RBI needs to think out of the box vis-à-vis cooperative banks

ILLUSTRATION: AJAYA KUMAR MOHANTY



Cooperatives represent the true dilemma of the Reserve Bank of India (RBI). The RBI is a full-service central bank, charged with three main functions: Managing monetary policy and public debt; regulating banks and financial institutions; and a developmental role (including but not limited to financial inclusion).

Cooperatives are effective neighbourhood institutions, operate on self-help and mutuality, have lower costs, and provide service to people left out of mainstream banking. Promoting cooperatives as a "developmental" activity was emphatically affirmed in 1954 by the All-India Rural Credit Survey Committee, which said that "if co-operatives fail, there fails the last hope of rural India".



REPROSPECT

M S SRIRAM

The RBI gets into a dilemma when it is unable to square up the form of incorporation of a cooperative and the regulatory imperatives. Regulations are designed towards capital-centric widely-held listed entities. While no new licences for cooperative banks were issued since 2001, the talk of issuing new licences crops up every five years: The Malegam Committee (2011) and the Gandhi Committee (2015) suggested that new licences be given, while the Vishwanathan Committee (2021) was a bit circumspect. Five years later, in 2026, the RBI again brought up the issue and placed a discussion paper inviting comments on the nature of new licences for cooperative banks.

Cooperatives operate on the principles of open membership, democratic control, and mutuality. Open membership allows anyone to contribute to share capital (at par) at any time. It also allows members to withdraw their share capital on termination of membership — again at par — making the capital of a cooperative almost like a checking account.

Democratic control technically allows any member (including borrower members) to be elected to the governing board. If a cooperative becomes a bank — and thereby a large institution with a national footprint — it loses the core of mutuality. Therefore, cooperatives in general, and cooperative banks in particular, have always been fraught, with some notable exceptions like the Ahmedabad-based Shri Mahila Sewa Sahakari Bank, promoted by Magsaysay awardee Ela Bhatt and Mann Deshi Cooperative Bank, based in Satara.

The design of cooperatives envisages patronage-based organisations in small neighbourhoods running on the principle of mutual benefit. Cooperative societies fit this idea of providing the basic service of loans and savings. However, it does not have the scope to provide modern banking service (like remittances, credit cards, export credit, and any form of corporate funding) if the organisation were to be truly member-centric. All these come with scale. A cooperative bank is, therefore, an oxymoron. A cooperative as a patronage-based institution is to deal with members (who contribute to share capital and vote). And a bank is to deal with the public at large. A small cooperative society makes sense. A cooperative bank does not.

This is where the dilemma of the RBI comes in. If the RBI were to issue more licences, then the applicants ought to be small unitary institutions with a low capital base. The regulator will have to deal with several independent institutions with one or a few branches. As on March 31, 2025, there were 838 cooperative banks having deposits of less than ₹100 crore. All these were to be independently regulated. Compare this with State Bank of India, a single bank that would have more than 23,000 branches where regulation can be done on the basis of their systems and inspections of sample branches.

The nature of incorporation of the cooperatives — with share capital that can be withdrawn and open membership — is not amenable to the usual prudential regulations of banking. Most of the cooperatives are under state laws, given that cooperation falls on the State List (of the Constitution). While the duality of regulation has been addressed through amendments to the Banking Regulation Act, it will be difficult for the RBI to regulate a large number of newer institutions effectively — a situation where a cooperative is too small to be regulated by the RBI, and, if it grows big, it is too large to be a cooperative. Historically using the banking licence, cooperative banks have grown to be behemoths. They possibly fail on the twin tests of being a true cooperative: Membership is not truly open; and the non-member business is more significant than the member business. In the process, issuing licences to cooperative banks is nothing but issuing banking licences through the back door to a set of promoters (with closed membership) and do not qualify for a regular bank.

In this context, the RBI needs to think out of the box vis-à-vis cooperative banks. In the western world, the individual client interface happens through cooperative societies, while sophisticated banking happens at federated level. This is a possible solution. Capital at federated level is more stable. Individual primary cooperatives hardly walk out of the federation using the open-membership principle. Governance and regulatory architecture could be completely aligned with those of universal banks.

Instead of issuing more licences to primary banks, the RBI should look at encouraging setting up at least two federal institutions nationally and/or permitting Tier-IV cooperative banks (having more than ₹10,000 crore as deposits) to affiliate smaller cooperatives. The "umbrella organisation", already in existence, could become a federal cooperative bank. With a choice of affiliation available to the primaries, the RBI should cancel the licences of unitary (single-branch) cooperative banks and convert them into cooperative societies. These can seek banking service from national behemoths.

These national entities could carry the word "cooperative", with an understanding that they are banks of cooperatives rather than being cooperative banks. They would provide value-added service to neighbourhood cooperatives, under a common brand. New cooperative societies can be continually promoted and affiliated with any of these federal institutions. This eases the RBI's regulatory burden while providing an open path for new inclusion efforts at the grassroots. Will the RBI think boldly? That is quite a question.

The author is professor, Centre for Public Policy, Indian Institute of Management, Bangalore



Stable environment

Base revision may not have immediate implications for MPC

The six-member Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) — as widely expected by market participants — decided on Friday to keep the policy repo rate unchanged in its last meeting this financial year. There were a number of reasons for the committee to maintain the status quo. The growth outlook, for instance, has improved. According to the first advance estimates of the National Statistics Office, the Indian economy is expected to grow by 7.4 per cent this financial year. The MPC has revised its growth projections upwards for the first and second quarters of 2026-27 to 6.9 per cent and 7 per cent, respectively. Inflation projections for the first two quarters next financial year were also revised to 4 per cent and 4.2 per cent, respectively, compared to the previous forecast of 3.9 per cent and 4 per cent.

The RBI rightly refrained from giving full-year projections because of the impending base-year revision of the series for gross domestic product (GDP) and the consumer price index (CPI) in the coming days. Although the revisions will not affect underlying economic activities, changes in the composition of the CPI and GDP series could have implications for future projections. In the context of the CPI, for example, the weighting of food items is expected to come down significantly. This should help make it more stable and predictable. Although it will be worth watching how the composition of the index shifts and how the MPC interprets it in its next meeting, the immediate policy implications may not be significant. The underlying inflation or the core inflation rate remains benign and, to an extent, is being driven by the runup in precious metals. In terms of growth, the recent trade deal with the European Union, the reduction in tariffs by the United States, and the sustained government push for capital expenditure have improved the outlook. However, there are concerns in the market regarding the large borrowing programme of the government. The yield on the 10-year government bonds increased 9 basis points on the policy day. Some market participants were expecting announcements related to open-market operations. However, during the post-policy media interaction, the RBI's top management said the borrowing programme would be conducted smoothly and that adequate liquidity would be provided. In fact, liquidity conditions at the moment are comfortable.

Besides the MPC's decision, the RBI also announced several regulatory measures worth highlighting. Notably, the regulator has proposed a framework to compensate banking customers for up to ₹25,000 losses incurred in small-value fraudulent transactions. The regulator will come up with a discussion paper on measures to enhance the safety of digital payments. As more customers adopt digital payments, the safety mechanism will need to evolve continuously. A mechanism to compensate for losses in fraudulent transactions must be welcomed in this regard. Further, the RBI will be reviewing the lead-bank scheme, the business-correspondent model, and the Kisan Credit-Card scheme. A review should help improve the functioning of these schemes. To improve credit flow, the limit for collateral-free lending to small and medium enterprises has been proposed to be increased from ₹10 lakh to ₹20 lakh. Relaxation in norms for non-banking financial companies up to a certain size was also announced, which should help improve business conditions.



Trade relief, yes, but a turning point?

The cloud hanging over the Indian stock market has lifted, for now. India's trade deals with the United States (US) and the European Union (EU) have reduced one of the biggest risks embedded in Indian equities over the past year. Amid tariff and geopolitical uncertainties, foreign investors pulled out heavily in 2025 — more than ₹1.7 trillion — making it a year when Indian equities lagged most emerging markets. The trade deals are already nudging capital flows back, even if cautiously. A lot of smart Indian investors are now convinced that we will witness the start of a bull run, especially in smallcap stocks, which languished in 2025. Yet, markets do not move only on removing uncertainties; they move on growth and earnings. And here, the story is more complicated. The Indian equity markets currently face two major challenges: Weak demand and high valuation.



IRRATIONAL CHOICE

DEBASHIS BASU

No cyclical upswing

A bull run is usually driven by a cyclical economic upswing combined with a low starting valuation. India is not a compelling case on either of these two counts. India's domestic demand story remains fragile. Even as tweaks to goods and services tax (GST) have created episodic consumption bumps, the drivers of underlying purchasing power are missing. Wage growth, particularly in rural India, has been weak or stagnant for the past few years, when adjusted for inflation. This has constrained mass consumption. Weak wage growth matters more than headline gross domestic product (GDP) growth for equity markets because it drives volume expansion. Without real-income growth, demand relies on credit expansion or government transfers — both volatile drivers. That partially explains why growth in corporate earnings has lagged headline GDP growth. The consequences are visible in private corporate capital expenditure (capex), which has remained cautious since the twin balance-sheet crisis of the late 2010s. Even though balance sheets are healthier now, capacity utilisation has only gradually improved, and companies remain wary of building excess capacity in an uncertain demand environment. India's uninspiring equity underperformance last year reflected moderate earnings growth and weak demand.

Trade normalisation should help export-oriented sectors in which India is already competitive at the margin — textiles, generic pharmaceuticals, parts of specialty chemicals, and engineering exports. But none of these is a new growth engine; rather, these are beneficiaries of global trade reopening. India's share in global merchandise exports has hovered around low single digits for years even during the hyper-globalisation era. Despite two decades of global integration, India has struggled to scale up manufacturing exports the way China or Vietnam did due to logistics costs, regulatory friction, gaps in labour productivity, and supply-chain depth. Trade deals reduce barriers, but they do not create competitiveness. The excitement of two mega trade deals has pushed the macro picture — low domestic demand and export competitiveness — away from the headlines, for now.

This leaves one dominant growth engine. Government capex has become the central pillar of India's growth model. The Union Budget for 2026-27 (FY27) has pushed public capex to above ₹12 trillion, the fourth year of the largest infrastructure push in India's history. But there are two caveats. First, infrastructure spending brings direct benefit only to businesses participating in government-funded projects. These are only a few smaller listed stocks. Second, allocation is not execution. The audit data repeatedly highlights structural inefficiencies. One review of the Comptroller and Auditor General (CAG) found cost overruns of ₹1.07 trillion across 442 projects, with delays stretching up to 16 years. In infrastructure audits, project delays have ranged from three to 39 years, with cost overruns in extreme cases exceeding 3,000 per cent. These numbers matter because infrastructure spending works only if productivity gains materialise. Otherwise, capex becomes a fiscal stimulus without long-term growth multipliers.

Valuation

If there is less to cheer by way of organic, demand-led growth, that has not dampened optimism among smart Indian investors, especially in smallcaps. But here comes the second challenge to that optimism: Valuation. After a brutal correction in 2025, valuations have reset in parts of the segment. The small and midcap indices fell sharply during riskoff phases last year, mirroring broader foreign outflows and domestic liquidity tightening. This has created the perception that a cyclical bull run could emerge if liquidity returns and domestic investors re-risk. But it is also conditional on earnings revival to match the current valuation. India's equity market has traded at a premium to other emerging markets for more than two decades, reflecting superior corporate governance perceptions, and a stronger return on equity and structural growth expectations. But that premium has widened in recent years. Forward price-to-earnings multiples for MSCI India have been roughly double those of other emerging markets in some periods. Even after recent corrections, India continues to trade at a high premium to peers and, in some cases, remains the most expensive major market globally on forward earnings multiples.

That valuation gap partly explains why the MSCI emerging markets index significantly outperformed Indian equities last year, with some estimates showing emerging-market returns exceeding India by more than 20 percentage points. Meanwhile, Indian equities delivered near-flat relative performance, reflecting high starting valuations and modest earnings growth. The structural premium for India is logical. India offers political stability, deep domestic capital markets, and favourable demographics. But high valuation demands continuous earnings growth. When earnings slow — even briefly — relative underperformance follows. This is where blanket optimism about smallcaps would get tempered by reality. Liquidity-driven rallies can occur, but sustained bull markets in India need earnings compounding because valuation re-rating has happened in advance.

The overall takeaway is this: Trade deals reduce downside risks; they do not automatically create growth. India's structural constraints — export competitiveness, uneven wage growth, and cautious private investment — remain largely unchanged. All indices have been flat to down since the first hour's excited rally on Tuesday following the US trade deal. We may get tactical rallies, especially in beaten-down small caps, but until real incomes accelerate, demand revives strongly, private capex broadens, and earnings growth rebounds, valuation will act as headwinds.

The writer is cofounder of www.moneylife.in and a trustee of the Moneylife Foundation; @Moneylifers

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU
DEL TECH UNIVERSITY

Rebuilding the Consumer Price Index

The Ministry of Statistics and Programme Implementation (MoSPI) will soon be releasing a new series of Consumer Price Index (CPI) on a revised base year of 2024. The CPI base revision goes well beyond a routine statistical exercise. It is a fundamental rebuilding of the index, undertaken to ensure that inflation measurement remains aligned with evolving consumption patterns, market structures, and improvements in data availability. Understanding this process is therefore essential to correctly interpret movements in inflation and the signals they provide for policy and the broader economy.

The price collection system has been expanded and modernised in the CPI 2024 series to capture a more comprehensive and accurate picture of price movements. For better representation of price movements across diverse rural, urban, and online markets, the number of markets has been increased in both rural and urban areas and, for the first-time, prices are being captured through 12 online markets in select towns. Online data is also collected for telecom, OTT (over-the-top platform subscriptions), and airfare. Additionally, centralised price collection is being followed for fuel, rail and postal charges.



SAURABH GARG

The number of service items in CPI has been increased from 40 in 2012 to 50 in 2024. This expanded coverage, reflecting rising household consumption of services, will provide a more realistic measure of inflation.

The CPI uses a base year as a benchmark to compare prices and measure inflation over time. In the updated framework, the base year has been updated to 2024, reflecting current price levels and consumption behaviour. The collection of base prices in 2024 ensures that future price movements are benchmarked against a more recent and relevant reference period.

At the core of this revision is the adjustment of weights of items in the consumption basket so the index matches how households actually spend their money. In the new series, this recalibration is based on the findings of the Household Consumption Expenditure Survey (HCES) 2023-24, which captured contemporary consumption patterns across rural and urban households. As a result, the item basket and their corresponding weights have been realigned to better represent actual household expenditure.

A significant improvement in the revised CPI series is the adoption of the international Classification of Individual Consumption by Purpose (COICOP) 2018 framework for grouping household consumption expenditures on goods and services. However, as the items in HCES 2023-24 were not classified under the COICOP 2018 framework, they have been split and grouped to align with this international classification system. Accordingly, a direct comparison between the CPI 2024 weighting diagram and the expenditure shares of HCES 2023-24 is not advisable.

While COICOP aligns India's CPI with global standards, it has also influenced weights assigned to certain items due to reclassification. For instance, after reclassification in accordance with COICOP, the effective reduction in the weight of food and beverages is 36.75 per cent under the new CPI, from 42.62 per cent in CPI 2012. If the old classification system were followed, the share of food and beverages would have declined broadly from 45.86 per cent to 40.1 per cent. So, the observed reduction is driven both by reclassification and evolving consumption patterns. Similarly, the weight of education services is 3.3 per cent because books and stationery are now classified separately as per COICOP and including them raises the total education-related share to 4 per cent.

The new CPI series also updates the coverage of other significant household expenditures. Notably, it provides exhaustive coverage of education-related costs across all levels — primary, secondary, and higher education — and now includes private tuition, coaching centres, and other professional and educational expenses such as library charges and web-based training fees.

In house rent, the coverage has been expanded from only urban areas to both urban and rural areas. The addition of rural housing in the CPI 2024 series makes housing index more holistic and representative and will reflect inflation experienced by all households, not just urban ones. Employer-provided accommodation is excluded to reduce extreme values and improve data consistency.

Health inflation in the CPI 2024 framework is also estimated using a structured basket comprising 13 weighted sub-groups derived from 33 representative priced items. The index is designed to capture price variations across a broad spectrum of healthcare services and medical goods and accounts for variations in diagnostic and screening service costs by tracking price movements in key pathological and radiological investigations, thereby, strengthening the measurement of outpatient and preventive healthcare expenditure. By capturing a wider range of medical services, goods and diagnostics, CPI 2024 makes health inflation more comprehensive, reflecting the true picture of healthcare costs on households.

MoSPI's recent updates to the CPI mark a significant step towards modernisation and international alignment. Importantly, these updates were shaped through a collaborative and transparent process, with extensive stakeholder engagement, and the suggestions provided by stakeholders were actively incorporated, ensuring that the CPI reflects both methodological rigour and practical relevance.

The author is secretary, Ministry of Statistics and Programme Implementation. Views are personal

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00

Business Standard
www.business-standard.com



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

A paradigm shift

Threat is increasing for routine IT roles

In just a few days after its launch, Anthropic's Claude Cowork has caused disruption across the information-technology (IT) services industry. The new artificial-intelligence (AI) assistant, with its multiple plugins, allows people to collaborate with AI in shared workplaces. As the implications were realised, investors sold down IT stocks. Cowork triggered bearish sentiment, which wiped off hundreds of billions in IT companies' market value all over the world. India's IT-services majors were among the badly hit. Software stocks crashed and the Nasdaq also endured a bloodbath. Anthropic Founder and Chief Executive Officer Dario Amodei claimed in Davos that "we're six to 12 months from AI doing everything software engineers do".

Anthropic released Cowork, along with 11 plugins, through a three-week period, starting mid-January. The plugins have been labelled "productivity", "enterprise search", "plugin create or customise", "sales", "finance", "data", "legal", "marketing", "customer support", "product management", and "biology research". This indicates the width of the impact on workflow. Together, these mark a paradigm shift. This is open-source software that can easily be adapted to automate repetitive tasks and workflows across legal processes, sales, marketing, data analysis, and other enterprise-support functions. Cowork greatly reduces the need to add a human element to the performance of mundane, yet technically challenging, tasks. Apart from generic enterprise-support service companies, software as a service (SaaS) platforms such as Salesforce, SAP, and ServiceNow, which rely on subscription models, will be particularly badly affected.

So it directly threatens the heads-and-hours billing model, which is the bread and butter revenue of software-services firms. It confirms that AI could soon replace much of high-value but routine services these companies provide and, thus, trigger the extinction of the ant-farm model with its armies of rank-and-file IT coders. Cowork has catapulted Anthropic into the software-service space as a new major player. Other AI companies are also working to develop tools with similar functionalities. Hence, companies in IT services have to invent business models to remain relevant. The substantial number of coders, whose current roles are heading for redundancy, will also have to develop new skills.

The advent of useful new technology always leads to disruption as some functions are phased out. For example, horse breeders suffered an apocalypse when the automobile arrived. However, new technology also creates new revenue streams, as indeed the automobile did. With AI, however, the timeline has been compressed to an alarming degree, making it hard for displaced (and potentially displaced) entities to reposition and reskill to exploit new business opportunities as these arise. For example, these tools will create a need for skilled managers to guide enterprises through the process of transformation and IT re-integration, which will follow the induction of such tools.

IT-services companies that saw their valuations taking a hit are not only hurrying to build internal AI competencies, they are stitching together alliances with AI companies and research labs. However, it is hard for analysts and investors to assign accurate valuations to new technology. This is why it leads to exaggerated boom-bust cycles. The stock market response may be an overreaction in the short term. But AI is turning out to offer a rollercoaster ride in the same way as early dotcom did.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



Investment revival

Exports can drive investment and growth

The Indian economy is projected to grow 7.4 per cent this financial year at constant prices, compared to 6.5 per cent in 2024-25. One of the underlying themes of the Indian economy, particularly after the pandemic waned, has been sustained higher capital expenditure by the government. Besides supporting the post-pandemic economic recovery, the idea was that higher government capital expenditure and rapid physical infrastructure building would crowd in private investment. Private investment has remained tepid for several years, but it is essential for sustaining higher economic growth over the medium to long term. As an analysis in this newspaper showed on Tuesday, there are initial signs of a pickup in the pace of private-sector investment.

A study of over 700 listed companies — excluding banks, financial services, insurance, and oil & gas companies — showed that their combined fixed assets increased by 13.1 per cent, year-on-year, in the first half of this financial year (April-September 2025), the fastest pace in six years. The increase in private-sector investment was substantially higher once companies in the oil & gas sector were included. The Economic Survey had also highlighted signs of a pickup in private investment. At a macro level, it underscored that the share of gross fixed capital formation (GFCF) in gross domestic product was at 30.5 per cent in the first half of 2025-26, compared to the pre-pandemic average of 28.6 per cent. However, to sustain higher economic growth, GFCF will need to substantially increase.

Private investment has been constrained by several factors over the years. Both banking and corporate balance sheets were severely strained in the years following the 2008 global financial crisis, partly due to excessive investment and lax lending standards. It took many years to address this twin balance-sheet problem. Both bank and corporate balance sheets are now in excellent shape. The pandemic also dampened confidence for a few years and affected private investment. Among other big reasons affecting investment decisions were the uncertainty on global trade and excess capacity in China. Recent trade agreements with the European Union and the United States, among others, have brought a degree of certainty. However, the risks associated with Chinese overcapacity remain. China will continue pushing goods into global markets, including India, and this could weigh on investment decisions. Capacity utilisation is hovering around 75 per cent, but in the current environment, companies may prefer to see it rise further before investing in a big way.

While there are initial signs of an increase in private investment, the stepup needs to be supported. The government has taken several reform measures in recent months. It will be critical that the momentum continues. Government committees are working on deregulation possibilities, and progress on this front will be a significant determinant of private investment over the medium term. Further, while India has shown openness to trade in recent months, efforts need to go much beyond select trade agreements. It must be recalled that exports or external demand can be a big driver of investment and growth. This will require substantial improvement in the Customs regime and duties. Therefore, how the recent acceleration in private investment is supported will be critical in determining India's growth path over the medium term.



Managing expenditure

Not just revenue spending, even capital expenditure needs to be closely monitored

ILLUSTRATION: BINAY SINHA



There are many ways of evaluating the rise in the Union government's capital expenditure over the last few years. Such an evaluation has become important because the current financial year has seen a significant trend change. The Union government's capital expenditure in 2025-26 will grow by just 4.2 per cent, compared to high double-digit growth that was recorded in each of the previous five years. Even the effective capital expenditure, which includes grants in aid for creating capital assets, will grow by less than 6 per cent this year, according to the Budget presented earlier this month.

A deceleration of this extent in the Union government's capital expenditure is quite stark, particularly when compared with the unusually large annual increases in the last five years. Note that such a rate of increase was a significant improvement over what happened in the first six years after the Narendra Modi government was formed in May 2014.



RAISINA HILL

A K BHATTACHARYA

Indeed, between 2014-15 and 2019-20, the government's capital expenditure grew in double digits in only three years (the highest being 29 per cent in 2015-16). Two of these years saw only a single-digit increase and in one year —in 2017-18 — capital expenditure actually declined by 7.5 per cent. Unsurprisingly, as a percentage of gross domestic product (GDP), capital expenditure during this period of 2014-2020 hovered between 1.5 per cent and 1.8 per cent.

Importantly, the economic reforms of the 1990s were accompanied by a strong dose of capital expenditure. In most years during the 1990s, capital expenditure stayed elevated at well over 3 per cent of GDP. There was a gradual decline from 1999-2000, barring some occasional bursts between 2003 and 2005. Remarkably, between 2005 and 2020, a period of 15 years, capital expenditure crossed 2 per cent of GDP only twice — in 2007-08 and in 2010-11.

Thus, what Finance Minister Nirmala Sitharaman achieved on the capital expenditure front after Covid is creditable. Between 2020-21 and 2024-25, she grew capex by 26 per cent on average every year. Of course, this became necessary in the post-Covid years, with the private sector's ability to invest severely eroded and the government deciding to use its fiscal muscle to boost investment in infrastructure creation. Nevertheless, this is a record that remains unequalled by any other finance minister in the last many decades. As a percentage of GDP, capital expenditure rose from 1.67 per cent in 2019-20 to 3.2 per cent in 2024-25.

That is also why a slowing of the annual increase in capital expenditure to just 4.2 per cent in 2025-26 is likely to attract a lot of attention. As a percentage of GDP, the Union government's capex will decline for the first time since Covid to 3.07 per cent.

Is this a cause for concern? Remember that government capex was increased in a bid to crowd in private investment, which was growing at a very slow pace. But the first half of the current financial year has reported a welcome change in the private corporate investment cycle. Listed companies other than those in the financial sector (an estimated 700 top companies) have reported a 13 per cent increase in their fixed assets during the April-September 2025 period. This expansion was the fastest in six years.

It would appear that years of waiting for a revival in private corporate investment is coming to an end, potentially yielding positive results for the economy. The government, however, does not seem to be taking chances or relaxing on the basis of the revival in private corporate investment this year. For the coming year, therefore, there is a promise that the government's capex will grow again in double digit at 11.5 per cent and as a percentage of GDP, it will go up marginally to 3.11 per cent. Clearly, having lost some momentum in 2025-26, and partially enthused by a revival in private investment, the government is planning to boost capex once again.

Another way of assessing the Union government's capital expenditure programme will be to examine the pattern in which loans to states are granted to help them finance their capital expenditure. Once again, Covid turns out to be an important marker. Interest-free 50-year loans to states, tied to the execution of their infrastructure projects, made their debut in 2020-21. That year, loans to states accounted for only 2.8 per cent of the total capex outlay of the Centre. Over the years, this share has gone up and, in 2025-26, it was 13 per cent and is set to go up to 15 per cent in 2026-27. What this shows is how effectively the Centre has used the states' capacity to boost its overall capital expenditure programme.

It is possible that some states may be using these loans to manage their own finances. But the net gain is for the economy in general, as the loans are given only after the states commit to fulfilling a set of reforms, and the country's overall capex pace continues unabated.

There is a third way of evaluating the rise in the Union government's capital expenditure in the last few years. The role that central public sector undertakings (PSUs) play in helping the Union government meet its capex plan is not often adequately recognised. Almost 41 to 52 per cent of the government's capital outlay is allocated to PSUs. In other words, the Union government depends not just on the states for executing its capex plan, but also on PSUs. What's more, PSUs are also increasingly becoming more dependent on the budgetary support from the Centre, which is released through equity and loans to help them execute their capital outlay plans.

While this raises questions over the ability of PSUs to raise internal resources to meet their capital outlay, the Centre too should think hard on its currently stalled privatsation programme. If almost half of the government's capex is dependent on providing equity and loans to PSUs, executing a robust privatisation plan could further complicate its capacity to absorb capital expenditure. The larger point is that it is not just revenue expenditure, where the government has exposed its inability to spend as much as it proposes in a year, even with regard to its capital expenditure, similar troubling questions could arise and become a subject of debate and discussion.

In 2025-26, the government will not be able to spend more than 75 per cent of its budgeted allocation for over 50 schemes, each having an annual outlay of over ₹500 crore. So far, such problems of underspending do not trouble its capital expenditure in the same way. But there is little doubt that a more comprehensive system is needed to ensure effective expenditure monitoring, so that very little of the money allocated for a scheme is returned to the exchequer at the end of the year.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



Rebalancing federal transfers

The 16th Finance Commission's recommendations fall short of addressing structural inequalities across states

ILLUSTRATION: BINAY SINHA





POLICY PILLARS
M GOVINDA RAO

The Founding Fathers of the Constitution mandated the appointment of a Finance Commission by the President every five years to recommend a fair distribution of fiscal resources between the Union and the states, so that they can carry out the functions assigned to them in the Seventh Schedule. They could have written the share of each state into the Constitution itself but instead decided to have a neutral expert body assess the changing capacities and needs of states quinquennially, and recommend the devolution of taxes collected by the Union government and grants to be paid to the states. The report of the 16th Finance Commission, placed in Parliament on February 1, will determine the federal fiscal architecture for the next five years.

It goes to the credit of those who drafted the terms of reference (ToR) of the Commission that they simply reproduced the tasks specified in Article 280 and avoided nudges or directives to the Commission, unlike in the past. It also goes to the credit of the Commission that it has not rocked the boat, and that there is a strong measure of stability and continuity in its recommendations. The Commission has continued with the devolution of 41 per cent of Union taxes but discontinued the practice of recommending revenue-deficit grants.

For the horizontal distribution of devolved taxes, the most significant change in the formula is the introduction of the contribution of states' share in the national gross domestic product (GDP). It assigned a 10 per cent weighting to this factor by reducing the weighting of per capita income distance and demographic performance by 2.5 percentage points, and that of area by 5 percentage points. It removed the 2.5 per cent weighting assigned by the 15th Commission to the tax effort factor and added this to assign a 17.5 per cent weighting to population share.

The weight for demographic performance was reduced by 2.5 percentage points and instead of taking the inverse of fertility change, it took the inverse of population growth between 1971 and 2011 Censuses. Similarly, the forest cover variable was weighted by its density. The Commission discontinued the practice of recommending state-specific and sector-specific grants.

The vertical transfers are broadly based on the Commission's judgement about the relative capacities and needs of the Union and the states in carrying out the functions assigned to them in the Constitution. However, in evaluating horizontal transfers, it is important to see to what extent the transfers are aligned with the rationale for transfers in a federal system.

The transfers may be for general purpose (unconditional) or for specific purposes. The rationale for the former is to "enable" every state to provide a comparable level of public services at comparable revenue effort, which implies, offsetting the states' revenue and cost disabilities and incentivising revenue effort.

The general-purpose transfer is unconditional and allows the states to provide services according to the varying preferences of the people residing in them. However, specific grants are given to "ensure" minimum standards of services considered "meritorious" or those that entail significant externalities, so that every citizen can have access to a prescribed minimum of such services.

The tax devolution is a general-purpose transfer and is distributed to the states by the Commission broadly based on factors representing revenue and cost disabilities. The 16th Commission gives the rationale that using contribution to GDP serves the purpose of efficiency, as this is presumed to incentivise states to implement policies to maximise the growth of their GSDP.

While, as a general proposition, this may be attractive, the introduction of this factor conflicts with the revenue disability factor, and its effectiveness will depend upon its electoral impact. More importantly, in a federalism marked by "competitive inequality", the states are not on a level playing field, and the capacity to respond to the incentive differs widely among them.

Those with better social and physical infrastructure and more responsive institutions perform better than others. The Commission's recommendations cannot be expected to fully offset revenue and cost disabilities, and infrastructure deficits in low per capita income states persist, as the Fiscal Responsibility and Budget Management (FRBM) Acts restrict them to borrowing only up to 3 per cent of their GSDP.

Doing away with revenue-deficit grants also raises some issues. The devolution based on revenue and cost disabilities does not address the specific problems of individual states, and grants can help in better targeting. At the same time, the inability to make normative assessments objectively raises both equity and incentive problems, which I had described in my earlier writings as "tyranny of the base year" and "fiscal dentistry". Projections made on base-year numbers fail to address the service-level deficits in disadvantaged states, and filling in budgetary cavities by the Commission increases the size of cavities over time. Dispensing with revenue-deficit grants is one way to avoid this, but it rebalances the fiscal architecture.

The Commission is obsessed with the view that the 14th Finance Commission was unduly generous to the states in increasing tax devolution from 32 per cent to 42 per cent and repeats this assertion in several places in the report. It sounds most irresponsible of the 14th Commission to have done so! Ironically, nowhere does the Commission recognise the fact that the 14th Commission, unlike past Commissions, had to consider both plan and non-plan requirements of the states and had to subsume the Gadgil formula grants.

Besides, the Commission desisted from giving separate sector- and state-specific grants. It may be recalled that the 13th Commission recommended separate grants for environment, roads and bridges, governance, elementary education and many state-specific grants. If we consider only the tax devolution, revenue-deficit grants and the subsumed Gadgil formula grants, the difference is not that dramatic. The tax devolution and revenue-deficit grant share in the gross tax revenue of the Centre works out to be 38.5 per cent, which is marginally higher than the tax devolution, revenue-deficit grants and Gadgil formula grants given by the 13th Finance Commission. The marginal increase was because the Commission preferred the Union to confine Centrally Sponsored Schemes (CSS) only to "critical" services and not make forays into several sectors in the State List.

This brings us to the view of the 16th Commission on the CSS. The Commission asserts, "The CSS have played a crucial role in the nation's development" (p.142). Have they really? As mentioned earlier, the specific-purpose transfers are required to ensure minimum standards of "critical" services. Do the "critical" areas extend to 29 umbrella schemes?

Many of the schemes are simple aggregations of more than 200 schemes that existed from the mid-1980s. In fact, the P V Narasimha Rao Committee was the first to report on the proliferation of schemes in 1988. These are mostly financed from cesses, thus eroding the divisible pool. Besides, is there any scheme in which the objective of achieving the minimum standard is specified? Even in the Sarva Shiksha Abhiyan, there are 42 different interventions. The Action Agenda paper of the NITI Aayog released in 2017 stated that there are approximately 2,000 budget heads in the health sector alone. The initial allocation and the ultimate spending pattern of all the schemes are vastly different. Even in Mgnrega (now subsumed under GRAMG), Tamil Nadu, a state with a lower poverty ratio receives a much higher allocation than Bihar. If the grants to these "critical" services are not designed and implemented to achieve minimum standards, what economic objective are they expected to serve?

The author was director, National Institute of Public Finance and Policy, and member, Fourteenth Finance Commission. Views are personal

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DELTECH UNIVERSITY

Readying for the trade deals



SWOT

KANIKA DATTA

With two consequential trade agreements in the bag, the received wisdom from officialdom is that India is in an economic sweet spot, or somewhere near it. Thanks to a maverick United States President's change of opinion (little data appears to inform his decisions), India will hopefully enjoy modest tariffs compared to competing nations such as Vietnam and Bangladesh when it comes to such labour-intensive manufactures as textiles, leather and marine exports — though the recent US-Bangladesh trade deal is causing misgivings among Indian apparel exporters. The bigger objective question, however, is whether India can maximise the potential embedded in these trade deals and meaningfully alter the economic landscape on jobs, exports, and growth.

If there are qualms it is mostly a ubiquitous one about the "doing business" ecosystem in India. It is worth noting that even before the Trump tariff attacks, India's merchandise exports had performed below par for at least the past decade and a half. India accounts for just 1.8 per cent of global merchandise trade, from less than one per cent at the start of the nineties. That was roughly the same as China at the time; today, the Middle Kingdom is the world's largest goods trading nation. Low productivity and cost competitiveness and the sheer challenge of following multiple compliances and variable policymaking at federal and state levels have been cited as the usual suspects for India's underwhelming performance in global markets.

Unexpectedly, though, businesses scouring the fast-growing Asia Pacific landscape for potential investment opportunities will find that India is not necessarily the most complex place to do business. According to the Netherlands-based consultancy TMF Group's 2025 Global Business Complexity Index, the nearest proxy for a Doing Business index that the World Bank jettisoned in 2021, that distinction goes to Mainland China.

The TMF index, which tracks business complexity chiefly in terms of the number and complexity of compliances in accounting and tax, global entity management and HR and payroll, works in reverse. The most complex jurisdiction is placed at No 1 (Greece, in this case) and the best at No 79, which happens to be tax and money laundering haven Cayman Islands. China stands at 10, down from 14 in 2023. Chinese laws, the report says, are frequently updated and often implemented swiftly and without extended consultation periods, requiring companies to "constantly align their compliance efforts with new requirements".

India by contrast weighs in at 18, which doesn't look half bad given that Indonesia is ranked worse at 14. But the point of concern is that India's latest ranking is a considerable drop from 33 in 2024. The report admits that India has introduced "a series of compliance reforms focusing on transparency and governance". But it suggests that these reforms, though potentially beneficial in the long term, have made the compliance regime more stringent and complex for companies to track. It also refers to a pet peeve of corporate India: Deficiencies in the education system that make it difficult to find adequately skilled labour.

The report makes no reference to the difficulties in obtaining critical mass of land for large projects or the unpredictability of policy, arbitrary notifications and unexpected court interpretations of economic law that have played their part in discouraging investors, domestic and foreign. Though policymakers cite the decriminalisation of many statutes and the codification and relaxation of labour laws as a key enabler, India Inc seems less enamoured of them.

But policy complexity and fickleness need not be absolute deterrents to investment if the opportunity for global investors to extract value is compelling enough. For instance, for all the emerging complexities of doing business in Xi Jinping's China, the country still figures at rank six in A T Kearney's 2025 FDI Confidence Index (though that's a drop from three in 2024). India ranks at 24, a sharp slip from 18 in 2024, mirroring the outlook of the TMF business complexity index. But the picture changes when you narrow the lens to foreign direct investment (FDI) in IT and services. India's FDI inflows for the year surged 73 per cent, the bulk of it flooding into global capability centres and data centres, leveraging the country's traditional competitive advantage.

Though analysts of a certain persuasion read in these numbers signs of India's impending economic greatness, the fact is that no nation has bootstrapped its way out of underdevelopment without establishing a robust manufacturing basis. Neighbouring Bangladesh is a case in point. In any case, India's notoriously poor record in delivering quality education at scale militates against the hoped for IT-driven economic revolution. It is impractical to expect India to churn out at short notice the critical mass of coders and specialists needed to miraculously transform the country into an IT powerhouse.

The US and the European Union trade deals, whenever they are signed, sealed and delivered, certainly offer the potential for India to re-open for business. But creating the groundwork for shovel-ready investment would require sustained hard work from the ground up to reverse all of India's deep-seated problems — from providing people with better access to health and education to sustaining a vibrant multicultural society, unwinding red tape and diminishing the power of the bureaucrat and populist politician to hold entrepreneurs hostage to the whims of the state.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DEL TECH UNIVERSITY

An improved index

New CPI will not affect monetary policy in the near term

The new consumer price index (CPI) series showed that the inflation rate increased to 2.75 per cent in January, up from 1.33 per cent in December (old series). The food-inflation rate was 2.13 per cent. The composition of the CPI has undergone a significant change, along with the shift in the base year to 2024 from 2012. In a rapidly developing country like India, critical indicators must be regularly finetuned to reflect the prevailing situation. However, the revision this time was delayed owing to a variety of factors, including the pandemic. Besides the new CPI series, released on Thursday, the National Statistics Office (NSO) will also release a new series on gross domestic product (GDP) later this month. Together, these will present a more accurate picture of the Indian economy and better inform all stakeholders, including policymakers.

The changes in the new series are based on the Household Consumption Expenditure Survey 2023-24 to reflect the most recent patterns of consumption among households in both urban and rural areas. Coverage in the new series has also been significantly increased and shows a more modern consumption basket. For instance, for the first time, prices are being captured from online markets in select locations. Coverage in the services sector has been increased to 50 items, as against 40 in the previous series. The number of weighted items at national level has been increased to 358, compared to 299 in the previous series. The new series also includes items such as online media and streaming services. In terms of components, the weighting of food and beverages has declined to 36.75 per cent, as against 42.62 per cent in the previous series (according to the new structure). The reduction in the food component is expected to make the index less volatile. The food component is usually much more volatile than the core.

Besides reflecting the inflationary conditions faced by households, the new CPI series will be particularly significant for the Reserve Bank of India (RBI) in conducting monetary policy. The RBI is mandated to target the CPI inflation rate at 4 per cent, with a tolerance band of 2 percentage points on either side. The Monetary Policy Committee (MPC) of the RBI refrained from giving the inflation projection for the whole of the next financial year in its last meeting because of the scheduled change in the base year. As things stand, while the full-year projection for 2026-27, based on the new series, will be closely watched, it is unlikely to make the MPC shift its position in the immediate short run. However, based on the new series, inflation projections may be increased for the coming quarters. In such a condition, the policy repo rate, at 5.25 per cent, could be the terminal rate for the current cycle. Thus, for now, financial markets will be more focused on government borrowing and liquidity, which are affecting market interest rates.

Finally, now that the base year for the CPI has been changed after a long wait and a similar change is being made in the GDP series, the NSO must take this opportunity to change the time of data release. Releasing data at 4 pm makes little sense. Given that market-moving announcements such as monetary-policy decisions and the presentation of the Union Budget are made during market hours, which is the right thing to do, it is puzzling why the numbers on GDP and inflation rates are released after trading hours. In fact, releasing data in the morning will allow investors to adjust.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



DELHI TECHNOLOGICAL UNIVERSITY
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DEL TECH UNIVERSITY

ILLUSTRATION: BINAY SINHA



Indo-US trade deal is not just about trade

The deal shifts the US posture towards India from hostile to neutral, and that matters for growth



FINGER ON THE PULSE

T T RAM MOHAN

The India-United States (US) trade deal, for which a framework for an interim agreement has been agreed, will not lack critics. The Congress party has called it a surrender. A farmers' organisation has called for protests. Many will pore over the fine print once the details are finalised and argue that the deal is more favourable to the US.

We need to be clear about a couple of things. First, any nation negotiating a trade deal with the Trump administration must expect the deal to be tipped in favour of the US. President Donald Trump has made it clear that his priority is to reset America's economic equations with the rest of the world. He is determined to use the economic and military might of the US to do so.

For the entire post-War period until recently, the US was happy to let the advantage lie with many of its trade partners. It believed that it was economically strong enough to do so. Sharing prosperity with partners, the US believed, would make for world peace and it would also keep the world safe from communism.

Not anymore. Mr Trump rode to power in 2016 by insisting that the time had come to reorder trade relationships to the benefit of the US. He didn't quite manage to do so, partly because his initiatives were scuttled by Washington establishment status-quoists in his Cabinet. In his second term, Mr Trump is determined not to make that mistake. He has filled his administration with loyalists who will faithfully execute his orders.

Last July, Mr Trump reiterated his perception of where matters stand. He said in a post, "The United States of America has been ripped off on TRADE (and MILITARY!), by friend and foe alike, for DECADES. It has come at a cost of TRILLIONS OF DOLLARS, and it is just not sustainable any longer — And never was!" In any trade deal, therefore, it will be Advantage US.

Second, we must be clear that the overall relationship with the US is contingent on arriving at a trade deal that America approves. Not doing a trade deal means courting US hostility across the board. In negotiating a trade deal with the US, every nation faces a choice: Does it want the US to be a friend or a foe?

Mr Trump's trade deal with the European Union is an excellent illustration of the two points made above. For the EU, the issue was not just access to the vast American market. It was also American support to Europe in the Ukraine conflict, including the supply of critical weaponry and intelligence and America's involvement in the North Atlantic Treaty Organization (Nato) itself. Faced with the prospect of jeopardising its defence relationship with the US, the EU settled for terms that were widely seen as humiliating.

The EU now faces a baseline 15 per cent tariff on its exports to the US. In addition, steel, aluminium and copper exports from the EU will face a 50 per cent tariff. Car exports would be subject to a quota. The EU has also agreed to buy an additional $750 billion in US energy products over the next three years and make investments worth $600 billion in the US by 2029. The EU, for its part, will eliminate tariffs on imports of all US industrial goods and provide preferential access to a wide range of US seafood and agricultural products. A more abject surrender is hard to visualise. Mr Trump has likewise signed deals with the UK, Japan and South Korea — all close allies of the US — that are conspicuously one-sided.

The lesson for India is that the Indo-US trade deal is not just about access to the US market. India has weathered Mr Trump's 50 per cent tariff on Indian exports much better than expected. India's total exports are up 4.4 per cent year on year despite Trump's tariffs. Nor have exports to the US suffered — they are up 9.8 per cent in April-December 2025.

The problem for India is that capital flows are flagging. This is happening at a time when India's current account deficit of 1.3 per cent of gross domestic product (GDP) compares favourably with that of a range of countries, including Canada, the United Kingdom and Australia, as the latest Economic Survey notes. India had no difficulty financing current account deficits of a much higher magnitude in the post-reform era. Today, we are hard-pressed for capital inflows, and the rupee is under pressure despite a highly favourable set of economic indicators. That is not something to be treated lightly.

Gross foreign direct investment (FDI) fell marginally by 2 per cent in calendar year 2024. This may be in line with the general decline in FDI flows in recent years but it does not help us at all. At the same time, outward FDI from India as well as repatriation of profits by foreign firms in India have increased sharply. As a result, net FDI in April-November 2025 was a mere $5.6 billion. The bigger problem at the moment is with foreign portfolio inflows (FPI). It was (-) $3.9 billion in April-December 2026.

There could be many reasons why FPI inflows have turned negative. You can be pretty sure, however, that the orientation of the US administration towards India is an important factor. When India is subject to a punitive tariff regime by the US, fund managers are unlikely to view India as a good place to invest in. The Treasury department houses individuals, including the Treasury Secretary, with strong links to Wall Street. They are known to work the phone lines with fund managers on a range of matters.

Absent a trade deal, therefore, we must reckon with rough weather in respect of capital flows, however good our macroeconomic indicators. And who knows that services exports to the US will not be subject to punitive action as well? Also at risk are defence collaboration, technology transfers and the entire strategic partnership that has been built over the past two decades. Thus, India's strong economic performance in the present year is no assurance that it can be sustained in the absence of an Indo-US trade deal.

The point about the Indo-US trade deal is not that it involves compromises, such as cutting back on oil imports from Russia or scaling up imports of goods from the US to $100 billion annually for the next five years. It is also not just about getting a tariff rate of 18 per cent, one that is lower than that of many of our competitors. The substantive point is that it moves the US posture towards India from hostile to neutral. That is good news for the Indian economy.

ttrammohan28@gmail.com



India's AI moment

Summit can pave the way for accountable AI at scale

The AI Impact Summit in New Delhi this week comes when artificial intelligence (AI) is being rapidly adopted across the world. The government's ambition is clear: To position India as a credible voice in the global AI landscape, largely dominated by the United States (US) and China. With participation from over 100 countries, the Summit is meant to amplify the Global South's voice, attract capital, and shape rules that do not simply mirror western priorities or Chinese state-led models. In this respect, India has strengths to build on. It is among the world's largest consumer markets for AI tools, with rapid adoption across firms and households. This demand pull is already drawing unprecedented commitments from global technology giants. Amazon has pledged over $35 billion through 2030, Microsoft $17.5 billion over four years, and Google $15 billion for what will be its largest AI and data-centre hub outside the US. India's digital public infrastructure, low-cost data, and regulatory stability after the Digital Personal Data Protection Act have strengthened investor confidence.

India's broader strategy, alongside investment in sovereign compute and domestic large-language models, aims to balance expensive frontier-model development and focus on sectoral use cases. In this regard, the Economic Survey this year also flagged an asymmetry between frontier-model development and application-led deployment, noting that attempting to close the frontier gap could entail prohibitive costs. The tradeoff, therefore, is between chasing frontier-scale models and directing scarce resources towards domain-specific AI systems aligned with domestic priorities. Structural pillars such as expanding access to compute through 38,000 graphics processing units (GPUs), building the AI Kosha dataset repository, establishing an AI safety institute, and creating an AI incidents database are significant institutional moves. But enforceable accountability, robust data governance, and clear redress mechanisms will remain crucial. Voluntary compliance will not suffice if incentives push firms toward opacity. There are other constraints as well. India's data-centre capacity is still a small fraction of the global total, and the country lacks homegrown AI firms that have achieved meaningful scale. Moreover, hyperscale infrastructure comes with heavy demands, including uninterrupted power, advanced cooling systems, fibre connectivity, and large water use. The design choices made now will determine whether India can expand AI compute without deepening environmental stress.

At a broader level, the Summit's success should not be measured only by headline investment announcements. Notably, it is happening against the backdrop of a fragmented global governance landscape. The 2023 Bletchley Park AI Safety Summit produced declarations and commitments, but a consensus on long-term risks remains elusive, and even regulating big tech cannot fully constrain the diffuse misuse of AI by countless developers. International spillover makes harmonised standards difficult, yet global discussion is essential. It is already evident how algorithmic tools can produce wrongful exclusion. Nevertheless, despite the challenges, it is encouraging that a global discussion on the issues will be held, and there is hope that some of the potential ill effects of AI will be contained soon. A serious debate will also be needed on the possible impact on jobs and the issue of AI-skilling to absorb the expanding workforce. There are a number of other issues to be discussed. Given that AI is rapidly evolving, with the potential to reshape the world in many ways, the Summit can be a good starting point for defining the direction and standards.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00

Business Standard

www.business-standard.com



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU
DEL TECH
UNIVERSITY

Interpreting the US trade deal

Focus on the gains from import liberalisation

ILLUSTRATION: AJAYA KUMAR MOHANTY



The trade agreement between India and the United States (US) has generated political criticism in this country. It is said that there is a "wholesale surrender" of the national interest. Farmers have organised protests. Security experts warn that India is relinquishing strategic autonomy by stopping Russian oil purchases.

The mercantilist view — that exports are the prize and imports are the price we pay — is economically flawed. At a fundamental level the prize in international trade is (a) imports (things that we get to buy from abroad) and (b) Indian firm productivity and economic growth. The value of each trade agreement is measured by reduction in Indian trade barriers.

High tariffs on intermediate goods and machinery increase the cost of production for Indian firms. By protecting inefficient domestic sectors, we implicitly tax the efficient ones. The narrative that liberalisation is a "surrender" assumes that the status quo was optimal. It was not. The status quo was a high-cost, low-competitiveness equilibrium that hindered India's integration into global supply chains and thus Indian economic growth. The commitment to eliminate or reduce tariffs on all US industrial goods is a productivity shock. When Indian manufacturers can import high-tech machinery, intermediate inputs, and components from the US without the friction of prohibitive duties, their landed costs decrease.



SNAKES & LADDERS

AJAY SHAH

Economists have a sweet phrase "the Lerner Symmetry Theorem" — a tax on imports is effectively a tax on exports. By lowering import barriers, we are improving the competitiveness of Indian exporters. We trigger a shift in the allocation of Indian labour and capital away from uncompetitive sectors and into the ones that India is really good at, which generates growth in gross domestic product (GDP).

Tariffs on food are regressive taxes. They disproportionately impact the poor, who are net buyers of food. Political thinkers need to re-evaluate the size of the land-owning farming families group as against the number of poor people buying food. Food tariffs benefit large land holdings exactly as input subsidies and minimum support price do. The entire logic of positive externalities from improved nutrition for the poor translates into benefits from reducing trade barriers for food.

A problem that will now come up is the inconsistency between the superior economics knowledge, in three recent Indian trade agreements (the US, European Union, and United Kingdom) vs the old Indian socialism that's in force at multilateral level. India has long been a wrecker at the World Trade Organization (WTO).

Consider the agreement on Investment Facilitation for Development (IFD) at the WTO. This initiative aims to streamline investment procedures and improve transparency. Yet, India has blocked its adoption. At the same time, the joint statement with the US highlights India's intent to attract capital and technology, including the signalled intent to purchase $500 billion in US goods, comprising energy, aircraft, and technology products. It is incoherent to actively solicit investment bilaterally while structurally opposing investment facilitation multilaterally.

A similar hypocrisy exists in the digital domain. The bilateral agreement emphasises cooperation on sensitive technologies, graphics processing units, and artificial-intelligence infrastructure. Yet, at the WTO, India continues to oppose making the moratorium on Customs duties on electronic transmission permanent. We seek to import the hardware of the digital economy — data-centre equipment and chips — while fighting for the right to tax the software and data flows that make that hardware useful. Perhaps the trade economists from all these teams need a nice off-site.

The current agreement is an "interim" step, with a lot of "intent" but not legal obligations. In the Trump world this is dangerous. Further, we have to think more about who controls what. The commitment to purchase $500 billion in US goods over five years is a throwback to central planning. Governments do not buy goods, firms do. We hope officials don't make purchase targets.

The approach on non-tariff barriers needs to evolve. The current commitment is merely for a "six-month review" of standards and testing requirements in sectors like medical devices and information and communication technology. A review is not a reform. A high-quality bilateral trade agreement (BTA) requires binding clauses with specific timelines for regulatory harmonisation. The friction in trading medical devices or high-end electronics is often not the tariff, but the arbitrary testing and certification standards that act as de facto protectionism, as non-rule of law.

Similarly, the digital economy requires more than just vague cooperation. India has committed to "negotiate" rules on digital trade but has not yet agreed to binding provisions on cross-border data flows or the prohibition of mandatory source code disclosure. In modern free-trade agreements (FTA), such as the US-Mexico-Canada Agreement, these are standard pillars. Without them, the "tech partnership" remains vulnerable to domestic regulatory whims and capricious Trump retaliation.

There are hoops to jump on rules of origin. As supply chains decouple from China, the US will demand intrusive verification to prevent leakage. This will require Indian firms to accept a higher degree of transparency and compliance burden than they are accustomed to. Implementing this requires state capability. The verification process should not become a next layer of inspector raj, with delays, compliance costs and corruption.

The FTAs with the European Union (EU) and United Kingdom (UK) and the trade agreement with the US are adding up to a good wave of Indian liberalisation. The agreements with the UK and EU, conducted in an amicable political environment, need to go up to becoming genuine "deep trade agreements".

We should pay heed to the document of the United States trade representative on Indian trade barriers. For us in India, it's knowledge of modern trade economics that dissects and documents Indian protectionism. And, it's the ever simmering problem that can induce a next Trump explosion. We in India should treat this document as a goal post to shoot for, in modernising Indian economic policy. What are all the changes required in this document, so that it shows an India that has sophisticated trade policy? By doing this, we gain twice. First, we will reduce trade friction with the US. Second, we will lay the foundations for high Indian GDP growth.

The author is a researcher at the XKDR Forum

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



India-EU deal: From promise to reality

The announcement of a free trade agreement (FTA) between India and the European Union (EU) is a major turning point — not so much for its immediate gains, but for what it signals about India's economic strategy. After several years of high tariffs and inward-looking policies, the deal reflects a clear recognition by the Indian government that exports must play a bigger role in driving growth. However, an FTA is only a framework. It creates opportunities, but it is not a cure-all. To fully benefit from this deal, India will still need significant domestic reforms.

The deal reflects the government's confidence that Indian firms are capable of competing more strongly in global markets. Where does this confidence come from? In part, from the sheer room India has to expand its global presence. Despite being the world's fourth-largest economy, India accounts for less than 2 per cent of global goods exports. Even a 2 percentage point rise in market share would effectively double exports.



MACRO PULSE

RAJESWARI SENGUPTA & ALICIA GARCÍA HERRERO

Confidence also stems from global shifts. Supply chains are diversifying away from China, and European firms are seeking alternative production bases. With nearly 65 per cent of its population under 35 and significant untapped manufacturing potential, India is well placed to benefit.

Finally, the government's confidence also comes from the opportunity that FTAs create. The EU pact offers Indian exporters preferential access to 450 million consumers across 27 countries — one of the world's largest and richest markets. Alongside other proposed deals with the United States, Chile, Peru and the Eurasian Economic Union, it could help generate the millions of jobs India needs each year.

However, market access alone does not ensure higher exports or more jobs. To translate access into outcomes, India will need structural reforms that roll back protectionist barriers. Three such reforms will be key.

First, India's trade regime requires reform. Tariffs on intermediate goods must be reduced if exports are to become a genuine growth engine. Indian firms cannot compete globally if key inputs remain costly. They need reliable access to low-cost components, supported by streamlined Customs procedures and simpler regulations to minimise delays. Yet the recent Union Budget left most import duties unchanged, despite the need for rationalisation. India should also rethink its extensive use of quality control orders (QCOs), which function as de facto import barriers. Although a few have been withdrawn, more than 700 remain, disrupting supply chains and creating uncertainty for firms planning production and exports.

Second, while the EU FTA may expand market access, it will not by itself attract large-scale manufacturing investment. That requires a credible investment protection framework. In 2015, India unilaterally terminated around 77 bilateral investment treaties (BITs), leaving foreign investors with limited recourse in disputes with domestic firms or the government. A revised model BIT introduced in 2016 mandates that investors exhaust domestic legal remedies for five years before seeking international arbitration — terms few countries have accepted. As a result, India now has BITs with only a handful of relatively minor partners, while major global firms remain cautious about committing long-term capital.

The consequences are visible: Net foreign direct investment (FDI) inflows have fallen sharply, reaching just $0.4 billion in FY2025, the lowest on record. Without enforceable safeguards, European firms may opt to serve India through exports or modest assembly operations rather than establish large production facilities. More broadly, modernising the BIT framework will be essential if India is to attract sustained manufacturing FDI.

Finally, India should seriously consider joining major regional trade groupings such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). These agreements go well beyond tariff cuts. They require members to strengthen domestic standards in labour laws, intellectual property, regulatory transparency and competition policy — areas where India needs reforms, but has found politically difficult to implement.

International commitments can help anchor domestic change. China's entry into the World Trade Organization in 2001 shows how external discipline can accelerate internal reform. Joining high-standard regional agreements would similarly signal that India's policy direction is stable and long-term. That credibility, in turn, can boost investor confidence and attract greater investment.

India competes in a global trading system still shaped by China—a dominant exporter with deep manufacturing capabilities and highly integrated supply chains built over decades. In that context, the FTA with the EU is an important step forward. But it must mark the beginning of a larger transformation, not the end of reform. What India needs is a sustained commitment to trade openness. If it wants to become a global manufacturing hub and achieve its "Viksit Bharat 2047" goal, trade agreements must be backed by lower input tariffs, simpler regulations, stronger investment protection and deeper structural reforms. Global supply chains are being reorganised in real time. The question is not whether opportunities exist — it is whether India will move fast and decisively enough to seize them.

The authors are, respectively, associate professor of economics, IGIDR, Mumbai, and senior research fellow at Bruegel and chief economist for Asia-Pacific at Natixis. The views are personal



ILLUSTRATION: BINAY SINHA



Public purpose and for-profit entities

Reconciling the seemingly irreconcilable in market infrastructure institutions is the next challenge in regulation



AARTHIKAM CHINTANAM
K P KRISHNAN

The National Stock Exchange (NSE) has been in the news because it is at the edge of its initial public offering (IPO). The three big exchanges [the NSE, BSE, and Multi Commodities Exchange (MCX)] will then all be listed. The draft Securities Markets Code (SMC) proposes a formal legal framework for stock exchanges as market infrastructure institutions (MIIs), a designation that carries profound regulatory weight.

It appears the questions around the ownership and governance of exchanges are all sorted. That is not the case. Listed exchanges raise a host of questions — some operational and tactical — but others strategic and regulatory. The dilemmas we face today regarding the governance of MIIs are good problems to have, and certainly better than the existential crises of the early and mid-1990s. One must first understand how we got here, for ownership and governance of exchanges was a core issue in the great reforms of the equity market.

Three features of an exchange stand out. An exchange is a set of information-technology (IT) systems, processing thousands of orders per second. Running this requires a modern Indian technology-capable organisation with modern Indian management practices, eg on questions like compensation. But equally, an exchange is a front-line regulator and enforcer of rules. Moment by moment, as trading takes place, only the exchange has the ability to watch what is going on, look for malfeasance and block it, and demand compliance with leverage rules. Finally, an exchange is generally a natural monopoly, and lacks the normal market-based incentives to deliver high-quality services.

At the start of the Indian equity market, there was the BSE. It was managed and owned by brokers. This involved a conflict of interest: Broker-managers were inclined to be lenient to brokers. This worked out poorly.

The reformers of that age understood that the solution lay in a new exchange, the NSE, with an ownership structure where incentives were properly aligned. There were three big ideas in the NSE of old. First, it was led by remarkable people, who could be trusted to do regulatory work well. I recognise this sounds quaint in the modern world, and that achievements grounded in good persons will not last over long time horizons. But it is impossible to deny the importance of the key persons who led the NSE in the optimism that the exchange would do well on regulatory functions.

Second, brokers had no shares in the NSE. This helped ensure that rules would be enforced against brokers.

Finally, the shareholders of the NSE were big institutional investors, who had the most to gain from a deep and liquid Indian equity market. These shareholders were gently pushed by the Ministry of Finance into founding and owning the NSE. This aligned the incentives of the shareholders of the NSE with the mission of the NSE (a deep and liquid market for India, of which the biggest beneficiaries were the big institutional financial players) and not dividends or valuation.

Where are we now on that journey? Two big things have happened over the last decade. First, the exchange has increasingly become a simple for-profit company, betraying less of the public interest. Second, the Securities and Exchange Board of India (Sebi) has achieved a de facto nationalisation of the exchange, whereby the regulator has extreme control over appointments, the board, and products/processes of the exchanges. So we have ended up with a monopolistic and highly profitable organisation that works for the profit motive other than intrusive control by Sebi.

This is a strange new place, which was frankly never anticipated by any of the thinkers about exchanges 20 years ago. When the first exchange listing (MCX) was under debate, there was much thinking around this, but this subsided along with the main energy of financial-sector reform.

Profit motive is supposed to be good for innovation, but we don't get innovation because the regulator is a central planner that controls all aspects of products or processes (to the point of controlling the names of senior managers). The monopolistic nature creates high profits and takes away the need to innovate. This creates the worst of public-sector lethargy.

Profit motive gives management the incentive to maximise revenue, which creates conditions for poor or outright harmful behaviour on regulatory functions. When there is great market turbulence through malpractice, trading volumes tend to go up with increase in the revenues and profits of the exchange.

The intrusive control of the regulator in the exchange undermines the very regulatory process. When Sebi is deeply complicit in running the NSE, it is hard for it to think straight in making rules and enforcing them. In an essential way, we are back to the owner-manager-regulator fusion of the old Department of Telecommunications of the government or the Reserve Bank of India (RBI), which is both the owner and the regulator of the Negotiated Dealing System-Order Matching (NDS-OM), the trading platform for government securities!

What is the way out of this mess? Three ingredients are required.

Element 1 lies in returning to the ownership of MIIs in the hands of large financial institutions, which must see this as their self-interest — to have a deep and liquid market — rather than as a source of dividend or valuation.

Element 2 lies in the ownership and board structure establishing rules for regular price cuts, so the supernormal profits go away, so that the exchange drops from its present 60 per cent margin of profit after tax (PAT) to the normal Indian PAT margin of 6 per cent. This would involve big price cuts, which benefit all users of the exchange and particularly the big institutional investors.

Element 3 lies in Sebi retreating into a regulatory function and not a public- sector-style fusion with exchanges.

It is not easy to get back to this. There will be an intricate lock-step of stepping stones that take us there. But there is no running away from the problems of the present arrangement. Finance occupies the commanding heights of the economy, and the exchanges occupy the commanding heights of finance. This is too important a problem to ignore.

The author is an honorary senior fellow at the Isaac Centre for Public Policy, and a former civil servant



Strengthening local bodies

Increasing grants will not be enough

The 16th Finance Commission (16th FC) has improved fiscal devolution to urban local governments (ULGs). It has increased overall grants to ULGs by 230 per cent, from about ₹1.55 trillion under 15th FC to ₹3.56 trillion for the 2026-31 period, and raised the ULG share to a record 45 per cent of local-body grants, up from 36 per cent previously. This is the highest urban share in FC history, reflecting growing recognition of rapid urbanisation and its economic contribution. Further, it has introduced a differentiated structure for urban grants, consisting of basic grants (₹2.32 trillion), performance grants (₹54,032 crore), special infrastructure grants (₹56,100 crore), and an urbanisation premium (₹10,000 crore).

A significant design change is the increase in untied funds. The untied component across these four grants is about 52 per cent compared with only 21 per cent under the 15th FC. This higher proportion of untied transfers is intended to give ULGs the flexibility to spend on locally identified priorities, rather than being restricted to predetermined sectoral schemes. The remaining grants are tied to critical sectors such as sanitation, solid-waste management, water supply, and wastewater management. Performance grants reward good governance, while special infrastructure and urbanisation premiums help bridge city-specific infrastructure gaps, adding outcome-based incentives.

This year's Union Budget's allocation of ₹5,000 crore per City Economic Region over five years in Tier-II and -III cities can complement this shift, but only if such funding flows through empowered municipal institutions rather than creating another layer of centralised, scheme-driven urban intervention. Based on a World Bank report, India's required urban capital investment for 2021-36 is worth about 1.18 per cent of gross domestic product (GDP) annually. However, municipal revenues in India are barely 0.6 per cent of GDP, while ULGs in countries like South Africa and Brazil mobilise 6 per cent and 7.4 per cent, respectively, of GDP from their own sources alone. Weak municipal finances are compounded by chronic governance issues.

The 16th FC retains eligibility conditions tied to reforms. They include conducting timely ULG elections, publishing audited accounts, constituting State Finance Commissions (SFCs), and tabling "action taken reports". But democratic decentralisation remains incomplete. Municipal elections are routinely delayed. The Brihanmumbai Municipal Corporation polls were held nearly four years late, and Bengaluru has not had civic elections since 2015. Reports by the Comptroller and Auditor General show an average delay of 22 months in municipal polling, undermining accountability, legitimacy, and the responsiveness of local governments. Financial autonomy is equally constrained. Since municipal corporations generate modest revenues, they depend on state transfers, which reduce operational freedom and subject them to political and administrative control. The combination of inadequate own revenues, delayed elections, and weak administrative capacity means that larger grants may not translate into effective service delivery or infrastructure development. While the 16th FC's recommendations are meaningful, efforts must be made to strengthen the institutional foundations of local governance.



Smallcaps: A silver lining

Indian equity markets present a striking paradox. Mega companies are struggling with their businesses as if India is in a recession, yet their stock prices remain firm. Scores of small firms are doing extremely well, as if the Indian economy is growing at 10 per cent or more, but their stock prices are languishing. How will this paradox be resolved? In my view, we may now see an outperformance by quality smallcap stocks and possibly continued stagnation in largecap stocks.

The Indian equity markets have underperformed most global markets since the peak in September 2024, after an 18-month bull run. During this run, the bulls refused to be reined in even by the underwhelming performance of the ruling party in the June 2024 general elections. After a day of shock at the results, the markets resumed their upward march — until headwinds started emerging later in 2024, followed by an 18-month phase of underperformance. However, if you look at the large companies in the Nifty or CNX 500, this underperformance may not be obvious. While the Nifty was down 2 per cent between early September 2024 and late January 2026, the CNX 500 was down 5 per cent. But over the same period, the Nifty microcap index was down 17 per cent. The median returns were far worse.



IRRATIONAL CHOICE

DEBASHIS BASU

Some of the decline in small caps was justified. Many of them had become too expensive, carrying very high growth expectations aided by strong fund flows. So when the economic headwinds started blowing in 2025, expensive growth stocks were sold. These headwinds came from three sources. First, there was reduced government capex — the principal driver of the 2023-24 bull market — which was initially blamed on the 2024 elections but continued well into the following year. Second, India was hit with punitive tariffs by the United States in 2025. Third, there was a slowdown in domestic consumption due to high taxes and slow wage growth.

Spooked by this barrage of negative news, foreign institutional investors (FIIs) sold heavily. Net outflow was nearly $23 billion in 2025 and January 2026 combined. The problem during such phases of selling is that investors tend to be indiscriminate; good stocks get punished along with the bad ones. Coinciding with continuous FII selling, the Reserve Bank of India allowed the rupee to weaken, possibly to support exporters. Since the Indian equity markets have been highly correlated with the value of the rupee, this made matters worse. Last year turned out to be the worst performance for the Indian markets in over three decades; it underperformed other emerging markets by nearly 40 per cent. In such a situation, "buyer's strike" sets in, making markets brittle. So the market can fall sharply for no clear reason, as we saw last Thursday, when the Sensex dropped 1,400 points.

Is there a silver lining to any of this? There is. The December quarter has given us data that is suddenly very positive. Continuing with the paradoxical price behaviour of largecap stocks (resilient) and smallcap stocks (wilting), we have just witnessed another weak quarter for Nifty 50 stocks and an excellent quarter for Nifty smallcap and microcap stocks. Sales of the Nifty 50 companies, which include megacap firms, were up 10 per cent, but they recorded zero per cent operating profit growth and only 1 per cent net profit growth. The broader CNX 500 companies recorded 11 per cent sales growth and 8 per cent growth each in operating profit and net profit, similar to BSE 250 largecap and midcap stocks (11 per cent sales growth and 7 per cent profit growth).

However, contrary to conventional wisdom — which assumes that smaller companies do worse under economic stress because larger ones have more resources to withstand headwinds — they have done very well. The sales growth of the Nifty microcap-index companies was 12 per cent, operating profit growth 13 per cent, and net profit growth 24 per cent. The best-performing group was the Nifty Smallcap 250, which recorded sales growth of 11 cent, strong operating profit growth of 22 per cent, and a stunning net profit growth rate of 38 per cent.

I do not know whether this will lead to a new bull market, especially in smallcap stocks, but we are probably in a situation opposite to the one we were in September 2024. Valuations are now very reasonable for many small but fast-growing companies. Their fundamentals have improved, as mentioned above. Of the 1,000 companies we track, about 200 have reported operating profit growth of 30 per cent, which is the highest number since the June quarter of 2023. There are also a few economic indicators that support this view.

Government capital expenditure (capex) has rebounded to budgeted levels, and there is some pickup in private-sector capex as well if we go by the corporate data. The commercial-vehicle segment is doing very well, eway bills have hit new highs, and growth in bank credit remains strong. Improving fundamentals of quality smallcaps, combined with falling stock prices, make for an interesting combination. Keep your fingers crossed.

The writer is cofounder of www.moneylife.in and a trustee of the Moneylife Foundation; @Moneylifers



Tariff troubles

It will remain at the core of Mr Trump's agenda

The United States (US) Supreme Court's ruling on tariffs is arguably the biggest setback for President Donald Trump thus far in his second term. It also showed that not all decisions of the administration will be upheld by the court, and that it can assert its independence when required. The court last week ruled that the President did not have the powers to impose tariffs under the International Emergency Economic Powers Act (IEEPA). It noted that when the US Congress granted the powers to impose tariffs, it did so clearly, which was not the case with the IEEPA. No President had ever used it to impose tariffs. Predictably, Mr Trump did not like the judgment and called it "a disgrace". He almost immediately imposed a 10 per cent tariff under Section 122 of the Trade Act of 1974. It was later increased to 15 per cent. The provision allows the President to impose tariffs up to 15 per cent for up to 150 days to address a large deficit in the balance of payments.

Tariffs are central to Mr Trump's agenda, and, in his view, they can be used to address a range of economic and strategic problems. At a very basic level, he believes that trading partners over the years have not treated the US fairly, and its large trade deficit is a consequence of this unfairness. The so-called reciprocal tariffs were imposed to address the US trade deficit and bring back manufacturing jobs. The use of tariffs was not limited to addressing the trade deficit — though that, too, was misguided. Tariffs were used also to penalise countries presumably exporting illegal drugs to the US and to discourage India from purchasing Russian oil, assuming it would help end the Ukraine war. Mr Trump also threatened to impose higher tariffs on Europe if it resisted the takeover of Greenland. He had used tariffs more selectively in his first term and imposed them on specific items and countries, which could be defended in court. However, this time he went way too far. It is not clear whether US businesses will be able to reclaim the tariffs paid. In any case, the possible decline in tariff collection has raised fiscal concerns.

Mr Trump will keep looking for ways to impose tariffs. However, it is fair to argue that the leverage that the US administration had in negotiating agreements has been dented, at least for now, and some of those agreements will be open to renegotiation. India recently concluded a trade agreement with the US and agreed to 18 per cent US tariffs, with an understanding of opening up its markets for US goods to a much larger extent. It remains to be seen how the judgment and subsequent actions by the administration affect the final implementation of the trade agreement because the fine print is still to be finalised. Although the government is watching the developments, like most trading partners, India will now be in a relatively good position.

To be fair, tariffs and trade disruption initiated by the US have forced many countries to seek alternative markets and stitch alliances. India also moved constructively over the past one year and has initiated and concluded several trade agreements, including the much-awaited one with the European Union. It also took several measures to push internal reforms with the aim of improving productivity and business conditions. It will be important that such efforts continue unabated. This will be vital for India to be able to integrate with global supply chains and tap emerging opportunities.



Strategic alignment

India joining Pax Silica could secure supply chains

India has joined Pax Silica, the United States-led technology and supply-chain coalition. This formally brings India into a grouping launched in December 2025 to secure supply chains in semiconductors, artificial-intelligence (AI) infrastructure, and critical minerals, and reduce reliance on China, particularly in rare-earth processing and semiconductor manufacturing. Pax Silica seeks to coordinate investment from mineral extraction and processing to chip fabrication, data infrastructure, and advanced computing among members, which include the United States (US), Japan, South Korea, the United Kingdom, Singapore, Israel, the Netherlands, Australia, the United Arab Emirates, Qatar, and Greece, with Canada, the European Union, and Taiwan participating as observers.

For India, the strategic rationale is evident. China accounts for over 90 per cent of global rare-earth processing capacity. India imports 80-90 per cent of its rare-earth magnets and related materials from Chinese suppliers. Recent export controls and licensing conditions have disrupted domestic automobile and electronics production, underscoring the risks of concentrated dependence. Participation in Pax Silica opens up the possibility of diversified sourcing, processing partnerships, and coordinated stockpiling. The move also aligns with India's domestic industrial push. The government has approved semiconductor projects worth about ₹1.6 trillion, backed by incentives of around ₹76,000 crore. Fabrication units, compound semiconductor plants, and design initiatives are under way, with global firms such as Micron and domestic players, including the Tata group, committing investment. In the Union Budget 2026-27, the government announced "Rare Earth Corridors" in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu, alongside a ₹7,280 crore "Rare Earth Permanent Magnet" scheme aimed at building 6,000 tonnes per annum of integrated magnet capacity. These measures build on the existing capabilities and seek to integrate mining, processing, research, and manufacturing. Pax Silica also extends beyond minerals and chips. It encompasses AI infrastructure, data centres, fibre networks, and foundational models. India's large digital public infrastructure, an expanding AI market, and a substantial engineering-talent pool strengthen its value proposition within such a framework.

Yet entry into the grouping carries tradeoffs. As supply chains bifurcate between China-led and Pax Silica-led systems, expectations on export controls, technology standards, and investment-security practices may intensify. There is also the risk of substituting one dependency with another. Advanced lithography equipment, high-end AI chips, and computing hardware remain concentrated within US-aligned ecosystems. The US has withdrawn from a record number of global agreements, including the India-led International Solar Alliance, raising questions about the durability of Washington's multilateral commitment. Pax Silica, too, must be viewed in that light. While it offers opportunities of cooperation in AI and critical minerals, it is ultimately a US-led initiative designed to advance American economic-security objectives. Thus, India's participation should be guided by a realistic assessment of long-term reliability, policy flexibility, and strategic autonomy. Membership in Pax Silica can provide access to capital, technology, and markets. Whether it translates into durable economic security will depend on infrastructure readiness, regulatory clarity, environmental safeguards, and sustained investment in research and manufacturing.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE
WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DEL TECH UNIVERSITY

ILLUSTRATION: AJAYA KUMAR MOHANTY



RBI, money creation, and govt finances

RBI dividends and bond purchases have kept yields low in a low-inflation environment. When conditions change, non-bank debt financing will be essential

Alongside helping navigate monetary policy, liquidity, and currency and bond markets, record open market operation (OMO) bond purchases and dividend transfers of the Reserve Bank of India (RBI) have helped the government's fiscal arithmetic, while keeping yields low. Moderate inflation has made all this possible, though with implications for the external balance. What happens when the cycle turns?

Money creation: There are four ways through which money supply (M3) is created, across currency in circulation, and banking demand and time deposits.

First, when a bank extends a commercial loan, it credits funds to the borrower's account, creating money. Contrary to what intuition might suggest, banking loans create deposits, not the other way around.

Second, when the banking system, including the RBI, funds the government by purchasing bonds, the resulting government spending injects fresh money into the economy.

Note that when households and non-bank investors extend finance, money only shifts from one holder to another without expanding aggregate money supply. Financing by the banking system and the RBI creates fresh money; financing by non-banks does not.

Third, when foreign currency flows into the country and is converted into rupees, fresh money is created.

Finally, when banks (including the RBI) pay dividends out of their reserves, this eventually results in money creation.

Money once created is then free to circulate and add to consumption, as well as to external demand, and consumer and asset price inflation.



POLICY IN PRACTICE

ANANTH NARAYAN

Money is removed when each of the above reverses, i.e., when loans are repaid to banks, when the government cuts spending financed by banks and the RBI, when there are foreign currency outflows, or when banks raise capital from non-banks.

RBI dividends— scale and justification: The scale of recent dividend transfers from the RBI to the government is significant. For FY25, the RBI transferred ₹2.69 trillion to the Government of India (0.75 per cent of gross domestic product), following a ₹2.11 trillion transfer the prior year. These are amongst the largest central bank-to-government transfers globally. While they serve as vital non-tax revenue, reducing both revenue and fiscal deficits, their composition deserves scrutiny.

Part of this income is structural to central banking. Interest earned by the RBI on foreign assets (around ₹1 trillion in FY24), effectively funded by non-interest-bearing liabilities such as currency in circulation and banking balances with the RBI, represents one source of this income.

Other components, however, require some interpretation.

Interest earned by the RBI from its large holding of government bonds, net of the costs borne in absorbing excess banking liquidity, reached ₹0.9 trillion in FY24. Repeated recycling of large government interest payments back to the government through RBI dividends can, at the margin, blur the boundary with indirect monetisation.

The trickiest aspect involves foreign exchange gains. When foreign currency originally purchased by the RBI at a low price is sold back to the market at a higher price, the difference represents realised profits for the RBI, and a reduction in money supply. Any transfer of this profit to the government, and its spending, reverses the monetary contraction. That offers some justification for the RBI paying out such realised gains as dividend.

In FY24, the RBI recognised ₹0.8 trillion in exchange gains. However, during FY24, the RBI was a net purchaser of $41 billion in the spot market. The recognition of net foreign exchange gains in FY24, despite net foreign currency purchases, arises from the RBI's accounting methodology. Gains are recognised on gross spot market sales ($153 billion) against historical weighted average costs, while gross market purchases ($194 billion) increase the average holding cost of the reserves. This allows the RBI to harvest valuation gains, even when there is no concomitant reduction in money supply.

Even in FY25, when the RBI sold a net $34 billion in spot markets and $84 billion in forward markets, it harvested accounting gains on gross sales of $399 billion in the spot market. Overall, every rupee of dividend paid by the RBI, however justified, has a monetary impact.

The current monetary snapshot: The RBI Broad Money report as of January 2026 shows that money supply (M3) is up 12 per cent year-on-year, at the upper end of the range of the past few years. This is driven by growth in commercial credit (up 14.1 per cent). However, the RBI plays a key role in the 12 per cent rise in bank credit to the government. The RBI's OMO purchases during FY26 reached a high of ₹6.4 trillion by January 2026, offsetting the money drain caused by net FX outflows.

Across record OMOs and dividend transfers, the RBI has materially eased monetary conditions and interest rates in FY26. At a time of low inflation, this has bridged the gap between the government's borrowing needs and the market appetite for bonds. However, this easing has also added to the pressure on the rupee, given the well-known impossible trinity.

Takeaways: In a less favourable environment, the RBI may not be able to deliver a similar magnitude of OMOs and dividends and keep yields low, without risking adverse macroeconomic and market impact.

The RBI is not any regular cash-rich public sector undertaking (PSU). As a central bank, every bond it purchases and every rupee of dividend it distributes, however strong or weak the justification, impacts money supply, interest rates, consumer and asset inflation, and external balance.

Two structural shifts are now essential.

First, India must deepen its fixed-income markets. Incentivising greater household and non-bank participation in fixed-income markets will allow financing of government and commercial debt without creating new money, enhancing policy flexibility. For policymakers, injecting money is an easier sell than withdrawing it.

Second, it is imperative that revenue deficits are further reduced. Large central bank transfers currently significantly compress the headline revenue deficit, masking underlying pressures.

Macroeconomic resilience will be enhanced when borrowers and the government reduce their reliance on banks and the RBI for financing. When the inflation cycle turns, the RBI's support may have to recede much faster than expected.

The writer is a former whole-time member, Sebi.
The views are personal

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Don't dampen MSME ambition

There has been wide coverage in the media and by professional bodies of some of the recommendations of the High-level Committee on Non-financial Regulatory Reforms relating to micro, small and medium enterprises (MSMEs). They are both welcome and worrisome. Any effort to simplify processes, reduce time, cost, and human energy spent on regulation and compliance is welcome. However, anything that potentially inhibits a small business's desire or ability to scale is worrisome.

To become stronger and more resilient, they need to be encouraged and enabled to aggressively grow revenue and generate the surplus and borrowings needed for investing — to drive customer acquisition, acquire productivity- and efficiency-enhancing tools, move up value chains, improve and widen market offerings and footprint, or hire skilled people. This is especially true for micro companies, the bulk of MSMEs, that are precarious because their small size and well-known difficulty in borrowing make them vulnerable to even small shocks.



RAMA BIJAPURKAR

We know from experience how incentives, financial or otherwise, have perversely encouraged companies to remain small, instead of enabling them to seize opportunities to grow and flourish, buoyed by India's steadily growing economy and increasing global cachet, as well as the benefits of the digital era of easily accessible and shared professional resources. Today's mindset, on all sides, should be one of wanting to benefit by growing quickly, not by staying small; of increasing long-term gain, not reducing short-term pain. Goods and Services Tax (GST) exclusion, for example, reduces the chances of becoming suppliers to large companies that want GST offsets and whose business increases stability and resilience.

The focus of the committee on reducing the pain of compliance and "streamlining" should hopefully be embraced as a core objective henceforth by every government/regulatory agency, benefiting all, irrespective of size. Hopefully, it should spur the creation of a new digital public infrastructure, a "compliance stack", enabling easy filing of all forms and returns, with multiple ways to input data, so that compliance can be DIY (do it yourself).

Lowering the cost of compliance should be a regulator-centred endeavour and not a firm-centred one, achieving the goal without lowering the bar via exemptions and risking the collateral damage of weaker governance or less rigorous bookkeeping. Banks often cite the quality of financial information as a reason why they find it hard to lend to standalone small businesses that are not a part of the supply chain of large companies. Instead of relaxing auditing requirements and exacerbating the trust deficit between banks and small businesses, perhaps specifying a narrower audit scope could help, and hopefully artificial intelligence (AI) products will soon crash audit costs. The government already has expertise in building leading-edge digital ecosystems, which it could leverage to build shared accounting platforms and certified compliance intermediaries (competition will keep prices low).

Board meetings four times a year are far better than once, especially for startups and entrepreneur-driven organisations. Improving the governance quotient of all small companies is important if they are to access public money even if from private markets. Board meetings and compliance reviews conducted at these meetings are useful forcing devices for businesses to regularly pay attention to housekeeping and finances, to hire financial help, and to resist temptations to cross lines with the intent of making good later. Incidentally, board meetings cost very little, now that they can be done online, and there are plenty of very competent good-hearted board member volunteers (whose database the Ministry of Corporate Affairs or MCA can maintain too!)

Good governance builds clean and solid businesses right from the start and replacing bad habits with good ones later on is hard to do. The Startup 20 Engagement group under India's G20 presidency issued a framework for startups to build governance "from inception to maturity", embedding it as a core part of their business.

Startups know now that strong board governance does not derail companies. It derisks them and can sometimes save founders from themselves by raising the red flag when needed on strategic or financial adventurism.

A ready-to-scale MSME sector needs to be built on the same foundations of rigorous compliance and good governance. There is a mental (and hence legal) model that needs to be revisited that startups are different from MSMEs. The idea that one is expected to dream and grow and access external growth capital while the other is expected to stay small and play small and be told to do less for less is a caste system that needs to be abolished.

All businesses today should have digital central nervous systems and modern rules and practices if they are to belong in the modern world in addition to business smarts — which Lilliput Indian businesses have amply demonstrated. In fact, there is a large group of B2C small businesses that sits at the confluence of two high focus economic policy areas — spurring domestic consumption and strengthening MSME. They have found mention in large company chairman's speeches as being strong competition. They have already grabbed considerable market share using superior customer intimacy, smart innovation and lower prices and they are ready to scale. They need encouragement, not exemptions, finance and streamlined compliances, not governance holidays.

The writer is the author of *Lilliput Land: How Small is Driving India's Mega Consumption Story*



Regulatory reset

Strengthen Rera to protect homebuyers' interests

The recent remarks by the Supreme Court on the workings of the Real Estate (Regulation and Development) Act, 2016, have brought back the spotlight on India's real-estate regulation. While hearing a matter related to the Himachal Pradesh Real Estate Regulatory Authority (Rera), the court observed that the authority appeared to be helping defaulting builders rather than protecting homebuyers. In unusually strong language, it even warned that if the regulator failed in its purpose, there would be little reason to continue it. These observations go to the heart of why the law was enacted. It was introduced to address chronic delays, fund diversion, and opaque contracts, while institutionalising transparency, accountability, standardisation, and fast-track dispute resolution in the property market. The Act mandated compulsory project registration, disclosures of layouts and timelines, and, crucially, the requirement that 70 per cent of the buyer funds be kept in a separate escrow account, to be used only for constructing that specific project.

A decade on, the institutional footprint of Rera is undeniable. The latest data on the status of all-India Rera implementation, released by the Ministry of Housing and Urban Affairs, shows 160,551 registered projects and 112,877 registered agents. As many as 190,475 cases have been filed before various authorities. Of those, 155,946 have been disposed of. This translates into a disposal rate of roughly 82 per cent, suggesting that the grievance-redress mechanism is active and widely used. The Forum for People's Collective Efforts (FPCE), a national homebuyers' body, has pointed to some serious non-compliance with Section 78 of the Act, which mandates annual reporting. Over 75 per cent of state Rera authorities have either never published annual reports or discontinued publication, or their reports are not up to date. More importantly, in several states, adjudication takes longer than the timelines envisaged in the Act. Orders are sometimes challenged and stalled, penalties are either modest or poorly enforced, and compensation recovery can be slow. Some authorities suffer from vacancies, lack of technical staff, or weak monitoring systems for escrow compliance. In such situations, buyers are forced back into lengthy court battles — precisely what Rera was meant to obviate.

The Economic Survey 2025-26 notes quarterly average housing sales stood at 101,300 units up to Q2 FY26, compared to 81,600 in FY22-FY24, reflecting healthy demand and renewed confidence in the housing market. However, the answer is not to dilute or dismantle Rera, but to strengthen it. Regulators need adequate staffing, especially by legal and financial experts. Escrow accounts should be digitally tracked in coordination with banks. Grievance redress must be strictly timebound, and penalties for non-compliance should be consistently enforced. Equally important is to improve coordination among the agencies, like the state government instructing development authorities to sync with financial regulators. Further, ensuring uniform definitions of things coming under Rera across states would help improve compliance. The Supreme Court's intervention should be read as a corrective signal. Rera was conceived as a confidence-building reform in a sector long marked by opacity. Clear regulation and transparent enforcement will generate confidence and activity in the sector.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DEL TECH UNIVERSITY

Trump's judicial battles and global fallout

The unintended pun on "Liberation Day" couldn't have been more appropriate when the Supreme Court of the United States (Scotus) ruled 6-3 against Donald Trump's emergency tariffs. At the heart of the legislation was the question of whether the International Emergency Economic Powers Act (IEEPA) authorises the President to impose tariffs. The ruling invalidated Mr Trump's decision to impose tariffs on goods from almost every country that America trades with, highlighting that the IEEPA law does not provide power to the President to unilaterally impose tariffs of unlimited amount, duration and scope. Although the decision may give an impression that an unpredictable era of Trump tariffs is over, another seems to be in the offing.



HARSH V PANT & VIVEK MISHRA

As might be expected from an aggressive executive under the second Trump administration, it is hard to imagine the executive bowing to another branch of government. In a reflection of that anticipation, using Section 122 of the 1974 Trade Act, Mr Trump has doubled down by imposing 15 per cent reciprocal global tariffs on all countries, following an initial announcement of 10 per cent tariffs. In effect, these decisions are meant to serve the twin purpose of countering the Supreme Court's ruling and compensating for the estimated economic gains lost due to the erstwhile tariffs. On the ground, the real-time implications of Mr Trump's retaliation to the Supreme court's ruling may be difficult to estimate just yet, specifically, as the as the new ruling announced by Mr Trump does not apply across the spectrum. Certain agricultural products, beef, foreign autos, aluminium and steel are some of the products that may be shielded from the current tariff back-and-forth, as they either have been spared by earlier carve-outs or fall under national security-related sectors. The resultant uncertainty is going to affect consumers inside the US as well as countries across the globe.

For states trading with the US and at the receiving end of Mr Trump's tariffs, especially India, the duality brought about by the tussle between its judiciary and the executive should be a moment of pause. While the Supreme Court's decision may be laudable, betting on the judiciary to override the executive consistently and prevail may be a risky bet — especially so when the Supreme Court currently has a conservative supermajority with six conservative judges against three liberals.

Much of the credit for the current Supreme Court's decision striking down Mr Trump's tariffs has been accorded to the splintering among two of the six conservative judges who crossed over to join Chief Justice John Roberts — Justices Neil M Gorsuch and Amy Coney Barrett. These developments reflect a churn within the US governance system and appear to be an outcome of internal readjustments, less so a function of external pressure. At best, the Court's leanings on external factors may have been influenced by the consideration of America's status as a global leader in the face of punitive tariffs.

The new ruling to end Mr Trump's emergency tariffs is bound to create confusion and uncertainty among trade partners and companies. The fact that Mr Trump has warned nations to stick to their respective trade deals may be a clear signal that nations whose hands were forced to negotiate a trade deal that was less favourable to them than the US, especially compared to past arrangements, will grab the first opportunity to reverse to the status quo ante.

For countries that have agreed to levy zero tariffs on the US, like Indonesia, the current uncertainty would seem like an opportunity. However, Mr Trump has made the explicit threat to make use of "other alternatives" to circumvent the Supreme Court's decision. In particular, Mr Trump has three key arsenals — Section 122 of the Trade Act of 1974, which allows the President to impose tariffs on grounds of addressing balance of payment deficits; Section 301 of the US' Trade Act of 1974,which allows tariffs on a trading partner for "unfair trade" practices; and tariffs based on Section 232 of the US Trade Expansion Act of 1962, which are levied on specific sectors on grounds of national security. The expansive scope of these laws within the reach of the executive branch under Mr Trump can hardly be overstated. All these can again be challenged in court but one thing is certain, the blunting of IEEPA may have dealt a blow to the weaponisation of tariffs.

Regardless of how opportunistic or banal the latest Scotus ruling may appear to other trading partners of the US, it is a monumental development constitutive of a pushback against an unrestrained executive. Coming from a judiciary that has been seen as favourable to the Trump administration, this decision is more consequential and symbolic. It hands the Trump administration a definitive setback that complicates Mr Trump's economic and political agenda, even as it approaches the midterm elections later this year. Internally, the current ruling sets the stage for other key rulings anticipated from both inside and outside the US. From India's perspective, a key legislation for debate is the one on the validity of birthright citizenship in the US. The ruling could reshape the people-to-people connect, which has strongly undergirded the bilateral relationship between the US and India for decades.

The authors are, respectively, vice-president and fellow (Americas), Observer Research Foundation

25 Feb 2026

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00

Business Standard

www.business-standard.com



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



The data-centre rush

India must ensure that investment is sustainable

The AI Impact Summit in New Delhi last week was accompanied by a flurry of investment promises. Reliance Industries has promised to put $110 billion in artificial intelligence (AI) and data infrastructure, while Adani Enterprises has said it will invest $100 billion in green energy-powered data centres over the next decade. Some foreign firms too have said they intend to have large capital investment in the sector in India and elsewhere in the Global South; Microsoft, for example, had promised $17.5 billion last year and has indicated now that it plans a $50 billion commitment to developing-world AI infrastructure. This is, at least in part, a response to some deep-seated structural factors. India is already one of the world's largest consumers of data, and that is growing in double digits annually. As countries move towards enforcing certain aspects of data protection and sovereignty, it makes sense to ensure that local data centres are built so as to meet regulatory requirements, current and future.

In an economy that is broadly starved of private-sector investment, the figures being tossed around for this sector will come as a welcome relief. This is presumably why the Union Budget for 2026-27 proposed a 20-year tax holiday for firms using Cloud capacity in India. It is vital that the broader private sector in India also ensure that they think hard about how they can effectively use this infrastructure if and when it is developed. The benefits should not flow to foreign firms alone.

That said, there are reasonable questions that must be asked alongside this understandable enthusiasm. The availability of water and electricity, for example, looms large in any discussion on data centres. Expenditure on power supply can represent between 20 per cent and 40 per cent of the operating costs of a data centre; India has to ensure that it has competitive power tariffs or that captive power is easy to set up and maintain. According to the Institute for Energy Economics and Financial Analysis, growth in data-centre capacity within India from 1.4 Gw to 9 Gw by 2030 would consume 3 per cent of India's total power. That is a significant increase in industrial-power demand. Water consumption will be an even bigger challenge, given that there are chronic disputes in many areas between industrial, urban, and agricultural users of water.

Various states, including Maharashtra and Tamil Nadu, have sought to attract data centres to India. It is vital, however, to remember that large-scale investment will fructify only if such expenditure is seen to be profitable. Some large global companies — possible buyers of compute capacity, from Reliance and Adani — have already scaled up their investment so much over the past year that analysts are beginning to question when and how they will make a sufficient return. It is crucial that both the financial sector, including state-controlled banks, and the government in general remain mindful of the potential risks involved. These should be left to those who have the cash on hand to take bets worth tens of billions of dollars. It is also important to ensure that this does not wind up leading to an economic dependence on any one geography — whether the countries providing the chips and critical minerals that go into data centres, or the one hosting the companies that buy capacity. This investment is a gain for the Indian economy. However, it will be important to ensure that it is sustainable.

25 Feb 2026

Business Standard

COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'

A political economy challenge

With the 16th Finance Commission giving more to southern states, a delimitation exercise may face fewer hurdles

ILLUSTRATION: BINAY SINHA



Recommendations of the 16th Finance Commission, whose report became public along with the presentation of the Union Budget for 2026-27 on February 1, have elicited a wide range of comments. Most of these comments, however, have a common theme. They point out how the 16th Finance Commission has made no concession to the demand from some states for either increasing the vertical devolution of central taxes to them from the current share of 41 per cent or including cesses and surcharges while determining what should be the divisible pool of taxes.

Nor has the Commission accepted the demand made by some states to raise their share in the divisible pool by abolishing the centrally sponsored schemes (CSS). This was an argument for a decentralised way of implementing schemes, to be chosen by the states depending on their specific needs. The states' logic was that the Union should not force them to run the CSS, in whose formulation the states have little say but, nevertheless, have to share their cost burden up to about 40 per cent. The Union government, therefore, could have reduced the states' spend on CSS and the money saved could have been used to provide a higher share for the states in the divisible pool.



RAISINA HILL

A K BHATTACHARYA

Instead of accepting these demands, the Commission has made several significant changes in the devolution formula. It has introduced a new criterion for determining the horizontal devolution of taxes to states. Doing away with the earlier criterion of tax and fiscal efforts, which had a weighting of 2.5 per cent, it has now introduced a new parameter to account for the states' contribution to national gross domestic product (GDP) with a weighting of 10 per cent.

This rejig has been managed by reducing the weightings assigned to area from 15 per cent to 10 per cent, to demographic performance from 12.5 per cent to 10 per cent, and to income distance from 45 per cent to 42.5 per cent. Simultaneously, the weighting for population based on the 2011 Census has been raised from 15 per cent to 17.5 per cent. The only parameter for devolution that has remained unchanged is forest area, whose weighting is retained at 10 per cent.

The broad objective of these changes appears to be to give more weighting to a new performance-based criterion such as the contribution to GDP, without losing focus on equity. For the uninitiated, the parameter of area refers to the land size of a state; demographic performance captures a state's success in controlling the fertility rate; and income distance shows the gap between a state's per capita gross state domestic product (GSDP) and the average GSDP of the top three states.

What the new parameters for horizontal devolution of taxes have meant for the states is where the substantive implications of the 16th Finance Commission's recommendations lie from a political economy perspective. Recommendations of any Finance Commission invariably have a strong message for the country's evolving political economy, whether they come in the form of a sharp 10 percentage point increase in the vertical devolution for states, as was done by the 14th Finance Commission, or in the form of a gradual phase-out of revenue deficit grants, as mandated by the 15th Finance Commission. By that yardstick, the 16th Finance Commission is no exception.

Remember that the political economy narrative that dominated the discussion while the 16th Finance Commission was engaging with the states was one of angst and concern expressed by southern states over how they were given a raw deal in spite of their relative economic progress. The parameters for income distance and demographic performance were loaded against the more economically prosperous states in southern India. These southern states, therefore, argued that they should not lose out on their share of the divisible pool of central taxes just because they have been fiscally and socioeconomically more responsible and prudent.

More than three weeks after the 16th Finance Commission's recommendations became public, the southern states are no longer complaining about an unfair deal in the way central taxes are distributed among them. Consider the following: Of the 28 states, half have got a higher share in the central taxes, according to the recommendations of the 16th Finance Commission. Of these, as many as five states, which have increased their share in the divisible pool, are from southern India — Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Telangana.

Of course, other states like Assam, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Maharashtra, Mizoram, Punjab and Uttarakhand have also gained. But the fact of five southern states increasing their share is politically significant in light of the narrative prevailing before the recommendations became public.

They become even more significant if you consider the fact that as many as five northern states will have a lower share in central taxes in the coming five years from April 2026 to March 2031. These are states where politically and electorally the Bharatiya Janata Party (BJP) has done quite well in the last few years — Bihar, Chhattisgarh, Madhya Pradesh, Rajasthan and Uttar Pradesh. Yes, the losers also include West Bengal and six of the seven northeastern states of Arunachal Pradesh, Manipur, Meghalaya, Nagaland, Sikkim and Tripura. But equally significant is the fact that the BJP-ruled states of Goa and Odisha also see a decline in their share in the divisible pool of central taxes.

The southern states have gained, though marginally, also with respect to the 16th Finance Commission's decision to implement what the preceding Commission had ordained — gradually phasing out the revenue-deficit grants for states that run a gap between their revenue expenditure and revenue receipts even after receiving their share of central taxes under the devolution formula. Between April 2021 and March 2026, just nine states have accounted for over 84 per cent of the total revenue-deficit grants (about ₹2.95 trillion). Only two southern states figure in this list — Kerala and Andhra Pradesh. With the discontinuation of revenue-deficit grants, obviously, the remaining seven states significantly affected by this decision are West Bengal, Himachal Pradesh, Uttarakhand, Punjab, Tripura, Assam and Rajasthan.

Clearly, the political economy implications of the 16th Finance Commission's recommendations are loud and clear. Northern states, many of them ruled by the BJP, have lost their share in central taxes, just as the southern states have gained in their share in the divisible pool. In the tussle over economic gains, the southern states appear to have emerged as victors. What does this augur for the ensuing battle for political power or electoral gains? Now that the 16th Finance Commission's recommendations have assuaged the southern states' sense of economic loss, will the BJP-ruled Union government go in for the much-talked about delimitation, a legal process leading to the redrawing of boundaries for Parliamentary and Assembly constituencies, based on changes in population?

An amendment made to the Constitution in 2002 had frozen the redrawing of electoral constituencies till the availability of results from the first Census held after 2026. The Union government will soon begin its exercise for a new Census, which should be completed by 2027, paving the way for undertaking a delimitation exercise. Any delimitation exercise undertaken after 2027 would result in greater electoral power for the northern states, as their population has grown much faster than that of the southern states. The big political economy imponderable is whether granting greater electoral power to northern states after delimitation will be more manageable given that the southern states have been given more economic power with a higher share in central taxes. If that indeed turns out to be true, the recommendations of the 16th Finance Commission would be seen as having addressed a major political economy challenge for the Union government.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



On the right track

Asset monetisation will boost efficiency

The Union government has launched the second iteration of the National Asset Monetisation Pipeline (NMP), which has been designed by its think-tank, the NITI Aayog, in collaboration with several line ministries with considerable assets that might be recycled. The figures provided for NMP 2.0 are larger than expected. The government says that it has the potential of mobilising ₹16.72 trillion in terms of investment, of which about ₹6 trillion will be associated with private-capital expenditure. The government does not see this as unduly optimistic; the NITI Aayog claims that the first version of the NMP mobilised ₹5.3 trillion, almost 90 per cent of its target.

From the Union finance ministry's point of view, given the broader fiscal constraints that it is facing and the urgent need to reduce the debt-to-gross domestic product (GDP) ratio, revitalising asset monetisation is a pragmatic step forward to ensure that existing growth momentum is not lost. The government's growth strategy over the past few years has basically relied on public-sector capital expenditure. But this mechanism is losing its dynamism and drive. It is difficult to keep increasing the allocation as witnessed in recent years. The Union Budget for 2026-27 has raised capital expenditure, this time by over 11 per cent, but there are significant signs of slowing. The government also recognises that its gross borrowing for next year has surprised the markets. Asset monetisation is a less disruptive way of raising capital from this point of view. Unlike market borrowing, it will attract those interested in long-tenure financing. For example, toll revenue is considered a relatively predictable revenue stream and might attract pools of insurance finance or sovereign wealth funds.

That said, the government is right to frame this as not just revenue mobilisation or capital recycling. The central point, as with more traditional forms of disinvestment and privatisation, is to ensure that assets currently locked up in the public sector are exposed to market discipline and the needs of efficiency — and therefore become more productive and raise output down the line. This might explain why NMP 2.0 explicitly blends public and private capital in its calculations. The question is whether such blending will materialise. In theory, there is nothing to stop a new private operator from putting in money to upgrade the revenue potential of a recycled asset. Smart grids or predictive highway maintenance might raise yields, from their point of view, by 15 or 20 per cent over previous benchmarks. Such collateral investment will have spillover effects into the broader economy, raising efficiency all round.

In the end, however, it must be recognised that asset recycling or monetisation will always suffer from two drawbacks. The first is the fact that the Indian state, including the regulatory and judicial system, is not entirely trusted by investors. There have been occasions when contracts involving public assets have been overturned. Recent successes have helped win back some trust, but there is still some distance to go on this front. The second is the simple fact that piecemeal cooperation with the private sector might help raise revenue while minimising political pushback, but will not provide the major efficiency boost that is associated with outright privatisation. The government has largely abandoned the thought of selling public-sector units wholly over the past decade, aside from some big-ticket examples like Air India. This option should be put back on the table.



Moving forward at WTO

India needs to recalibrate its negotiating positions at the multilateral forum

ILLUSTRATION: BINAY SINHA



Earlier this month, World Trade Organization (WTO) Director General Ngozi Okonjo-Iweala stated that the "status quo is not an option" anymore for the multilateral organisation. Her statement makes it clear that reforms of the WTO will dominate the agenda of the 14th Ministerial Conference (MC-14) to be held next month in Yaounde, Cameroon. This is reinforced by the fact that this month, starting February 5, has been designated as the reform month at the WTO. Members are expected to come up with a work plan to guide the reform process following MC-14, which is the highest decision-making body of the WTO, comprising trade ministers of member nations, and meets every two years.

Among the immediate triggers for WTO reforms is the ecommerce moratorium on the imposition of Customs duties on electronic transmission, which is due to expire with the conclusion of MC-14. A majority of WTO members are seeking a permanent moratorium, arguing that it offers predictability for the digital economy. The other matter of immediate concern is the integration of the Investment Facilitation for Development Agreement (IFDA), sought by an overwhelming majority of members, in the rulebook of the WTO through Annex 4 of the 1994 Marrakesh Agreement. A common obstruction to achieving success on both issues is derived from the objection to plurilateral agreements and the consensus-based decision-making process at the WTO.



STRAIGHT TALK

AMITA BATRA

It is important to outline the context leading up to the necessity for alternatives to multilateral negotiations at the WTO. Over its three-decade existence, the WTO has largely dealt with implementation issues related to earlier agreements and/ or been entangled in issues related to the Doha Development Agenda. In the last decade, in particular, the WTO has had its functioning seriously impeded by the United States blocking appointments to the Appellate Body and by the spillover implications of bilateral trade frictions between the US and China. In the last 30 years, therefore, the WTO has managed to successfully conclude only two agreements — one on trade facilitation and the second on fisheries subsidies.

However, global trade during this time has undergone a significant transformation. Global value chains (GVCs) and trade in parts and components have emerged as the lead mechanism for global trade. The consequent interlinkages between trade, investment, transfer of technology/ know-how and intellectual property require complementary developments in global trade rules. Ideally, multilateral negotiations at the WTO should have been the means to develop the appropriate new age trade provisions. But WTO, caught in diverse interests of an expanding membership amidst difficult circumstances, has struggled to move past legacy issues.

Free trade agreements (FTAs), allowed under Article XXIV of the General Agreement on Tariffs and Trade (GATT), have been successfully adopted as an alternative vehicle to facilitate GVC-led trade, with an increasing number and depth of relevant provisions. Plurilaterals initiated, also under the aegis of the WTO provisions, by a subset of its membership have however not met with similar success in negotiating 21st century trade-related issues. While FTA provisions remain limited to participating nations, the outcome/ agreement of plurilateral negotiations can potentially be integrated into the WTO rulebook through Annex 4 of the WTO agreement. The possible extension of the outcome of negotiations initiated by a subset of WTO membership (and hence not based on consensus) to all members has been the fundamental objection to plurilateral agreements. However, it needs to be understood that while initiation may not be consensus-based, the integration of plurilateral agreements into the WTO rulebook under Annex 4 requires consensus among all members.

Specifically, in the case of the IFDA, objections to its inclusion in Annex 4 are based on this perceived inconsistency. India is among the few opposing the inclusion of IFDA in Annex 4.

Introduced in 2017 as a joint statement initiative, the legal text of the IFDA was concluded in 2023. It is formally supported by three-fourths (128 of 166) of the WTO membership, including developed, developing, and least developed countries. The objective of the agreement is to assist the flow of foreign direct investment (FDI), especially to lesser developed countries, to foster sustainable development. The focus is broadly on measures relating to investment facilitation, such as transparency, simplification and streamlining of administrative procedures, improving domestic regulatory coherence and capacity building for sustainable investment. Importantly, the IFDA does not involve any modification of existing commitments on market access or investor protection. Provisions relating to sector specific FDI liberalisation are outside the ambit of the agreement. Furthermore, the agreement includes a firewall provision to keep the interpretation of the IFDA distinct from the International Investment Agreements (IIA) of a country to prevent any interpretative overlap. Notably, the IFDA places no obligation on non-participants but benefits of improved investment facilitative measures will be equally applicable to all.

The IFDA is, no doubt, important for its developmental objectives. In addition, incorporating the IFDA in the WTO framework also has significant systemic implications. At this time of heightened global trade uncertainty, the need to evolve context-specific multilateral trade rules is greater than ever before. For India, the IFDA measures directed at facilitating investment through the reduction of regulatory uncertainty could be particularly helpful against the background of a decline in net FDI inflows in recent years. Hence India should rethink its stance on the IFDA.

On the larger issue of plurilaterals, too, India needs to review its longtime rigid stance and seriously consider proposals on "variable geometry" to take forward negotiations on 21st century issues. Indian negotiators should focus on identifying rules for initiating a plurilateral negotiation. This could be in terms of a specified majority proportion of WTO membership or of global trade. On incorporating plurilateral outcomes in Annex 4, India should work with other member economies on developing necessary guardrails such as transparency, inclusivity etc.

India needs to stop being mired in its age-old defensive trade policy positions at the WTO. A forward-looking mindset, with the necessary flexibility in its negotiating positions at the multilateral forum, will help contribute to its systemic revival and continued relevance.

The author is professor, School of International Studies, JNU. Her book *India's Trade Policy in the 21st Century* was published by Routledge, London, in 2022. The views are personal


WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00
www.business-standard.com
Business Standard
COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE
WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'

Building an ownership society

India is entering a period in which the structure of economic returns may start favouring capital owners due to increasing returns from digital infrastructure, algorithmic systems, and artificial intelligence. Capital will compound over long horizons and begin to account for a larger share of value creation in the economy. In such an environment, the timing of asset ownership acquires significance, because compounding over five or six decades produces outcomes that cannot be replicated by savings that begin in mid-career. The question is, therefore, institutional — whether India is prepared to embed capital ownership early enough to build an ownership society that includes all Indians.

To that end, we could create a universal retirement account (URAs) for every child at birth, administered through the Employees' Provident Fund Organisation and invested entirely in low-cost Indian equity index funds, with an annual government contribution of ₹1,500 from birth through age six. The account would remain locked until age 60, after which withdrawals would be limited to, say, 4 per cent annually in order to preserve real principal, assuming long-term real returns in the vicinity of 4 per cent.


JAYANT SINHA

The corpus would be inheritable, with nominated beneficiaries in the event of premature death, and it would be open to voluntary additions at any stage by parents, grandparents, employers, state governments, philanthropic institutions, or the individual later in life. The public contribution would establish the base layer; the URA itself would function as a permanent retirement vehicle into which additional savings could flow over time. Crucially, these accounts would be fully exempt from taxation, allowing compounding to operate without leakage across six decades.

The arithmetic is simple. India has around 25 million births each year. At ₹1,500 per child, each year's birth cohort would cost about ₹3,750 crore. Because eligibility runs from age zero through six, seven cohorts would be funded simultaneously once the programme is fully phased in, resulting in a steady state annual outlay of about ₹26,250 crore. During the first seven years, expenditure would rise incrementally as each new cohort is added; by the end of year seven, cumulative government contributions would total roughly ₹1.05 trillion before accounting for investment returns.

For the child, seven annual contributions of ₹1,500, compounded at 4 per cent real rate until age 60 would accumulate to approximately ₹1,00,000 in today's purchasing power. That corpus sustains withdrawals of about ₹4,000 per year in real terms under a 4 per cent rule, provided long-term returns remain near that level. The contribution from the state is modest in nominal terms; the long-term compounding is what generates scale.

Within the first decade, assuming 4 per cent real compounding and no withdrawals, total assets under management would approach ₹2.2 trillion. The EPFO's current equity allocation is in the range of ₹2.7 to ₹3 trillion, so within 10 years, the child accounts would represent a substantial additional stream of long duration domestic equity capital without overwhelming market capacity.

Over a longer time horizon, the accumulated stock becomes more consequential. If the annual contribution is indexed to per capita income and both per capita income and the portfolio earn roughly 4 per cent in real terms over the long run, then the accumulated corpus scales with the economy, it would grow to about 10-15 per cent of gross domestic product (GDP), rather than shrinking as GDP grows. A pool of this magnitude, entirely index allocated and structurally long-horizon, would represent one of the largest sources of patient domestic equity capital in the country.

The broader policy rationale extends beyond retirement arithmetic. Redistribution in India has often taken the form of immediate transfers, designed to smooth consumption in the present. Those instruments have their place. Yet over time, long-term security is shaped less by episodic cash flows and more by balance sheets. An URA that compounds over half a century strengthens financial resilience in a way that annual transfers cannot. The objective here is not simply to move income across households in a given year, but to embed asset ownership across the population over generations. Such a structure would, in practical terms, move India closer to an ownership society in which every citizen, regardless of parental income or occupational trajectory, holds a small but permanent stake in the performance of the economy. As markets deepen and enterprises grow, that stake compounds automatically. The psychological effect of knowing that one participates in the country's long-term growth is dramatic and it will also broaden the shareholder base of Indian enterprise.

The institutional architecture required is already in place. The EPFO manages large retirement pools within an established regulatory framework. What would matter here is disciplined simplicity: Low-cost index allocation, strict lock in until age 60, transparent governance, and clear beneficiary nomination. Over five or six decades, fee discipline and consistency will matter more than tactical adjustments.

In districts such as my own, Hazaribagh, where household balance sheets remain fragile and savings are episodic, the presence of a URA established at birth alters the starting point for the next generation. It does not eliminate inequality, nor does it substitute for education, employment, or infrastructure. It does, however, ensure that participation in India's future prosperity is anchored in ownership rather than solely in wages.

The annual fiscal cost is contained relative to overall expenditure, the decade-scale financial footprint is manageable within existing capital markets, and the generational accumulation becomes substantial without requiring large transfers at any single point in time. Designing redistribution to enhance long-term security rather than only immediate consumption is consistent with India's broader developmental trajectory. In a period when capital, rather than labour, will play an increasingly central role in economic returns, embedding universal capital ownership from birth could prove to be a transformational initiative.

The author is president, Everstone Group, and visiting professor in practice at LSE. He is a former Union minister and Lok Sabha MP. The views are personal

27 Feb 2026

Business Standard

COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'

Shifting dynamics of state finances

The 16th Finance Commission throws up a transition challenge for states facing strict fiscal limits



ILLUSTRATION: BINAY SINHA

With every new Finance Commission's award period coming into effect, there are subtle changes in the resource positions of the states. Some Commissions have increased the share of states in vertical devolution. Most have recommended changes in the formula for horizontal devolution, implying an increase in the share of some states and a decline for others, depending on the variables chosen and the weightings assigned. The report of the Sixteenth Finance Commission has left the vertical devolution unchanged while revising the formula for horizontal devolution. Clearly, there are both gainers and losers. Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala and Punjab emerge as the gainers, with an increase in their share. On the other hand, Arunachal Pradesh, Madhya Pradesh, Uttar Pradesh and West Bengal have seen a reduction in their share.



R KAVITA RAO

Any moderation in the receipts of states could induce them to seek out additional sources of borrowing to bridge emerging gaps. Based on the monthly key indicators put out by the Comptroller and Auditor General of India, for 26 of the 28 states, the ratio of fiscal deficit-to-gross state domestic product (GSDP) for 2024-25 is at 3.3 per cent, compared to 2.9 per cent for 2023-24. To understand the evolution of trends over time, the table juxtaposes the fiscal deficit-to-GSDP in 2023-24 with the change in fiscal deficit-to-GSDP ratio between 2023-24 and 2025-26 (BE). The table suggests that there is some evidence of convergence towards 3.5 per cent. Many states with a higher deficit in 2023-24 have proposed a reduction in deficit while a significant share of those with a lower deficit have proposed an increase in deficit.

The states marked in red in the table indicate those with a reduction in share. A reduction in receipts or a slowdown in growth for a range of states could mean upward pressure on deficits.

In particular, the impact on the year of transition needs to be closely examined. It would be instructive to examine the profile of change in tax devolution in 2026-27 against the prevailing debt profile of states. The figure plots change in receipts from central tax devolution between 2025-26 and 2026-27 against the debt-to-GSDP ratio for individual states (2023-24 is the latest date for which data is available). While no clear trend is visible, two points need to be noted. First, of the states with debt-to-GSDP exceeding 40 per cent, 4 experience a decline in the level of devolution available in 2026-27 when compared to 2025-26. This represents not just a decline in the rate of growth but, more importantly, a decline in nominal transfers. These also happen to be states with relatively high dependence on central transfers — own resources account for 10-20 per cent of total revenue receipts. The fiscal situation of these states could come under strain during the transition without support.

The second issue to note is that most of the states that will experience a decline in devolution or a low growth (less than 5 per cent over last year) have a debt-to-GSDP ratio over 30 per cent. In other words, these are the states that should be nudged to reduce their debt-to-GSDP ratio. A moderation in the devolution to these states could create upward pressures on their fiscal deficit.

Another dimension pertaining to resource flows from the Union government needs attention. There is a gentle pivot in the central programmes towards adopting a challenge mode. The challenge mode is presented as a mechanism to induce proactive decision-making by states — the design of the scheme provides funding for a limited number of states. From a value-for-money perspective, this could be an interesting tool, since states are expected to make an effort to present their best foot forward in both design and execution. However, for fiscally constrained states, such an approach introduces an additional element of uncertainty in resource availability.

Juxtaposing these observations against the recommendations on fiscal consolidation in the report of the Sixteenth Finance Commission throws up a transition challenge. It is recommended that the fiscal deficit of the Union government be reduced from 4.4 per cent in 2025-26 to 3.5 per cent by 2030-31, while the states are expected to keep their deficits at 3 per cent of GDP, through the entire period. The Commission recommends that, "To ensure the stability of State Government debt, this limit should be strictly enforced in accordance with clause (3) of Article 293 of the Constitution." In other words, the adjustment for lower devolution cannot be through a higher fiscal deficit, it needs to be implemented through additional revenue mobilisation or expenditure compression. As a general principle, this is acceptable, but at a point of transition, a less disruptive glide path might be required.

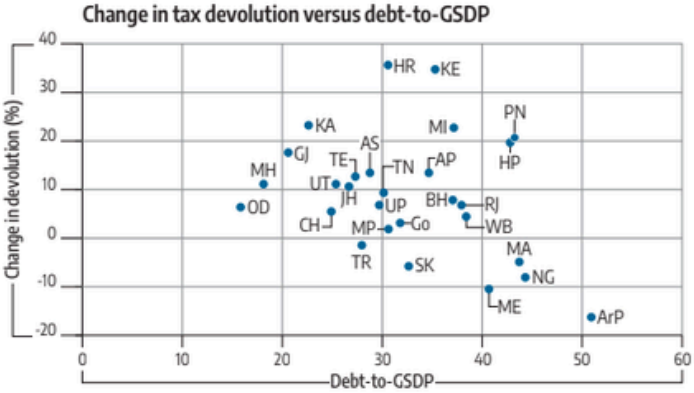
The author is director, National Institute of Public Finance and Policy

Diverging fiscal paths

		Fiscal deficit-to-GSDP in 2025-26 (BE)	
		↓	↑
FD/GSDP in 2023-24	>3.5%	Meghalaya, Himachal Pradesh, Chhattisgarh, Nagaland, Manipur, Punjab, Bihar	Sikkim, Andhra Pradesh, Rajasthan, Arunachal Pradesh, Assam
	<=3.5%	Telangana, Tamil Nadu, Uttar Pradesh, Haryana	Madhya Pradesh, West Bengal, Kerala, Karnataka, Uttarakhand, Maharashtra, Mizoram, Goa, Odisha, Gujarat, Tripura, Jharkhand

Das, P and A Kaur(2025): State of State Finances, 2025, NIPFP (forthcoming)

Change in tax devolution versus debt-to-GSDP





Containing the subsidy burden

India needs a national debate

The Supreme Court last week expressed displeasure over the growing culture of freebies. The court's concern is understandable, and needs a collective response from the Union and state governments. While hearing a matter related to Tamil Nadu Power Distribution Corporation, Chief Justice of India Surya Kant noted that unchecked distribution of largesse could weaken the economic foundations of the country. This is important because many states are running a revenue deficit, which effectively means they are borrowing to fund subsidies or simply distributing cash under one scheme or another. The Bench also noted that announcements of such schemes frequently took place before elections. Notably, the court acknowledged that the state had an obligation to help those who lacked access to essential services such as education and utilities, but they should be well targeted.

The 16th Finance Commission has also discussed this issue at length while underscoring the implications for public finance. An analysis of 21 states by the Finance Commission showed that their subsidies and transfers were budgeted at ₹9.73 trillion in 2025-26, as against ₹3.86 trillion in 2018-19. As a percentage of the combined gross state domestic product (GSDP) of the 21 states, the outlay on subsidies rose to 2.7 per cent in 2023-24 from 2.2 per cent in 2018-19. Unconditional cash transfers are budgeted at nearly ₹2 trillion in the current year. They account for a 20 per cent share in schemes for subsidies and transfers of states. The biggest component remains power subsidy — at 27 per cent. The power-subsidy bill for 2023-24 was ₹2.60 trillion. However, it must be noted that the bill understates the subsidies provided by the states. Part of it is on the books of state power-distribution companies, which is reflected in their accumulated losses and debt. Besides the state governments, the Centre also provides various kinds of subsidies. The allocation increased during the pandemic, but moderated in the following years and is budgeted at 1.76 per cent of gross domestic product (GDP) this financial year. The bulk of the subsidy allocation goes for food and fertilisers.

As the Finance Commission also noted in its report, it is worrying that, once implemented, a subsidy or cash-transfer scheme remains in effect permanently. Given that a substantial amount of general government expenditure goes in subsidies, particularly at a time when public debt is at an elevated level of about 80 per cent of GDP, there is a need for a national debate on the subject. In a competitive political environment, incumbents are often inclined to keep increasing the level of subsidies and cash transfers. Thus, it is necessary to have hard fiscal rules and mechanisms need to be devised to keep the general government finances on a sustainable path.

There are several issues here. First, there is a need to define merit and non-merit subsidies. Second, clear limits on states' expenditure on subsidies and cash transfers are needed, particularly for those states running a revenue deficit and carrying a higher debt burden. Third, India needs a consensus as to how much of general government spending should go into financing subsidies and cash transfers. This is critical because higher government spending on subsidies constrains fiscal capacity, and higher borrowing requirements tend to crowd out private investment. Sustained higher spending on subsidies will directly affect longer-term growth prospects.

WEDNESDAY, 14 FEBRUARY 2018
NEW DELHI (CITY)
₹6.00

Business Standard
www.business-standard.com



COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'



Trade & sustainability: Time to shape the rules

Trade and sustainability has become a contentious issue in global economic governance. It is likely to appear in the forthcoming Ministerial Conference of the World Trade Organization (WTO), directly or embedded in another proposal. For India and many other developing countries, this debate revives long-standing concerns about the appropriateness of introducing non-trade issues into the multilateral trading system.

India's guarded approach has deep roots. When these issues first surfaced at the Singapore Ministerial Conference in 1996, developing countries strongly opposed their inclusion in the WTO's negotiating agenda. The Doha Round significantly rolled back ambitions on non-trade issues. Labour standards were dropped entirely, while environmental issues were truncated to a narrow and carefully circumscribed mandate: Examining the relationship between WTO rules and multilateral environmental agreements (MEAs), promoting trade in environmental goods and services, and enhancing information exchange between the WTO and MEA secretariats.



RAJEEV KHER &
ANSHUMAN GUPTA

India accepted this limited mandate, while firmly reiterating the principles of development, equity, and common but differentiated responsibilities. For nearly two decades, India and many others have maintained their position. Labour issues have remained outside. Environmental issues, however, have repeatedly surfaced, especially through plurilateral and Joint Statement Initiatives (JSIs) such as those on trade and environmental sustainability, fuel subsidy reforms, unilateral measures, circular economy, etc. India has stayed out of these initiatives on grounds of principles, warning that they risk diluting the WTO's consensus-based decision-making and encroaching upon mandates better handled elsewhere.

Yet, the global landscape has changed significantly. Blocked at the multilateral level, developed countries have pursued sustainability issues through free trade agreements and plurilateral arrangements. At the bilateral and regional level, the United States (US) and the European Union (EU) have been particularly aggressive. The US relies on stringent, sanction-based dispute settlement mechanisms to enforce labour and environmental commitments. The EU traditionally preferred dialogue-based approaches, but recent FTAs show a clear move towards stronger enforcement.

India's own approach has, however, evolved. Since the India-Japan FTA in 2011, and more notably in recent agreements with the European Free Trade Association (EFTA), the United Kingdom and the EU, India has accepted comprehensive trade and sustainability chapters, albeit with soft enforcement mechanisms based on consultations. The recently concluded India-EU FTA reflects this pragmatism, though the details are not yet known. The urgency on both sides to conclude the agreement amid trade uncertainties unleashed by the US may have resulted in a relatively benign outcome for India, particularly in the design of the dispute settlement section in the sustainability chapter.

India's environmental credentials have strengthened considerably since 2015. It has maintained pace in the green transition, and if the availability of resources, both financial and technical, is eased over time, it may achieve its targets in due course. It is a party to all major MEAs, including those on biodiversity, ozone protection, hazardous wastes, chemicals, and endangered species. It has taken stewardship in adopting environmentally friendly technologies such as various forms of renewable energy.

The most consequential shift, however, lies in the rapid proliferation of unilateral environmental measures with extraterritorial impacts. The EU's Green Deal has spawned a slew of regulatory instruments, most notably the Carbon Border Adjustment Mechanism (CBAM), the EU Deforestation Regulation, and corporate sustainability reporting requirements. CBAM has entered its definitive phase from January 1, 2026. These measures have already begun eroding the competitiveness of developing-country exports.

India is not immune to adverse consequences of these developments. The EU is India's second-largest export destination, and Indian exports of steel and aluminium — both CBAM-covered products — declined sharply in 2024, even during its trial phase. The complex emissions reporting requirements may have deterred smaller firms, while EU importers might have reoriented sourcing towards more CBAM-aligned suppliers. Similar measures are being contemplated by the UK, Canada and Japan, each with distinct methodologies and compliance regimes. For exporters, especially micro, small and medium enterprises, navigating this regulatory fragmentation will be extremely costly.

India faces three broad choices at the WTO. First, maintain the status quo of non-engagement, which is increasingly untenable. Rules are being written anyway, but outside the WTO.

Second, accept developed-country agenda wholesale, and lock itself in asymmetrical obligations without adequate safeguards for development and equity.

The third option, while viable but challenging, is for India to actively shape the emerging trade-sustainability interface by building strong coalitions of like-minded countries.

The real question today is no longer whether trade and sustainability should be linked, but where, how, and under whose rules that linkage is designed. The Ministerial Conference offers India an opportunity to reassert the centrality of the WTO by pushing for multilateral principles governing trade-related environmental measures and principles that recognise equity, proportionality, capacity constraints, and policy diversity.

Rather than rejecting plurilateral approaches outright, India could advocate open, inclusive, and WTO-consistent frameworks that discipline unilateralism and provide predictability for developing-country exporters.

In a world where sustainability norms are increasingly shaping market access, staying out of the conversation is no longer a strategy. Shaping the rules from inside can be.

The authors are, respectively, distinguished fellow and consultant at RIS. The views are personal

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | MUSING MACRO

The budget's focus on capabilities reveals its long view

AJIT RANADE



is senior fellow with Pune International Centre

The macroeconomic numbers for India's economy would be the envy of others. Quarterly growth has been showing steady upward momentum and inflation is ruling at remarkably low levels. The corporate sector's balance sheet is healthy, having deleveraged substantially, and profitability has been quite good for the past several years. The banking sector too has been showing good profits and very low bad-loan ratios.

Finance minister Nirmala Sitharaman, who created a record by presenting her ninth consecutive budget to Parliament, chose not to be too complacent about the apparent 'Goldilocks' type macroeconomic situation India is experiencing. That's because behind that growth momentum is a strong capital-expenditure push by the Union government, which, at some point, will need to ease. Low inflation prints have been mainly due to sharp food-price deflation, and that too can turn nastily. Hence, notwithstanding today's macroeconomic comfort, the finance minister's approach in her budget has been to focus on building capabilities with a longer-term perspective. This approach is visible in various schemes for enhancing human capital and skills, strengthening industry-academia linkages and adding tangible elements to support the crucial constituency of small businesses.

But before dwelling on the admirable capability-building initiatives, it will be useful to look at the budget's fiscal arithmetic. We need to assess how credible the budget's projections are. Total spending is projected to increase to ₹53.5 trillion in 2026-27, or a modest 7.7% over the revised estimate for 2025-26. Total revenue, excluding borrowings, is seen growing 7.2% to ₹36.5 trillion, which is slightly slower than the growth in expenditure. The growth in these budget numbers is only somewhat higher than our growth in real GDP. But since the implied nominal GDP growth is 10% in the budget, and since inflation is expected to whipsaw back to 4% or 5%, it means real GDP growth is expected to be much lower. Is the finance minister foretelling a slowdown in the economy's momentum? Nevertheless, both expenditure and revenue projections are conservative, which explains the Centre's success in fiscal prudence.

The finance minister reminded us that she kept her promise made four years ago of bringing down the fiscal deficit to under 4.5% and keeping it there. This is important to retain the higher sovereign rating that India recently won from some international agencies. A better rating helps lower the cost of foreign capital and will also be crucial in plugging our dollar shortage and cushioning falls in the rupee's exchange rate. Even with tight fiscal limits, the finance minister has allocated about a tenth more for capital spending (i.e. on infrastructure), at ₹12.2 trillion, which means that the government's capex push will continue to support growth. The gross borrowing of the Union government at ₹17.2 trillion plus a further ₹2.6 trillion by states will mean a tsunami of sovereign and sub-sovereign paper flooding the bond market. No wonder that long bond yields are stubbornly stuck close to 7% despite heroic monetary easing by the Reserve Bank of India. The corporate bond market will not flourish in this suffocating atmosphere. Unless fiscal consolidation continues with vigour, it faces a troubling cost-of-capital overhang which will also constrain long-term growth.

The finance minister has done well to prepare ground for the future within tight fiscal limits

Apart from the fiscal tightrope walk, the budget does well to focus on building growth-enhancing capabilities. The target of achieving a global share of 10% in services is bold. This would include not just software, but also content creation, design, health and tourism, and will need skill building. The proposed standing committee on education for employment and enterprise will look at the future of work and presumably chart out a path for services dominance. For manufacturing, there is a detailed sector-wise plan, including for strategic and frontier sectors like rare earths, bio-pharma, electronics and nuclear energy. The cluster approach taken is noteworthy, involving the linking of education and training institutes with sectoral clusters in textiles and leather goods, and also a revival of more than 200 legacy industrial clusters.

The detailed attention to specific measures for small and medium enterprises has not come too soon. As small enterprises formalize, it is vital that issues like excessive payment delays and their need to finance their working capital through efficient bill discounting be addressed. Thus, making large companies participate in the country's TReDS exchange was long overdue and is welcome. Linking GST invoicing to the Udyam portal should also have been done to deter payment delays.

Once India becomes a developed country, the annual presentation of the budget ought to become a non-event. At best, it should serve as an occasion for delivering a state-of-the-economy speech and articulating a long-term vision or fiscal roadmap. Growth in a developed economy is delivered mostly by the private sector, for which investors look for stability, predictability and continuity in tax policies. On this, the budget has done well to not tinker with too many rates. Its projections are credible and conservative. There is an acknowledgement of challenges and it eschews any premature celebration of our macroeconomic success. The message of the budget is that the government will help build growth-sustaining capabilities but also exercise fiscal restraint.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

THEIR VIEW

A well-formulated budget with a clear emphasis on India's future

It eschews short-termism on fiscal expansion and focuses on medium-term capacity enhancement



SACHCHIDANAND SHUKLA
is group chief economist at Larsen & Toubro.

The stakes couldn't be higher for *Union Budget 2026-27*. Global shocks and domestic frailties demanded a stroke of fiscal artistry—prudence on the fiscal path fused with audacious growth bets and prioritization of the medium term over the short term. The budget has done precisely that by opting to augment India's strategic resilience over the medium term and remain steadfast on fiscal consolidation and debt reduction.

How does one describe this budget? It comes across as:

Contextual: The liberal order that powered growth for decades is under stress. Nations are erecting new walls and there is a clear move towards bipolarity that may not serve India's economic interests, even as newer technologies are acquired and bigger dollops of capital are absorbed. Amid all this, how can India achieve its goal of becoming a developed economy? The budget has provided the answer—via measures that boost *atmanirbharta* or self-reliance while maintaining strategic resilience in an uncertain world.

Credible with a focus on continuity: For 2026-27 (budget estimate), nominal GDP growth has been pegged at 10%, versus 8% in 2025-26 (as per the first advance estimate), mostly in line with expectations. The government has also fulfilled its commitment made in 2021-22 to reduce its fiscal deficit to a level below 4.5% of GDP by 2025-26. In 2025-26 (revised estimate), the Centre achieved a fiscal deficit of 4.4%, the same as it had budgeted. For 2026-27, the deficit is expected to further decline to 4.3% of GDP. Central government debt is slated to go down from 56.1% of GDP in 2025-26 (revised estimate) to 55.6% of GDP in 2026-27, in line with a debt consolidation path aimed at a debt-to-GDP level of about 50%, plus or minus 1%, by 2030-31 (the last year of the 16th Finance Commission cycle).

With the assumption of 10% nominal GDP growth and gross tax revenue growth projected at 11.2%, the budget's numbers are credible. The budget also continues to lean towards a better mix of expenditure; spending quality is still improving, with capital expenditure growth higher than nominal GDP growth. In contrast, revenue expenditure is budgeted to grow in single digits. Fiscal consolidation of 10 basis points to 4.3% of GDP from 4.4% in 2025-26 will not be a drag on GDP growth, unlike in 2025-26, when the fiscal compression was far sharper.

With a minor negative fiscal impulse, budgetary spending is likely to be non-inflationary. The revision of the Consumer Price Index basket and reduction of its share of food may impart a slight price push in 2026-27, but this is unlikely to pose any major challenge.

What does the budget have as a cue for the Reserve Bank of India and rupee? Continued fiscal consolidation (and debt reduction) is positive. However, higher-than-expected gross borrowings could exert upward pressure on the 10-year bond yield. The budget does not do anything in the near-term that is rupee-supportive. However, over the medium term, it could be positive for the currency, given the budget's measures supporting investments in data centres, etc.

Capacity enhancing: The budget has prioritized infrastructure and a manufacturing strategy focused on scale, competitiveness and deeper integration with global value chains. It sustains India's momentum on infrastructure development: 'effective capex' at ₹17.1 trillion is up by a double-digit percentage year-on-year. The budget has announced new high-speed rail and dedicated freight corridors, a scheme for the enhancement of construction and infra-building equipment (such as tunnel boring machines) and a plan to make such equipment locally. This will help reduce India's import dependence.

There are also moves to help India get beyond assembly and attain full-stack semiconductor capability through the India Semiconductor Mission 2.0, aimed at producing equipment and materials, developing full-stack Indian intellectual property and strengthening supply chains.

The budget also emphasizes long-term economic security with plans for dedicated rare-earth corridors, 20 new waterways and so on, apart from measures like import duty exemptions for nuclear projects till 2035.

Also, many procedures are being simplified. This includes simpler taxation for global capability centres through higher safe harbour limits and multiple steps for easier tax administration for individual taxpayers.

What could the budget have done better? Its customs rationalization could have been comprehensive (as with GST), especially since India has been signing big free trade agreements. Similarly, while subsidies remain low and manageable, the budget could have reviewed the entire subsidy regime (including for food and fertilizers).

The endurance of our 'Goldilocks' scenario of high GDP growth and low inflation depends on the government's execution of all of the above. The fact that it has eschewed short-termism on fiscal expansion and focused on macro stability, sustained budget discipline and medium-term capacity enhancement will reaffirm the attractiveness of the India story.

These are the author's personal views.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

The budget's securities tax hike needn't worry investors

VETRI SUBRAMANIAM



is managing director and CEO, UTI AMC.

The government's goal of a Viksit Bharat by 2047 requires India to sustain high growth over a long period of time. Union Budget 2026-27 operates within a framework that India has articulated for itself: of bringing down the government's debt-to-gross domestic product (GDP) ratio on a sustainable basis. A lower public debt burden helps reduce pressure on interest rates and government borrowing, thereby freeing up financial resources for the private sector and Indian households.

Is it possible for India to target faster growth next fiscal year by raising its expenditure and issuing more debt? Yes it is, and that might be exciting for the equity market in the short-term. Constituents of the economy that benefit from today's largesse may also welcome such an outcome.

However, this excitement would create a liability that our future generations would have to pay for through higher inflation and taxation. It would also make our macroeconomic position more vulnerable to shocks.

As it is, we are dealing with immense shifts in the geopolitical environment and global trade conditions.

In this context, the budget has been pragmatic. The government has articulated its focus on bringing down its debt-to-GDP ratio. It recognizes the elephant in the room, which many are happy not to discuss. After all, interest payments are the single largest expenditure item for the government. They account for nearly 40% of the Union government's revenue and capital proceeds (excluding borrowing). Arguing about whether the budget is capital expenditure-focused or revenue expenditure-focused, when the biggest spending item is interest, is to miss the wood for the trees.

For traders, the cost of trading in futures and options increases due to the budget's hike in Securities Transaction Tax (STT) rates. Note that the number of traders in futures and options exceeds the number of investors in mutual funds. This is also reflected in the size of the profit pool of the stockbroking industry compared with that of the asset management industry. These are facts. What is also true is that India's long-term growth ambitions would be better served by channelling more financial savings into long-term investment than trading.

As for the bond market, the increase in the Centre's gross market borrowing of around 17% is higher than what was anticipated. This could put pressure on long-term bond yields. But beyond the initial shock, investors can take heart from the government's long-term commitment to fiscal consolidation.

The budget estimates appear sound, with nominal growth pegged at 10% and tax collection from individuals and corporates estimated to grow at about 11%. Capital expenditure, excluding grants, is estimated to grow by about 11%, while defence expenditure growth appears muted at 5%. The budget positions itself as a catalyst for investment in sunrise sectors while also addressing key infrastructure gaps.

Improved prospects for real returns will overshadow the budget's tiny hike in India's derivatives levy

A significant policy announcement in this budget is the formation of a high-level committee to evaluate the growth and strategy of the banking sector in keeping with the country's Viksit Bharat vision. This could set the stage for further amalgamation among state-owned banks, enabling them to achieve critical scale. As an ease-of-doing-business measure, any Person Resident Outside India (PROI) will now be allowed to invest up to a higher limit of 10% in listed companies, with an aggregate limit of 24% for all PROIs. This opens up our equity market to greater participation by foreign individuals.

A tax holiday has been offered as an incentive for global companies to establish data centres in India that serve overseas customers. This measure is aimed at positioning India as a competitive global hub for digital infrastructure by lowering the initial cost of investment and improving project viability.

For cash-rich companies looking to return capital to shareholders, a rule tweak that will treat such gains as 'capital gains' is advantageous. This will particularly benefit minority shareholders.

Broad stability in tax policy is welcome, as it provides much-needed certainty to businesses and investors making long-term decisions. A predictable tax framework encourages sustained investment, supports efficient capital allocation and reinforces confidence in the country's overall policy environment.

This budget re-emphasizes two pillars that investors should incorporate into their framework and expectations. India is running a marathon in its journey towards Viksit Bharat and preserving macroeconomic stability is a priority. India's nominal GDP growth rate is now likely to remain around 10%, plus or minus 1%, rather than the 12%-14% range seen in the past. This slower trajectory has implications for revenue growth, profit growth and equity returns.

Investors tend to think about these numbers in nominal terms. However, what ultimately matters are real returns. The emerging reset in nominal growth may not significantly lower potential real returns, and this would apply to returns both from equity and bond markets.

For investors focused on achieving their long-term financial goals, nothing changes on account of this budget. India's unique combination of macroeconomic stability and sustainable growth will enable them to achieve their goals.

These are the author's personal views.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

OUR VIEW



PTI

The budget adheres to a tried and tested formula

India's 2026-27 budget may broadly be apt for now. But as fiscal policy adopts a distant debt target, the Centre must remain adaptive—and ready to contain any big-spender instincts

India kept calm and carried on this fiscal year, with a GST spur for retail offtake, an urgency for foreign trade deals and a few tariff tweaks for factory-cost relief making up the bulk of our response to trade adversity. That spirit prevails in India's budget for 2026-27 too. It marks a shift in fiscal policy from annual deficit calibration to medium-term debt reduction. Finance minister Nirmala Sitharaman's last budget offered a tax stimulus, kept up infra spending and managed to squeeze the Centre's deficit to 4.4% of GDP even as nominal growth softened. Ever since covid, capex has played a heroic role in the economy's expansion. The latest budget dares not depart from that formula. Its ₹12.2 trillion capex plan is almost 23% of its ₹53.5 trillion expenditure pie, a notable increase. Other stand-out allocations include those for our chip-making mission, a bio-pharma thrust and a carbon-capture initiative. Next year's deficit is pegged at 4.3%. Achievable even if an inflation uptick fails to lift revenues as expected, this would count as progress towards reducing central debt to half the size of our economy by 2030-31. Yet, two questions arise. First, could a five-year debt path lull us into fiscal complacency over the effects of, say, a sharp revival at some point in private demand and investment? And second, is it not time to extend the budget's horizon and pivot heavily towards health and education?

As for buffers against trade flux, the budget's proposals are in the right direction—with customs relief in focus. Import-duty exemptions span inputs for sectors on a priority list. Import barriers for making aircraft, setting up nuclear power plants and processing critical minerals will be axed, with a few other items relieved too. The highlight of this exercise, however, is process reform: a "minimal intervention" customs regime that uses technology to speed up cargo clearances and thus helps Indian factories join global value chains with low slack tolerance. This quest to ease port-level friction, though, has not been matched by a discernibly urgent effort to reverse India's capital inflow squeeze of 2025-26. Moves to boost our market for corporate debt, lure individuals to invest more in Indian equity and liberalize forex rules, apart from a few sector-specific tax incentives for foreign investors, all seem unequal to the task. But then again, inflows come down to the returns that investments in our economy offer. So long as India's growth story is intact and geopolitics doesn't worsen to our disadvantage, we can hope for a revival on this score.

On the macro front, perhaps it is time to align our 2003 fiscal law with practice, instead of budgets carrying tack-ons year after year to explain deviations. From now on, unless nominal growth slumps, the Centre's shift to a debt target will let it relax its fiscal pullback. Yet, if a distant debt ratio is taken as the sole budget constraint, a sudden boom in overall demand could disturb India's macro-level stability: if the fisc is not reined in quickly, we could expect upward pressure on inflation and the cost of capital, with both risking a doom-loop should costly credit get in the way of a private-sector supply response. In other words, we must not let today's big-spender formula get hard-set. Even if demand stays on a slow-track, it would be prudent to invest a bigger share of public funds in the upward mobility of Indian multitudes. Else, domestic impulses may weaken and leave GDP growth over-reliant on dicey exports. A rejig of our fiscal priorities would help fend off that risk.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

MY VIEW | GENERAL DISEQUILIBRIUM

This budget should have tried to lift flagging Indian savings

The exercise has missed an opportunity to fix this structural issue



RAJRISHI SINGHAL
is a senior journalist and author of 'Slip, Stitch and Stumble: The Untold Story of India's Financial Sector Reforms'
@rajrishisinghal



Savings are a crucial building block for economic growth. BLOOMBERG

A lot has been said and written about India's economic resilience, with the assertions focusing largely on a rising real GDP growth rate and dropping consumer inflation rate. These headline trends, however, mask a couple of fragilities that could undermine the current illusion of stability. The first is sub-optimal nominal growth, which has printed below target. But, more importantly, widening fault-lines in household savings, including in the broader universe of gross savings in the economy, are a serious source of concern. It is, therefore, both puzzling and distressing that finance minister Nirmala Sitharaman did not use the Union budget platform to address this growing structural deficit in the economy.

Savings are not only pivotal for financial and economic stability but are also a crucial building block for economic growth. Let us examine two key data points from the budget that have the potential to act as growth stimulants. The first is the government's net borrowing programme estimate of ₹11.7 trillion, an increase of only 3.5% over the revised estimate for 2025-26. The borrowing programme helps fund the government's development expenditure over a large number of programmes. The second is the ₹12.2 trillion capital expenditure outlay, an 11.5% increase over the 2025-26 revised estimate. The government's capital expenditure 'crowds in' private-sector investment, thereby providing a leg-up to employment and economic growth. The government will need to depend on the economy's savings to finance a substantial part of its vast development bill.

As stated earlier, the slowing nominal growth rate is already a source of worry because most big-ticket revenue sources—both tax and non-tax—have clocked in below the 2025-26 budget estimates. The slowing household savings growth rate complicates matters further by creating structural friction in the economy, something that may take a while to reverse. The budget was probably the ideal platform to provide some tax incentives to reverse this structural slowdown.

The banking sector has been demanding that tax on interest income from deposits be treated like capital gains. While the merits of that specific suggestion can be debated separately, shrinking bank deposits have bumped against rising demand for credit, forcing banks to slow down credit disbursal in some cases, or to depend on non-deposit funding sources, which has hurt margins. Aggregate deposits have grown 8.5% since April 2025, while bank credit in the same period has gone up by 10.4%.

The share of deposits in the household savings basket has dropped from 58% in 2011-12 to 35% in 2024-25. Part of the slack is being taken up by both direct equity and mutual fund investments. The *Economic Survey*'s explanation that rising equity investments demonstrate an "evolving" risk preference among households, however, rings slightly atonal. This is because it does not consider a saver's interest rate preferences: current bank deposit rates offer negative returns after accounting for inflation and taxes. Bankers, therefore, feel that parity in tax treatment might divert some of the flows back to bank deposits.

Ram Singh, a member of the monetary policy committee at the Reserve Bank of India, had expressed anxiety over moderation in the household savings rate at the panel's September-October meeting. Curiously, though, while admitting that interest rates do influence household savings behaviour, he also advocated that the "likely adverse impact on bank deposits and moderation in household savings should not be the reason for not going for a further rate cut."

The Survey's desire that the next step of household portfolio evolution include bond-market investments might bang up against the same wall. There were pre-budget demands that the government allow the issuance of tax-free bonds for a limited period—either directly from the government or from highly-rated public sector units—to allow long-gestation infrastructure projects to access patient household savings. This is also because insurance companies or pension funds are currently unable to fill the gap between demand for long-term funds. However, the budget has neither heeded that demand nor announced any alternative steps to smoothen the wrinkle.

There is another source of anxiety: the household sector's liabilities, or borrowings, have doubled from 3% of gross national disposable income in 2014-15 to 6.1% in 2023-24. In the face of uneven real income growth, this indicates households have been financing consumption through credit and not through current income or savings. Hopefully, the budget proposals will generate enough additional jobs to moderate this worrisome data-point.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | THE LAST WORD

Union budget: Look beyond the headlines for its actual impact

An expanded trade bills discounting system is among the causes for cheer but what matters is how various measures pan out



INDIRA RAJARAMAN
is an economist.



AP

The date of 1 February for the announcement of the Union budget precedes by a month the release of the advance estimate of India's gross domestic product (GDP) based on three quarters, which this year will mark the start of a new GDP series with 2022-23 as its base year, replacing the old series based on 2011-12. The new series will change the sectoral weights, and with that, the estimates of aggregate real growth for the first two quarters.

Nominal GDP may not be affected much with the shift to the new series. The tentative (old series) advance estimate for the current year issued on 7 January is ₹357.14 trillion. The budgeted nominal GDP for 2026-27 is placed at ₹393 trillion, assuming 10% growth. We have to use these for now.

There are two other changes. The 16th Finance Commission report covering the 2026-31 period was tabled only with the budget for 2026-27, but is factored into the budget figures. The aggregate share of states in Union tax revenues remains at 41%.

The second change in the offing is the 8th Pay Commission report to be released in April 2027, but with retrospective effect from 1 January 2026. Advance fiscal provisioning for retrospective application is never done. Arrears for the current and next budget year will be payable in 2027-28, causing an arrear bump-up in revenue expenditure that year on top of the salary bill discontinuity.

My principal pitch is that what matters is not the policy headlines so much as what underlies the headlines. We are in a new abusive world order, where the powerless are punished. What we do domestically will make or break us.

The absolute fiscal deficit for 2025-26 by the provisional estimate (PE) is ₹15.58 trillion, below the ₹15.69 trillion budgeted. The fiscal deficit for 2026-27 is projected at 4.3% of GDP, but because of the fluid denominator, the absolute figure of ₹16.96 trillion is more reliable. It shows a rise of ₹1.38 trillion. Still, fiscal consolidation is on track.

Fiscal consolidation has been achieved despite an increase in effective capital expenditure, aggregating direct expenditure and capital grants to states, from the pre-pandemic average of 2.7% of GDP (*Economic Survey*, para 2.29) to 3.9% for 2025-26 (PE) and 4.4% budgeted for 2026-27. Current (revenue) expenditure did much of the adjusting. At 10.8% of GDP for 2025-26 (PE) and 10.5% budgeted for 2026-27, it is below the pre-pandemic average of 11.1%, attributed (*Economic Survey*, para 2.24) in large part to reduction of subsidy leakages through direct benefit transfers. An impressive increase in tax revenue also helped. Non-tax revenue further supported the fisc with a dividend payout of ₹2.68 trillion from the Reserve Bank of India (RBI).

Without meaning to rain on the parade, revenue expenditure on maintenance actually needs enhancement when capital assets are being created, without which the assets created could become unproductive, or actually treacherous. Are the required expenditures for maintenance of roads and sewage systems receiving budgetary support? Are leaking sewage pipes being repaired or replaced?

Can the rising share of capital asset creation in total expenditure be termed an improvement in expenditure quality without reference to the mix of assets created? Are sewage treatment plants being constructed so that untreated sewage does not flow into the rivers from which drinking water is sourced? Are there too many vacancies in regulatory bodies for them to function effectively? Will regulatory failure and public health catastrophes, resulting from polluted air and water, support growth?

The major fiscal bolts have already been shot. Income tax and GST rates were dropped in the current fiscal year. Monetary and trade policy have moved in concert. The last RBI bi-monthly monetary policy announcement for the current year is due on 6 February, with very little room for further reduction of the repo rate. Banks are already struggling to attract deposits.

In trade policy, the free trade agreement with the European Union (EU) reached on 27 January is expected to be operationalized by the end of 2026. The agreement details are yet to be hammered out, especially on the difficult issue of the Carbon Border Adjustment Mechanism, for which carbon rating has to be done on a producer-specific basis with EU-accredited auditors.

Nevertheless, there is room for optimism. The budget introduces a number of well-targeted reforms. Three are noteworthy.

First, the expanded scope for the Trade Receivables Discounting System, a platform for discounting unpaid commercial dues to small enterprises, a dire need. Second is the huge range of skill enhancement programmes, including for geriatric care and mental health care, again a dire need. Finally, the budget's supportive promotion efforts towards commercial tree crops dovetails into the fall in EU tariffs and the demand boost which will come from there.

The new Income Tax Act will become effective from 1 April 2026. Provisions for tax deduction or tax collection at source have been procedurally simplified and their rates reduced. Income tax payments by cooperatives and service providers in information technology have been procedurally facilitated. Indirect tax provisions have also been liberalized with respect to the imported input needs of exporters. There will be cheers in many quarters.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | IT MATTERS

Proof of personhood: A badge humans will need online

SIDDHARTH PAI



is co-founder of Siana Capital, a venture fund manager.

Here we are in the third decade of the 21st century, and the internet has an identity crisis. For years, we worried about anonymity, privacy and whether our passwords were strong enough. Now the more awkward question is whether the replies we get online are from a person at all. Generative AI systems can write posts, argue politics, flirt, invest, complain and even scam us with unnerving fluency. Digital avatars are eerily human. The result is an online world where trust is evaporating because the basic assumption of a human on the other side of an interaction no longer holds. Proof-of-personhood has emerged as an attempt to fix this problem by giving the internet a way to distinguish humans from machines without turning everyone into a permanently monitored data point.

Traditional digital identity systems ask you to prove that you control a credential, such as a password, phone number or government-issued document. Proof-of-personhood asks a more basic question. Are you a unique living human being and not a script, model or copy of a scalable synthetic identity? This distinction matters because the economics of online abuse is built on scale. One human can type only so fast, but a single bot operator can create a million convincing accounts before breakfast. As AI systems become cheaper and better, the cost of pretending to be human trends towards zero while the damage caused by that pretence rises sharply.

We are moving from a world dominated by human-created content to one suffused with machine-generated speech, images and behaviour. As most online activity can be automated, systems that assume human scarcity start failing in unexpected ways. Polls become meaningless, social consensus can be manufactured and even basic signals such as popularity or engagement lose touch with reality. Proof-of-personhood tries to re-introduce human scarcity.

One family of approaches relies on biometrics, liveness checks and modern cryptography. The idea is straightforward, but subtle in execution. We prove we are human by presenting biometric signals that are very hard to fake at scale, while cryptographic techniques ensure that the system learns as little as possible about them beyond the fact of their human origin. 'Zero-knowledge' proofs play a crucial role here. They allow us to provide valid proof of personhood without revealing our name, face, address or browsing history. In theory, this lets us assert our humanity online without giving away our soul to the nearest data broker.

This matters enormously for social media, which operates on a model that rewards fakery. Fake accounts inflate numbers, amplify outrage and game recommendation systems because platforms have limited ways to distinguish a bored teenager from a coordinated bot farm. The use of proof-of-personhood could change that incentive framework. Influence would again require persuading people rather than spinning up software agents. Arguments would still be heated and sometimes ridiculous, because humans are good at that, but they would at least be human.

Digital verifiers of our existence as live beings will become vital as AI bots overrun the internet

The implications for financial services are even more concrete. Banks, insurers and fintech firms spend vast sums on identity checks, fraud prevention and regulatory compliance, yet synthetic identity fraud is growing. These attacks often involve stitching together fragments of real and fake data to create an identity that looks legitimate to automated systems but does not correspond to any actual person. Proof-of-personhood directly targets this weakness by insisting that an account be anchored to a real human being. For lenders, this reduces credit risk. For customers, it reduces the chance that their data will be misused to create phantom borrowers who ruin credit scores without ever being born.

As more financial activity moves online and as programmable money and digital assets go mainstream, the need for reliable human verification rises. Many emerging systems rely on ideas such as 'one person, one vote' or fair access to limited opportunities. Without proof-of-personhood, these ideals collapse under the weight of automation. With it, they become at least technically plausible. This does not mean a return to centralized identity authorities issuing digital passports for everything. The more interesting proposals point towards decentralized and user-controlled credentials that can be verified across platforms without being copied or abused.

There are, of course, legitimate concerns. Any system that touches biometrics raises fears of surveillance and exclusion. Critics worry about who controls these systems, how mistakes are handled and what happens to people who cannot or will not participate. These are core design questions. A proof-of-personhood system that weakens privacy or creates a digital underclass would solve one problem by creating several worse ones. The challenge is to design systems that are voluntary, transparent and resistant to abuse by both corporations and states.

Proof-of-personhood is unlikely to arrive as a single dramatic invention. It will probably emerge as a layer of infrastructure that pervades our online world. At first, it will be optional, then recommended and eventually assumed. If it works well, most users will barely notice it—a sign of success. In a world where machines can talk endlessly, argue tirelessly and pretend convincingly, proving that you are human may become the most valuable credential of all. That may sound strange, but then, so is today's internet.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

The budget lacks the coherence needed to address key problems

Its fiscal prudence is welcome but we await an explanation for why prosperity is yet to show up across the entire economy



RATHIN ROY
is visiting senior fellow, ODI, London, distinguished fellow, Kautilya School of Public Policy, Hyderabad, and distinguished professor, GITAM, Hyderabad.



MINT

This budget has been commendably prudent and tries to alleviate the harassment that marks India's exploitative and litigious tax system. It does little else. This is because the government is severely fiscally-constrained and lacks a coherent economic narrative.

The structural fiscal constraint: The government of India has been shrinking. While its total expenditure-to-GDP ratio was 12.8% in 2016-17 and will be 13.6% in 2026-27, this 0.8-percentage-point increase exactly matches the increase in its fiscal deficit during that period. The covid jump in expenditure (and deficits) and subsequent correction masks this long-term trend. Despite reasonable growth, there has been no tax buoyancy. Non-tax revenue is largely driven by large dividends paid by the Reserve Bank of India (RBI), a fiscal feature unheard of in any serious country. Disinvestment has been an utter failure. Fiscal prudence is therefore a necessity, not an unconstrained policy choice.

The move to target debt rather than an annual fiscal deficit is just optics. Indian public debt is overwhelmingly rupee-denominated. It transfers resources from Indians to their government and is hence not a 'burden' equivalent to private debt (foreign debt is a different matter). The debt-to-GDP ratio is a confusing metric—debt is a stock and GDP a flow, so tracking marginal changes in the debt-to-GDP ratio makes little analytical sense. The flow-equivalent change in debt as a ratio of GDP is fully determined by the fiscal deficit-to-GDP ratio.

Policymakers need to keep an eye on the stock of public debt because of its 'crowding out' effect, the distribution of domestic savings between the public and private sectors and RBI's conflict of interest in its roles as India's manager of monetary policy and also its government's banker. But changing the target from the deficit to the level of debt for macro-fiscal reasons is purely cosmetic.

Compensatory fiscal state: The economic focus of the central government (and also state governments) has fundamentally changed in this century. India is no longer a development state, investing in the economy and providing quality merit goods like health and education. Governments have comprehensively failed to foster inclusive prosperity, although success in this area is at the core of the economic transformations of countries like China, Vietnam and South Korea. Conversely, stagnation associated with a 'lower middle-income trap' has marked the contemporary economic history of many developing countries from Brazil and Egypt to South Africa and Thailand.

In the latter countries, public resources are increasingly directed towards compensating the majority of citizens who see no increase in their prosperity or economic security despite increasing GDP levels. This is now also the case in India. State governments do this by increasing outlays on what are called 'freebies.' In recent elections in Maharashtra and Bihar, these have proven electorally rewarding. The central government compensates at scale through subsidies and unemployment safety nets. Under the tight fiscal situation that has prevailed since 2016-17, total expenditure on food and fertilizer subsidies, employment guarantees and cash handouts to poor farmers stood at 1.52% of GDP in 2019-20 and 1.59% in 2025-26. This is larger than the entire outlay on centrally-sponsored schemes and India's water, health and education missions.

Policy coherence: The first National Democratic Alliance (NDA) government had policy coherence, as did NDA-2 up to the 2016-17 budget. A clear agenda for tax-policy reform was enunciated, political capital was devoted to substantial disinvestment and specific expenditure priorities—infrastructure and welfare support—were identified. Moreover, a fiscal discipline roadmap was laid out and a detailed financial-sector reform strategy was articulated. It was clear that import substitution and industrial policy were not priorities for the centre-right government.

This changed after 2016-17. Atmarnibhar Bharat implied import substitution, but the government claimed it had an export focus. The government first supported disinvestment and then extolled the virtues of the public sector.

This confusion is apparent in the budget for 2026-27. The speech paid scattered obeisance to manufacturing and initiatives like data centres, semiconductors and artificial intelligence. Ideally, these should have been embedded in an industrial policy covering legacy sectors and setting a target for an increased share of manufacturing in GDP.

The budget has continued with a determined quest to reform tax administration in the face of bureaucratic sloth and intransigence. While commendable, this is not enough. The macroeconomic and fiscal policy statements have no medium-term projections. The finance ministry thus has no official estimate or forecast of what GDP, sectoral shares, employment and India's current account gap will look like in 2030. But the Cabinet and government hagiographers in the media and corporate sector wax eloquent about these things in 2047. This is braggadocio, not commentary on a forward-looking budget as some seem to think.

Why did the Indian stock market respond negatively to the budget? I do not think it was because of its admittedly pointless tinkering with the Securities Transaction Tax and retention of capital-gains taxes. Markets, like many of us, are seeking an official explanation for why prosperity remains muted, real wages are stagnant and employment prospects are weak even though our GDP growth and inflation numbers are so satisfactory.

If gains are to come in the future, then we were expecting a coherent narrative about how and when all the progress being highlighted will manifest in a tangible improvement in the prosperity of all Indians. But this was not on offer. Hence, the 2026-27 Union budget disappoints. We expected and deserved better.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

OUR VIEW



ISTOCKPHOTO

A Finance Commission idea that'll serve us well

The 16th FC report makes a small but significant change in the principles governing how states should share India's common tax pool. It will incentivize better fiscal management

The 16th Finance Commission (FC) must be commended for breaking the mould of earlier FCs in what is perhaps the most contentious area of fiscal federalism: 'horizontal devolution' or how each state's share of India's divisible pool of taxes is worked out. The 16th FC's report covers four broad areas—namely, revenue-deficit grants, local-body grants, disaster-management funds and public finances—apart from the two main aspects of horizontal and vertical devolution; the latter refers to the binary split-up of taxes between the Union and states taken together. The report poses five questions. *One*, how should the share of states be allocated among 28 states over the award period of 2026-27 to 2030-31? *Two*, what principles should govern grants-in-aid to top up state revenues and how much should be given? *Three*, how to supplement the resources of states for third-tier governance? *Four*, what should be done to finance disaster-relief initiatives? And *five*, how can public finances be put on a sound footing?

To its credit, the 16th FC has tried to combine gradualism with 'directional change.' It has kept the vertical devolution to states at 41% of the tax pool, ensuring continuity, but tweaked the horizontal formula by rewarding states that have contributed more to economic growth. This addresses a key grouse of relatively prosperous states that they get too little in return for their role in expanding the economy and filling tax coffers. It also sends a signal to poorer states that they must get their acts together. This division among states has long been based on a set of criteria with each criterion assigned a weight. Population had a major weight, which gave more populous states a resource edge over those with better records on social indices. The 16th FC correctly argues that given India's growth imperative, we should tilt the criteria slightly towards efficiency. So its formula includes the share of a state's gross state domestic product (GSDP) in GDP. The rationale is that this captures the effect of various efficiencies, including efficient spending and fiscal prudence. The 16th FC takes the same approach to grants-in-aids; it breaks with the past by doing away with revenue-deficit grants altogether. By and large, earlier FCs favoured 'gap-filling': the gap between the funds a state was capable of raising on its own and what it needed for the delivery of public services would be estimated and plugged. The 16th FC recognizes that such grants have not led to policies that reduce revenue deficits, but have instead created perverse incentives. The expectation of such grants has resulted in persistent deficits arising from profligacy, with states seeing little need to address the causes of their revenue shortage.

As for local-body grants, the 16th FC has sought to incentivize speedier urbanization on the logic that this acts as a catalyst for faster economic growth. On disaster management, it has not broken new ground, opting instead to carry forward the work of the 15th FC on the rationale that we need more time to see how these arrangements are working. On public finances, the report would have the country improve its fiscal management overall, ensure the long-term stability of power distribution companies, rationalize subsidies, restrain the expansion of subsidy regimes and make public-sector enterprises more efficient and competitive. It is hard to quarrel with any of that. What makes the report stand out, however, is its directional change on horizontal devolution.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

GUEST VIEW

Budget: It cements India's allure as a reform-oriented economy

It's not a list of announcements but a coherent plan to strengthen the foundations of our growth



JYOTI VIJ
is director general, Ficci.

The budget reaffirms a defining feature of India's economic strategy over the past decade: growth anchored in reform, investment and macroeconomic credibility. Rather than announcing isolated measures, it presents a coherent growth compact built on multiple pillars to strengthen its foundations while adapting to a complex global environment.

Reform as a continuous process: A central message of the budget is that reform is not episodic but ongoing. The emphasis on a 'Reform Express' underscores an intent to keep improving the regulatory and compliance ecosystem—as we have seen with the simplification of GST, rationalization of quality controls, reduction in procedural friction and greater trust-based governance.

In an environment where businesses value predictability as much as incentives, the steady march of reforms enhances confidence, lowers transaction costs and improves productivity.

Infrastructure as the backbone of competitiveness: The budget keeps its focus on public infrastructure investment, with capital expenditure rising. This reflects an understanding that infrastructure is not merely a stimulus, but a long-term competitiveness strategy.

Investments in transport, logistics, urban infrastructure and multimodal connectivity are designed to 'crowd-in' private investment, reduce costs for industry and unlock regional growth. The focus on freight corridors, inland waterways, ports and economic regions highlights network-based infrastructure planning, enabling scale, efficiency and integration across markets.

Manufacturing that plays to India's strengths: Rather than attempting to compete across all sectors, the budget's focus is on areas where India has—or can build—enduring strengths: electronics, capital goods, chemicals, clean technologies and textiles. This sectoral focus is underpinned by a continued emphasis on self-reliance to strengthen domestic value chains, reduce critical import dependencies and enhance resilience.

Equally important is the budget's emphasis on reviving legacy industrial clusters alongside developing frontier sectors. This balanced approach recognizes that our manufacturing future lies as much in modernizing existing ecosystems as in creating new ones. By upgrading infrastructure, technology and skills in established clusters, the budget seeks to improve productivity, preserve employment and strike a fine regional balance. The focus on manufacturing is not inward-looking. It is explicitly linked to global value chains, export competitiveness and supply chain resilience, positioning India as a reliable manufacturing partner in a diversifying global economy.

Services as the next growth multiplier: The budget also gives a decisive boost to the services sector, recognizing it as a powerful engine of employment, exports and value creation. Measures aimed at education-to-employment pathways, skilling, tourism, healthcare and digital services reflect an understanding that India's demographic dividend can be fully leveraged through services-led expansion. The emphasis on emerging technologies, including AI, and their integration into services would strengthen India's position as a knowledge-driven economy.

By aligning services growth with skill development and global demand, the budget aims to ensure that our services sector is both competitive and inclusive.

Openness to foreign investment: In a world where capital flows are turning cautious, the budget sends a clear signal of India's openness to foreign investment. Proposals to simplify foreign investment rules, enhance tax certainty, expand safe harbours and support global businesses operating from India reinforce the country's reputation as a stable and predictable destination for long-term capital. The focus is not merely on attracting capital, but on embedding foreign investment into India's growth story. This approach strengthens India's integration with global markets while supporting domestic capability building.

Fiscal discipline as a strength: Perhaps the most reassuring aspect of the budget is its commitment to fiscal consolidation. The reduction in fiscal deficit and declining debt-to-GDP trajectory demonstrate that growth and discipline are not competing objectives. By maintaining fiscal prudence even while increasing capital expenditure, it enhances policy credibility, keeps borrowing costs contained and creates space for future priorities. This discipline favours macroeconomic resilience and reassures investors, rating agencies and global partners.

A high-confidence, high-credibility budget: This budget is best understood not as a collection of announcements, but as a statement of economic confidence. It reflects faith in our reform momentum, belief in the power of infrastructure-led growth, clarity about manufacturing and services priorities, openness to global capital and respect for fiscal responsibility. For industry, it offers the certainty needed to invest and innovate. For citizens, it promises improved opportunities, services and quality of life. And for the global economy, it reinforces India's position as a stable, reform-oriented and forward-looking economy.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

THEIR VIEW

The India-US trade deal is a big win for both countries

ARPITA MUKHERJEE



is professor, Indian Council for Research on International Economic Relations (ICRIER).

After a rocky ride, an India-US trade deal has finally been announced. It follows what was called the "mother of all deals" between India and the EU and Sunday's long-horizon outline of growth policies as part of India's budget for 2026-27. The budget's emphasis on competitiveness may well have done its own bit of trade diplomacy, prompting the US to reduce its tariffs on Indian exports from a whopping 50% to 18% and finalize the trade deal.

The news comes as a huge relief to Indian exporters, who now have preferential access to two of their topmost export markets—the US and EU—along with others like the UAE and UK. While the fine-print of the India-US deal is yet to be seen, the tariff announcement suggests that it will give our exporters an edge over rivals from countries such as Vietnam, for which the US agreed to a tariff reduction from 46% to 20%, or Indonesia, which faces a 19% US tariff. The deal comes at a time when exporters of labour-intensive products like garments, footwear and leather items were feeling the pinch of high tariffs imposed in 2025. Without this relief, our exports to the US may have dipped.

Like all of America's recent trade deals, this too seems to commit its bilateral partner to large purchases of US goods—worth over $500 billion in our case, including energy, technology and agricultural products, according to US President Donald Trump.

With the EU, India has already shown that agriculture is no longer a roadblock to trade agreements. In India's previous and latest budgets, import duties were reduced on some products—a few pharmaceuticals and technology-related products, for example—that may have made it easier to meet US expectations on market access. Specifically, an exemption of basic customs duty was granted on components needed for the manufacture of civilian, training and other aircraft; and also on raw materials imported to make parts of aircraft used in the maintenance, repair and overhaul of defence equipment. Products needed for nuclear power generation can enter India duty-free till 2035. Plus, the budget cut duties to zero on certain pharma products of interest to US companies. The budget's focus on high-value agriculture, with a quick mention of almonds and walnuts from our hills, may have indicated that India would open up these agri-commodities to imports from the US. The budget also had much to offer European and American express-delivery and e-commerce companies. The value limit of ₹10 lakh per consignment on Indian courier exports was removed, while issues of 'reject-and-return' consignments have been addressed.

Moreover, clear timelines were announced for fully integrated and paperless customs clearances. Most importantly, no announcement was made of the continuation of exporter-support schemes like the Remission of Duties and Taxes on Exported Products (RoDTEP) programme beyond 31 March 2026, as these had been challenged by the US. A carefully-drafted budget that focused on structural changes, enhancing competitiveness for long-term growth and signalling India's desire to remain deeply integrated with global markets—exporting more and attracting long-term investment—set the stage for this deal's announcement.

The leaders and negotiators of both deserve applause for the economic possibilities it throws open

India and the US have strong trade complementarities and a deal between the two will be mutually beneficial, no doubt. The US is easier to access as a market than the EU, if one looks at regulations and standards of labour and environmental compliance.

It would have been wonderful if the deal covered services and digital trade. As of now, this looks like a mini-deal that may have left key issues such as H-1B visas for later discussion. Even within the ambit of goods trade, it may not have covered issues like phytosanitary measures and technical barriers to trade. However, it sets the stage for a dialogue-based trade partnership.

Like all recent US deals, this one too is not about trade negotiations alone. It has strong geopolitical significance, be it about India having to reduce its oil imports from Russia or buying American energy and technology. With EU exporters getting preferential market access to the Indian market, it was in the interest of American companies to get this deal closed at the earliest. It was also eagerly awaited by Indian exporters that could not have diversified their export destinations overnight.

While questions could arise over its nitty-gritty, coverage, depth of commitment and compliance with World Trade Organization rules, it is likely to be implemented right away, unlike many of India's other trade deals. That's a major plus point.

Exporters are hopeful that India has been able to persuade the US to reduce its 50% tariff on steel and aluminium that was imposed in June under America's Trade Expansion Act of 1962. The UK's trade pact with the US had got it down to 25% for these metals made in the UK. In general, while Japan and the EU face only a 15% US tariff for most products, India has done pretty well in comparison with its direct competitors.

The leaders and trade negotiators of India and the US deserve our applause. The deal not only broadens the bilateral partnership's scope, it also opens up greater space for strategic engagements in other forums. US tariff threats over the past year had pushed India to globalize faster, with New Delhi showing a new urgency to clinch trade agreements. Now the US deal should help ease our path towards a Viksit Bharat by 2047.

These are the author's personal views.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

OUR VIEW



AP

The India-US patch-up is a wonderful surprise

Observers had all but given up on a trade accord with America. But wonders never cease. We need not take Trump's executive summary of it too literally to count on a raft of gains

It is good news that the US has lowered its import duty on Indian goods from 50%, a truly punitive rate, to 18%. A trade deal is expected to be sewn up anytime now. Its significance goes beyond the impact of a lower US barrier for our exports. Indeed, it signals an end of the rift between India and the world's largest economy and mightiest power. That rupture had cast a long shadow of risk on all manner of American economic dealings with India, from setting up factories here to investing in our capital markets. No wonder Indian stock market indices shot up in relief. Earlier, US President Donald Trump's apparent indifference to a weakening dollar had sent US markets into a slump, dragging markets elsewhere down, ours included. Now that it is clear that India-US relations are back on an even keel, Indian equities have rallied. It is a sign of the mutual gains expected should our bilateral trade take the trajectory that was once envisioned—with Indian manufacturers drawn into the loop of American supply chains. For now, labour-intensive industries that were reeling under Trump's tariffs have reason to rejoice.

As reported, the contours of an India-US pact had been thrashed out earlier; even its finer details had been falling into place, with some divergences over US access to Indian markets for agri-products the last bits left to address. What got in the way, it seems, was Trump's ire over India's oil imports from Russia. He has portrayed his sudden rethink as a result of a concession that he claims to have extracted from New Delhi—that our Russian shipments would stop. In any case, US sanctions had imposed a squeeze, although that did not mean Russian oil had no way of finding its way here. Shadow fleets are known to ship crude from Russia's ports along circuitous routes that obscure the cargo's origin. So while the White House may seem bent on foisting American and Venezuelan crude on India, our refiners need not end up short of options. Venezuela's oil may take a long time to flow, given the state of its hydrocarbon industry, but once it does, we could handle it. We have several refineries that can refine the kind of heavy and sour stuff it ships. Reliance, for example, once used to buy its crude and could plausibly resume.

In terms of geopolitics, what's notable about this patch-up is that Trump's negative disposition towards India over last summer's ceasefire with Pakistan now seems like a thing of the past. But then, India's efforts to get by without a US deal may have played a role in it. New Delhi has doubled down on a mission to globalize its economy with a flurry of trade pacts with various partners. One in the works with the EU could not have gone unnoticed; nor some of our budget measures aimed at greater integration with the global economy. Going by Trump's social-media post, he expects India to import $500 billion worth of US goods over an unspecified timeframe. For our bilateral trade balance not to go out of whack, that would require a jump in our exports to the US. As for his claim of India offering duty-free market access to US exporters, we await the deal's details. Our approach has been to lower tariffs gradually and that's unlikely to change. Also, the government cannot afford to alienate farmers, so agri-imports will be under close watch. On the whole, though, an economy that is more open to trade is also more likely to perform better globally. If we get our act together, lowering barriers should serve us well.

04 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

The budget's reforms brighten our trade prospects significantly

It creates a framework for competitiveness that will help India maximize the value of its trade deals



CHANDRAJIT BANERJEE
is director general, Confederation of Indian Industry.

India's budget for 2026-27 has been presented at a time when the global landscape is being reshaped by geo-political fragmentation, supply chain reconfiguration, rising protectionism and unprecedented trade-policy uncertainty. Given the global backdrop, the budget reflects a clear strategy of sustaining India's development agenda while addressing emerging vulnerabilities and transforming external pressures into opportunities to strengthen the foundations of the economy's long-term competitiveness.

The proposed scaling up of strategic and frontier manufacturing sectors such as biopharma, semiconductors, electronic components, rare earth magnets, chemicals, capital goods and containers will support industry's needs. It expands our export-manufacturing base while deepening domestic value addition and reducing critical import dependencies. This reinforces confidence in the Centre's 'Make in India' strategy, which is slowly evolving into a global-oriented manufacturing vision. Moreover, the long-awaited India-US trade agreement will be a game-changer for India's economic trajectory. It will turbo-charge exports, deeply embed India into global value chains and unleash the full potential of our manufacturing sector. By restoring investor confidence and catalysing large-scale investments from both countries, the agreement will redefine the India-US economic partnership. Most importantly, it will fast-track India's $1 trillion export ambition across goods and services and serve as a critical pillar in realizing the vision of a Viksit Bharat by 2047.

Setting up capacities in SEZs involves significant investment and risks due to global demand changes, currency fluctuations and protectionism. Current regulations prevent SEZ units from using unused capacity for domestic demand. A special one-time measure to facilitate sales of eligible manufacturing units in SEZs to buyers within the domestic tariff area at concessional rates of duty is particularly significant. In a period of global demand volatility, this flexibility enables SEZ units to maintain capacity utilization, protect employment and manage cash flows while retaining their long-term export orientation. This reflects a realistic understanding of how export ecosystems must be sustained during external shocks.

India's educated youth and strong IT base provide a recipe for services-led growth. Given trade uncertainty in goods, the budget strengthens India's services strategy. The proposed High-Powered Committee on Education-to-Employment-and-Enterprise will prioritize areas to optimize services growth, employment and exports. This target is to make India a global leader in services with a 10% global share by 2047. Supportive tax holidays for foreign firms that provide cloud services to global customers and the provision of safe harbour to data centres are expected to attract FDI in the coming years.

The scheme to establish five Regional Medical Hubs in partnership with states and the private sector shows how sectoral interventions can create export opportunities. These integrated healthcare complexes, combining medical, educational and research facilities with Ayush centres and medical tourism infrastructure, will help capture global demand for quality healthcare services.

The future of trade is green, as global recognition rises of the need to address the environmental impact of industry and trade. Carbon-intensive sectors are under growing pressure to reduce their emission intensity. In a decisive response, the budget allocates ₹20,000 crore over the next five years for carbon capture, utilisation and storage technologies across the sectors of power, steel, cement, refineries and chemicals. This will directly complement India's recent conclusion of a free-trade agreement (FTA) with the EU and strengthen the competitiveness of sectors impacted by its Carbon Border Adjustment Mechanism. By doing so, the budget treats sustainability not as a constraint, but as a driver of long-term competitiveness and resilience for Indian industry.

The budget's exemption of basic customs duty on capital goods for critical mineral processing, along with tax deductions for exploration, supports domestic capacity creation and strengthens participation in global supply chains.

The ₹10,000 crore, five-year container manufacturing plan aims to reduce import dependence, ease supply-chain shortages and boost efficiency for exporters and importers. It will also generate skilled jobs, build a supporting ecosystem and strengthen India's role as a reliable global partner for container manufacturing.

India's budget for 2026-27 focuses on boosting growth through infrastructure and manufacturing, with capital expenditure of ₹12.2 trillion and initiatives like high-speed rail and semiconductor missions. It provides clarity and confidence to Indian Industry.

Building a strong future would require reducing critical dependencies, enhancing domestic capacity and also building India's global capability by expanding its export base, improving competitiveness and capturing new opportunities created by FTAs, including the recently announced deals with the UK, EU and US.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

MY VIEW | ECONOMIC GRAVITY

The budget combines strategic ambition with fiscal discipline

Markets that tend to focus on short-term interests may be beginning to recognize the budget's long-horizon growth impetus

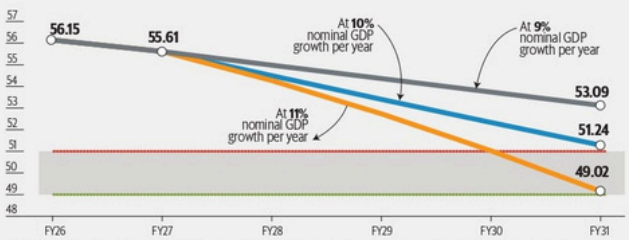


PRACHI MISHRA & SHOHAN MUKHERJEE
are, respectively, professor of economics at Ashoka University and head of Ashoka Isaac Center for Public Policy; and a research associate at Observer Research Foundation.

India's debt challenge

Achieving India's debt target could be tough if nominal growth falls short.

Expected trajectory of central government debt as a percentage of GDP, in various growth scenarios.



Note: Growth figures refer to nominal GDP. Interest rate on debt has been assumed to rise from 6.4% in in FY27 to 6.8% by FY31. Fiscal consolidation has been assumed to follow a declining primary deficit reduction of 0.06% of GDP every year.

Source: Union Budget 2026-27, author calculations and projections

mint

GOPAKUMAR WARRIER/MINT

Markets don't always get it right, especially not immediately. India's 2026-27 budget sparked an initial selloff, with investors obsessing over the government's elevated headline borrowing. Indices recovered soon after, aided by positive news on a trade deal with the US. What marks the budget out is its fiscal discipline and strategic ambition. It reveals a government betting on India's long-term trajectory. After years of successful fiscal consolidation, India is channelling resources towards an essential capacity build-up: infrastructure that works, human capital that competes globally and institutions that enable growth.

Following the 2025-26 pattern, operational spending—administrative costs, central government programmes and overheads—will grow slower than the economy. Revenue spending will continue to fall while interest payments are expected to be contained—both as a proportion of GDP. Revenue expenditure includes grants for capital spending by states. Accounting for these, the effective capital-to-current spending ratio is expected to approach 50% in 2026-27 from less than 40% in 2025-26.

Revenue compression stems from tax measures, with income tax and GST reductions putting money back into citizens' pockets and stimulating consumption. This has pushed tax buoyancy below one, with a sustained decline expected ahead. Non-tax revenues in 2025-26 beat expectations primarily through telecom licence fees and spectrum charges, which more than doubled. The budget expects these to moderate in 2026-27. Both revenues and expenditures are budgeted to contract sharply relative to GDP—the former by 0.25 percentage points and the latter by 0.30, yielding a 0.05 percentage point fiscal deficit reduction.

What makes these fiscal choices credible is a conservative nominal GDP growth assumption. Building in modest expectations for inflation and the GDP deflator, the budget positions itself to surprise on the upside rather than disappoint. Historical data on tax buoyancy and deflators suggest this caution is well-founded. Prudent budgeting builds credibility with markets and rating agencies. The Centre's debt anchor, as outlined in the medium-term fiscal plan, could, however, be tough to achieve if nominal growth surprises on the downside (see graph). Moreover, with states' overall debt at 28% of GDP, sovereign borrowing remains high, and that's what markets and credit rating agencies ultimately care about.

Several green shoots deserve attention. Fertilizer and food subsidies have fallen while infrastructure investment continues. These have helped the government's fiscal strategy, which it has anchored by laying out its debt trajectory, enhancing credibility. With nominal GDP growth projected at 10%, even a modest 0.05 percentage point reduction in the fiscal deficit represents meaningful progress. Most encouragingly, the budget has moved away from pre-poll spending bonanzas. This restraint reflects a maturing political economy where long-term stability trumps short-term electoral considerations.



PTI

The embedded reform agenda addresses fundamental structural challenges. On employment, the government aims to more than double India's global services share to 10% by 2047. Tourism is positioned as a growth and employment driver, alongside export promotion for labour-intensive manufacturing, including textiles and leather goods. Duty-free imports for specified inputs should enhance competitiveness while new textile parks provide dedicated infrastructure expansion.

A bold play for foreign direct investment offers a tax holiday up to 2047 for cloud service providers, signalling India's determination to become a digital infra hub and capture a larger share of tech supply chains. Alongside these digital ambitions, urbanization receives attention, recognizing that India's growth story will increasingly be written in its cities. Complementary investments in research, education and skilling will build human capital necessary for high growth in an increasingly knowledge-intensive global economy.

Markets initially responded negatively. Bond vigilantes reacted to the gross borrowing figure of ₹17.2 trillion, which appears elevated. However, net borrowing tells a more balanced story and the gross figure may be overestimated. Small savings have historically funded a chunk of the government's borrowing, reducing actual bond issuance. The negative market reaction could reflect unrealistic expectations as well as higher taxes on financial transactions such as on derivatives.

This highlights a critical distinction between short-term market movements and long-term reform. Markets often prize certainty and immediate visibility over structural changes that take time to bear fruit. The budget's emphasis on "ecosystem reforms," aimed at creating conditions for private sector dynamism rather than state-led growth, represents exactly the unglamorous but essential work markets may initially under-appreciate but reward handsomely over time.

Two issues warrant attention. Interest payments have risen sharply as a proportion of revenues, reflecting the accumulated debt burden and a high interest-rate environment. This constrains fiscal flexibility and makes consolidation pertinent. Also, divestment targets have risen sharply, possibly reflecting projects at advanced stages but raising questions about expectations, given past challenges in achieving targets. Execution will be key.

The budget's significance extends beyond its immediate fiscal arithmetic. It reflects the government's priorities and reveals its theory of economic development. What's striking is how it refrains from using external conditions as an excuse. Instead, it keeps its head down and focuses on process and institutional reforms to sustain growth.

India's economic challenges are primarily domestic: improving the ease of doing business, building infrastructure, enhancing human capital and creating an environment where entrepreneurs can thrive. By focusing on these fundamentals rather than crafting a narrative about India's global moment, the budget demonstrates a seriousness of purpose that should over time win both market confidence and attain developmental success. The path forward requires patience: the budget charts a credible course for sustained, inclusive growth.

These are the authors' personal views.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MINT CURATOR

India's trade deal with the US: What about agri divergences?

It's good news for India though we await details on sticky points



ANDY MUKHERJEE
is a Bloomberg Opinion columnist covering industrial companies and financial services in Asia.



Deal success: Modi and Trump both have reason to smile. PTI

After more than five months in US President Donald Trump's tariff prison, India is finally free. The punitive 50% duty that was threatening its manufacturing industries will fall to 18%, a tad better than key rival Vietnam's 20%. It's also a discount on the 26% reciprocal rate Trump had announced for India last April. Overall, this is a great moment for Prime Minister Narendra Modi.

But before celebrations begin in New Delhi, the deal announced on social media by Trump and confirmed by Modi needs signatures. It also needs clarity about what the two leaders have actually agreed to. For India, the threat of losing access to its biggest export market hasn't been an entirely bad thing. The isolationism hubris that had crept into New Delhi's approach to global trade has received a welcome jolt. The pressure from domestic industry to find alternatives to the American consumer has led to separate trade accords with the UK and EU. The latter pact will dismantle some of India's more egregious non-tariff walls—built around quality control.

Modi has also started mending ties with China's President Xi Jinping, frayed since the eruption of border hostilities in 2020 and aggravated by Chinese military support of Islamabad during last year's conflict between India and Pakistan.

But there were problems. For three decades, India has cultivated the US as its buyer of first resort—not only for textiles, shrimp, jewellery and other labour-intensive industries, but also for its software services. A twin-pronged attack by the Trump administration on trade and work visas for Indian techies was upending the broader relationship. This wasn't just some vague threat: New Delhi's budget for 2026-27, released on Sunday, had markets worried about the fiscal cost of insulating the economy from Washington's wrath.

That pall of gloom should lift and the risk of getting ousted from the US sphere of influence fall, provided that all the wrinkles that have been holding up the deal have been ironed out. But have they? Trump's post says that Modi has "agreed to stop buying Russian Oil, and to buy much more from the United States and, potentially, Venezuela." Modi's acknowledgment of the accord, however, makes no mention of Russian oil. Has India agreed to an immediate halt, or a staggered drop?

Ethane, a byproduct of US shale gas, is attractive as a feedstock for Reliance's petrochem business. Its refinery can handle Venezuelan heavy crude too. But when it comes to supplying petrol and diesel to 1.4 billion consumers, will state-owned Indian refiners be allowed to switch to Iranian barrels when Trump has threatened to impose a 25% tariff on countries doing business with Tehran? The actual contours of the Trump-Modi pact may have ramifications not just for India's energy security, but also for the global oil and gas market.

Trump said that India will "move forward to reduce their Tariffs and Non-Tariff Barriers" against the US to 'zero' as well as purchase over '$500 billion' of US energy, technology, agricultural, coal and other products. Are weapon systems part of the pact to reduce India's traditional reliance on Moscow? Is unrestrained access to advanced AI chips on the table? Will US e-commerce platforms like Amazon.com be allowed to carry their own inventory? Once again, details are important.

Take agriculture. Will India relax its ban on genetically modified food crops when they aren't allowed to be grown at home? India mixes 10 billion litres of ethanol with petrol annually—enough to absorb a hefty chunk of the corn harvested in the US Midwest. But US corn in Indian motorists' gas tanks won't be an easy sell.

It's hard to preach the virtues of free trade to local farmers if they aren't allowed to benefit from it. After Russia invaded Ukraine in 2022, the government forced Indian wheat producers to withdraw from the global market to feed the local population. With a recent one-off exception, that ban on exports still remains in force. Opposition parties will scrutinize India's give-aways on agriculture especially closely.

India drove a hard bargain with Brussels on a more liberal visa regime for its students to seek work in Europe. The reason has been clear. With the US taking a hard stance on foreign-born employees, India's politicians and bureaucrats needed an alternative.

However, for them—and the ruling party's urban middle-class supporters—the draw of the US talent market remains undimmed by the surge in Immigration and Customs Enforcement (ICE) crackdowns. With Indians accounting for 70% of H-1B work visas, any concession from Trump on the $100,000 fee per new employee will play well for the Indian government at home, provided it has managed to swing it. ©BLOOMBERG

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

OUR VIEW

ISTOCKPHOTO



New panel on banking: What it should focus on

The budget announced a high-level committee to review this sector. It should place strategic liability management and banks' grievance redressal mechanisms at the top of its agenda

Finance minister Nirmala Sitharaman announced the formation of a "high-level committee" on banking in her budget speech for 2026-27. While she offered no details, the FM did say that this panel would be tasked with reviewing the banking sector and aligning it with India's next phase of growth. It is nobody's argument that banking reforms are not overdue. The sector's health reflects the state of the broader economy and there are enough signs of it being misaligned with the national ambition of achieving 'developed' status by 2047. There are problems in liquidity management, with liability management calling for a strategy revision. The gap in governance between public and private sector banks has widened. Human resource policies for hiring, training and retention are outdated. Perverse incentive structures have led to a pile-up of consumer grievances. And there are other issues that await redressal. Finance ministry officials have indicated that among other things, the committee will re-examine bank licensing norms—including whether to let corporate houses get them—and the possibility of another round of mergers among public sector banks (PSBs).

Letting corporate houses run banks might be a bit premature at this stage, given the current volatility in geopolitics and geo-economics. There are other reasons for caution: it could plausibly worsen uncertainty in the liabilities market and amplify risks to systemic stability. The banking industry's credit-deposit ratio recently crossed the 81% mark and set off alarm bells. Banks are seeing a steady shift in deposits to alternate asset classes, with incremental deposit growth in a struggle to keep up with incremental credit. This has already begun to cast a cloud on credit-expansion sustainability. Banks have had to rely on dearer sources of money—such as bonds or commercial paper—to fund their loans, which has affected margins adversely. While new licences for private corporate players may step up competition in the sector, today's scramble for deposits—what new entrants are likely to be eyeing—would suddenly intensify and drive up every bank's cost of funds, which could slow loans down and spell instability as profits dry up (or assets sour—in a worse case). The panel should instead examine how to align the sector's liquidity-management framework with a new strategy for liabilities—the money that banks borrow to lend. The need for PSB mergers 2.0 seems to contradict the clamour for more banks to widen and deepen credit delivery. The panel should look closely at whether the system has enough credit-delivery platforms or the economy needs broader growth impulses to expand credit.

The new panel's other focus should be on flawless customer service, linked as it is to resource mobilization for loans. Poor service and faulty mechanisms for grievance redressal afflict private sector banks even more than PSBs. The problem can be traced to incentives for customer-facing officers to aggressively sell third-party insurance and mutual fund products; with hefty commissions involved, restraints on mis-selling these packages seem weak. Often, officers are set 'stretch' targets for credit-card issuances or unsecured retail loans, raising default hazards. As Reserve Bank of India Governor Sanjay Malhotra had noted in the context of financial stability, inadequacies of grievance redressal need to be tackled. In sum, there are many ways in which the sector could let us down—but must not.

05 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

India's reform agenda must aim to free up urban land

PRITIKA HINGORANI & VISHNU VENUGOPALAN



are, respectively, CEO (India), Artha Global, and fellow, Harvard University.

India recently notified the long-awaited modifications of its labour laws, streamlining outdated and punitive regulations that had raised the cost of doing business and discouraged scale. As states begin to operationalize the new codes, there is optimism that simpler rules will encourage the formation of new firms, investment and formalization. As these changes take effect, a parallel and equally consequential part of our reform agenda remains untouched: deregulation of India's urban planning and land-use regulations that are just as archaic and distortionary as our labour laws were.

Like our old labour laws, land regulations raise business costs invisibly but significantly, incentivize informality and inhibit scale. Unlike capital and labour, which can be optimized to drive productivity, land is a finite resource that cannot be substituted. When neighbourhoods cannot add housing, cities cannot expand mass public transport and peri-urban growth is unplanned, productivity and affordability suffer. If labour reform is expected to spur job creation, planning reforms must unlock physical space for growth.

What does the failure of spatial regulation look like on the ground? Satellite imagery offers a picture of our urbanization patterns. Cities have long outgrown their municipal boundaries—as thriving cities do. As economic activity spills into surrounding rural areas, built-up land expands in haphazard ways, with irregular plot subdivisions and almost no land secured for arterial roads, public use or mass transit. The actual 'economic unit' in which people live and work exceeds the administrative unit for planning and governance. While statutory development plans are meant to guide orderly urban expansion, they are often delayed, far too prescriptive and ultimately unenforceable.

A second mismatch is between how agglomeration works and our planning system operates. India's industrial growth is clustered in regions that span district and state boundaries. This is a globally familiar pattern. According to the China Integrated City Index, by 2022, 19 megalopolises contributed 88% of GDP and housed 82% of China's population; the three largest—the Yangtze and Pearl River Deltas and the Beijing-Tianjin-Hebei region—contributed 36.2% of GDP with 23.5% of the population. Similar trends are visible in the US, where Silicon Valley, the Boston-Cambridge corridor and New York region account for a large share of GDP. India too has economic clusters, like the Mumbai-Pune-Nashik corridor and the Apple ecosystem in Tamil Nadu's Hosur-Bangalore belt. Yet, with few exceptions, metropolitan and regional planning is absent, fragmenting labour markets and raising supply chain and logistics costs.

Land supply constraints get in the way of productivity, inclusion and economic growth

A third pressure point is rising demand for space within cities as firms and households multiply. Accommodating this demand requires the liberalization of floor-space-index rules, together with improvements in mass transit systems and public spaces, particularly streets. Done correctly, densification enables compact walk-to-work urban zones, which improves productivity and affordability while reducing carbon emissions. Indian cities, however, oscillate between two failures; they either resist densification, thereby increasing costs and the urban sprawl, or allow it without requisite investments in streets and other public amenities, leading to congestion.

An improved public realm should be a crucial aspect of our reform agenda. Global evidence shows well-functioning cities use 60% of their land for buildings and 40% for streets, parks and shared infrastructure. Bimal Patel's research shows Indian cities use land very inefficiently, with only a quarter of it under buildings; another quarter, often less, is occupied by streets and 45-55% wasted in 'setbacks' (mandatory construction distances from streets etc), private spaces and compounds. Combined with one of the most restrictive floor-space index limits globally, this leaves scarce urban land underutilized.

Our outdated planning regime manifests itself in high prices and limited mobility. The Centre for Social and Economic Progress calculates a price-to-income ratio of 11 for formal-sector housing in India, while the US, Australia and Germany have figures of 3.6, 7.6 and 9, respectively. As Artha Global's own work on supply constraints to affordable housing shows, the reasons are often structural, including constrained land supply. In 2011, our urban housing shortage of 11 million units roughly matched the total vacant urban units, partly on account of weak rental policies, but often because these units were too far from workplaces and transit points. While large businesses internalize costs through self-contained campuses—hardly an ideal solution—smaller firms need better land markets so that workers can live and commute within reasonable limits.

Change is possible. China and South Korea, for example, invested in regional planning to identify growth hotspots and secure land as well as transport corridors in advance. Greater Tokyo's well-managed densification means that 90% of its 37 million population lives within 20 minutes of a transit station. For India's newly unshackled firms to grow, system-level reform and deregulation of planning is vital. We must enable orderly urban expansion, greater densification and productive regional economies. This is not a niche urban agenda; it sits squarely at the heart of productivity, inclusion and sustained economic growth.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

THEIR VIEW

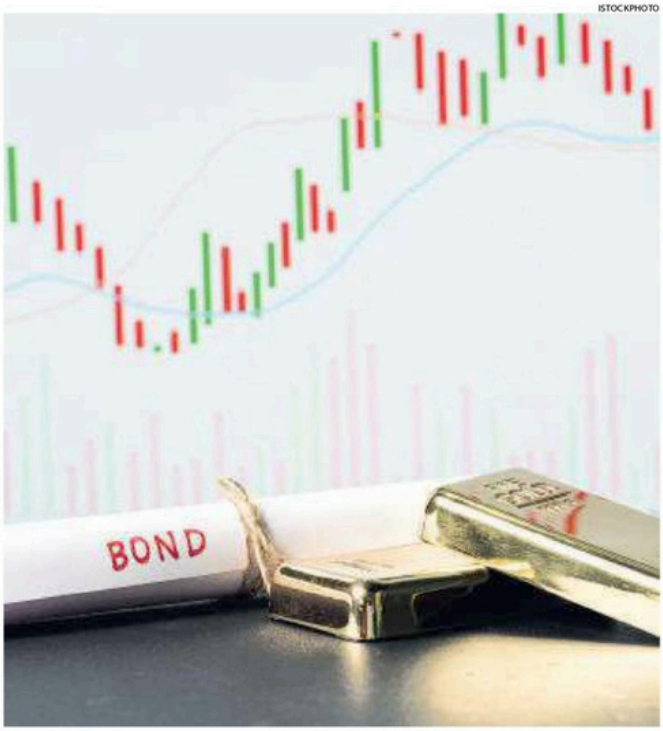
India needs a smarter financial system rather than a bigger one

The budget's measures to deepen market infrastructure and mobilize long-term funds could strengthen India's bond ecosystem



SAUMITRA BHADURI
is professor, Madras School of Economics

ISTOCKPHOTO



India's budget for 2026-27 signals a growing recognition that its financial challenge is no longer one of scale alone, but of structure and effectiveness. Measures such as the introduction of a market-making framework for corporate bonds, the development of total return swaps and bond-index derivatives, incentives for large municipal bond issuances and the creation of mechanisms such as the Infrastructure Risk Guarantee Fund and real estate investment trusts (REITs) linked to central public sector enterprises (CPSEs) point to an attempt to deepen long-term, market-based finance and improve risk distribution beyond banks. These initiatives reflect an emerging policy shift away from volume-driven credit expansion towards improving market infrastructure, liquidity and institutional participation.

India's economic story is often told through large reassuring numbers: trillion-dollar GDP milestones, record tax collections, booming equity markets and the distinction of being the world's fastest-growing large economy. Yet, these headlines mask a less comfortable reality. For large parts of the economy, finance still does not work as it should. Recent debates on credit growth, capital markets, housing finance and regulation raise a major question: Does India need a larger financial system or a more effective one?

At first glance, Indian data on corporate indebtedness seems to argue for scale. India's non-financial corporate credit-to-GDP ratio remains around 55–60%, far below China's nearly 180% and well below most advanced economies. This gap is often interpreted as evidence of financial underdevelopment. However, depth is not simply about the quantity of credit. What ultimately matters is how finance is structured: Who receives credit, at what maturity, how risks are shared and whether savings are transformed into productive capital.

India's score on the IMF's Financial Development Index helps clarify this distinction. India has made undeniable progress. The index rose from roughly 0.12 in the early 1980s to about 0.54 by 2020, a fourfold increase. However, this improvement was driven largely by gains in efficiency, liberalization and market functioning, rather than by sustained balance-sheet expansion. Since the mid-2010s, momentum has slowed. The depth of financial institutions has stagnated, reflecting weak growth in long-term credit. Equity market liquidity and turnover lifted efficiency scores, but market depth remains constrained. India's corporate bond market is only about 18–20% of GDP, far below China's 40–45% and the 80–120% typical of advanced economies. The index thus reveals a system that has largely exhausted the easy gains from reform but has yet to transition to the next stage of development built on long-duration risk capital.

Household balance sheets illustrate the problem starkly. Nearly 80% of Indian household wealth is concentrated in real estate and gold, with bank deposits accounting for much of the rest. Property is perceived as safer, transaction costs discourage churn and long-term financial products often appear complex and opaque. The result is a paradox: India saves a great deal, but those savings do not reliably become productive investment.

Corporate finance shows a similar imbalance. India's corporate credit ratio—credit to non-financial firms as a share of GDP—stands at only about 50%. In China, it exceeds 110% and in advanced economies, it typically ranges between 70% and 100%. Shallow corporate bond markets force firms to rely on banks and internal accruals. This matters because bond markets provide long-term funding, price discovery and risk dispersion. When they are underdeveloped, banks are forced to carry risks that should be spread across investors, making lending cycles volatile and credit cautious.

The latest budget explicitly acknowledges this constraint by focusing on the post-issuance ecosystem of corporate debt. The proposed market-making framework, together with total return swaps on corporate bonds and derivatives based on corporate bond indices, seeks to improve liquidity, price discovery and risk-sharing. These functions are essential steps if bond markets are to complement bank lending in providing necessary risk capital to achieve the 2047 Viksit Bharat vision.

The sharpest contrast with mature financial systems lies in institutional investors. Pension and insurance assets in India together amount to less than 30% of GDP. In countries such as Canada and the Netherlands, these pools exceed 150–200% of GDP. This patient capital finances infrastructure, housing and energy transitions without overwhelming banks or public budgets. India's lack of such depth explains why long-term projects remain dependent on banks and the state, and why financial deepening often stalls. The budget attempts to address this gap through complementary asset-creation and risk-mitigation mechanisms. The Infrastructure Risk Guarantee Fund is intended to partially de-risk long-term infrastructure lending, while the proposed recycling of CPSE real estate assets through dedicated REITs aims to expand the supply of stable, yield-generating instruments suited to institutional portfolios. These measures seek to align long-term savings with long-maturity investment needs.

India has excelled at transactional liquidity. Digital payments have transformed daily economic life and made payments a near-frictionless public utility. However, balance-sheet liquidity, essential for the capacity to absorb and distribute risk, remains thin. In mature systems, shocks are cushioned across layers involving banks, bondholders, insurers, pension funds and capital markets. In India, risk still flows back to banks and ultimately the sovereign. This is why credit booms are often followed by painful clean-ups. Capital was not absent; risk-sharing mechanisms were.

The budget's measures aim to deepen market infrastructure, expand the set of financing instruments and channel long-term funds into infrastructure and real estate. This should strengthen the broader bond-based financing ecosystem.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

MINT CURATOR

Capital controls are creeping back: Look at Indonesia's case

Jakarta has begun tightening rules and others could follow suit



MIHIR SHARMA
is a Bloomberg Opinion columnist.



Indonesia's bet is that capital inflows won't be deterred by its new exit barrier. AP

Back in the day, when a country's currency was under pressure, the worst thing it could do was impose capital controls. Stopping money from leaving might work temporarily, but it would cause investors to lose faith and shut the country out of financial markets in the long run. In a *laissez-faire* world of globalization, nothing could be worse than that.

Indonesia is challenging that assumption and may prove that we operate in a completely different global economy now. Last month, the rupiah hit a record low, driven by worries about President Prabowo Subianto's economic policies. He seemed willing to widen the fiscal deficit, which was higher in 2025 than it has been for two decades (excluding the pandemic years). And the nomination of his nephew to the central bank's board didn't help. MSCI last week warned the market may be downgraded to frontier status unless transparency improves, prompting a flurry of activity from regulators to try and shore up confidence. The benchmark Jakarta Composite Index fell 5.1% Monday.

At the same time the rupiah was falling, Indonesia announced a tightening of rules governing how exporters are allowed to spend their money. From January, companies in the country's natural resources sector will have to keep the foreign exchange they earned locked up in state-controlled parts of the financial system for at least a year. Only half of what they deposit can be used, once it is converted into rupiahs, to pay down loans or buy more inputs.

This is a significant escalation of Jakarta's attempts to control how export revenue is used. Over the past few years, policymakers have focused on trying to figure out how to ensure that the country's mineral wealth—particularly from nickel, of which it is the dominant producer—can be put to work elsewhere in its economy.

But this latest effort reveals a growing threat to the assumptions of globalization. It is a move that its peers in Asia and elsewhere might adopt. The bet that Indonesia's leaders are taking is simple: They will be able to keep the dollars they earn at home, bolstering reserves and easing the governments' ability to finance spending, and investors will still be interested.

This is a pretty big wager—especially when your stock market has just lost $80 billion in the worst sell off since the Asian crisis of 1998. But it is one that its peers will be watching carefully. Malaysia used to compel its exporters to convert most of their foreign exchange to ringgit; Thailand has gone in the opposite direction, loosening controls on the repatriation of export earnings, but that's because it is trying to prevent the baht from strengthening. Either way, it looks like management of exporters' foreign-exchange earnings will become a standard part of the Asian toolkit.

For countries that believe they are irresistible to investors, controlling the outward movement of capital is tempting. Under globalization's harsh rules, such controls should cause future investors to look elsewhere. But Jakarta seems positive that, come what may, people will need its nickel and its palm oil, and keep putting money into the country to get those resources out.

They may be right. The International Energy Agency predicted in 2021 that the demand for nickel would increase 20 times in 20 years. Other metals like cobalt and lithium will see similar increases. With numbers like these, places at the centre of the critical-minerals rush over the coming decades could well lock up profits for a year or more and still see investment flow in.

Other countries might be confident in different ways. India, for example, believes that the size of its domestic consumer market will keep foreign companies interested. Over time, New Delhi has raised taxes on how much local major multinational corporation subsidiaries can pay their home offices in return for the use of their brand names and technology. It's currently at 20%, and may well increase in the future, perhaps to the Philippines' 30%.

Emerging-market policymakers will point out that, conceptually, this isn't that different from how, say, the EU views the profits that big US tech companies make. As their access to markets in the West narrows, they are going to look for some way to balance the relationship.

New-age capital controls are just another way in which the fragmentation of the global economy, the growth of supply-chain bottlenecks and the re-emergence of industrial policy is going to make things tough for investors. It's no longer your decision entirely how you spend your earnings; states will step in, when they can, to repurpose that cash to their own ends. Once, the world economy seemed as simple as a spreadsheet. Now it's a lot more complicated.

©BLOOMBERG

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

India's rural job guarantee overhaul needs a trial run

VIDYA MAHAMBARE & VIVEK JADHAV



are, respectively, Union Bank Chair professor of economics, Great Lakes Institute of Management, and assistant professor, Institute of Management Technology.

The recent budget marks a shift in India's approach to short-term state-backed employment support. It has reduced funds for the scheme under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which is expected to be phased out, to ₹30,000 crore from last year's spending of ₹88,000 crore and allocated over ₹95,000 crore to the new Viksit Bharat Guarantee for Rozgar and Ajeevika Mission-Gramin (VB-G RAM G) scheme that will replace it. What explains this shift and what is its context?

In 2004, India made a distinctive choice: an unconditional public employment guarantee for rural citizens. Most countries, up to that point, had relied on conditional income support or unemployment assistance during periods of distress. The backdrop was the NDA government's defeat in the 2004 election. Despite strong economic growth, rural India had not fared well. So the new UPA government chose a universal, demand-driven employment guarantee that entitled rural residents to 100 days of work with no pre-conditions. If work was not provided within 15 days of a demand, an unemployment allowance was payable, though this was rarely enforced.

In short, MGNREGA was based on the fact that meaningful jobs in rural India were scarce. Any reform of this scheme should start with an assessment of that premise. What is the current evidence on MGNREGA and rural employment in general?

About 2.2% of working-age (15-59 years) women and 0.13% of men in rural India in 2023-24 reported being engaged in 'casual wage employment in public works'—a good proxy for MGNREGA employment, as per our calculation based on Periodic Labour Survey data. That is 8.5 million women and 0.5 million men. Administrative MGNREGA data shows that average household participation is only about 50 days of work per year.

How large is the pool of unmet demand for work under MGNREGA that remains invisible in the scheme's official statistics? This can be inferred from rural unemployment rates. In 2023-24, 2.5% of working-age men in rural India were unemployed: that is, they were looking for work but did not find it. Women's unemployment was also low, at 1.2%. However, this masks the fact that around 37% of women were not seeking work, partly discouraged by the unavailability of suitable jobs. In contrast, less than 2% of men were not looking for work.

Employment data, however, cannot fully capture alternative job opportunities, since people may choose not to take up available jobs and instead opt for MGNREGA work. Wage data can offer an important clue: if wages in other occupations, especially in farming-related work, are significantly higher than MGNREGA wages, it suggests workers could have taken up that work.

While the average MGNREGA nominal wage rose from about ₹133 in 2013-14 to ₹253 in 2024-25, market wages for other rural work were higher over that period. As per official numbers, by 2024-25, all-India average daily wages were about ₹398 for male general agricultural labourers (₹316 for women) and ₹441 for male construction workers (₹343 for women). Our analysis indicates that when farm wages were ₹150–200 higher on average than MGNREGA wages, many workers chose not to take up farm employment, perhaps because of its greater physical demands. Implicitly, the formulation of VB-G RAM G suggests that MGNREGA has come to be preferred over farm work, which may explain why the new programme has a provision for suspending it during peak harvest periods. So, during those months, if there is no non-farm or public-work employment available, then the trade-off for rural labour becomes either zero earnings or farm wages.

QUICK READ

The budget has reduced funds for the MGNRGA scheme to ₹30,000 crore and allocated over ₹95,000 crore to the new VB-G RAM G programme that's expected to replace it.

Since this revision of India's rural job assurance has some key changes, such as its suspension during harvest seasons, we should test it out in phases before it's rolled out nationwide.

Job-guarantee reforms should also have taken stock of who repeatedly seeks work. There is a lack of publicly available data on the extent of households' routine reliance on MGNREGA.

A big policy question, thus, remains unanswered: Does India's job guarantee programme primarily serve as a temporary buffer against shocks, or does it lead to continuous dependence on the state among a subset of households?

While job-guarantee reforms were necessary, the manner in which the new framework has been enacted, with no public documentation of consultation with states, raises concerns. The revised funding structure, which shifts 40% of costs to states, reduces the Centre's fiscal responsibility and may adversely affect the scheme-implementation capacity of states.

While job-guarantee reforms were necessary, without a pilot trial run of the redesign in at least one large Indian state that could have helped assess its impact, the shift rests on weak empirical ground. As the new scheme unfolds, a phased implementation schedule would help ensure that the revision is informed by ground evidence.

Of course, the only durable solution lies in expanding non-farm quality employment, especially as India's rural youth are increasingly better educated. This is particularly important for women, single or married, many of whom are unable to migrate to urban areas for work.

Ultimately, the debate is not about either preserving or replacing MGNREGA, but about aligning the rural employment landscape with the realities of a changing labour market in the country.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

RBI should allow a kill-switch for phones of defaulters

T.K. ARUN



is a senior journalist.

After saying that the Reserve Bank of India (RBI) is evaluating whether to bring back the policy of allowing loan-financed phones on which repayments are interrupted to be locked as a method of enforcing credit discipline, the central bank has not moved on the subject. It should go ahead and give a green signal for the use of technology to enforce credit discipline.

Graded deactivation might well be a good way to ensure guaranteed servicing of loans taken to purchase electric cars and other software-dependent consumer durables in the days to come. The mechanism of remotely turning a functional piece of equipment into an unusable liability in the event of a default in the servicing of the loan taken to purchase it is better than physical repossession in case of such a default. It would lower the cost of making such loans and benefit both borrowers and lenders.

In mid-2024, RBI acted on consumer complaints about non-banking finance companies (NBFCs) that financed the purchase of smartphones using a remote kill-switch to deactivate them on repayment defaults. NBFCs were also accused of prying into the phone-owner's private data contained in the phone. RBI used its powers of suasion under its supervisory authority to stop lenders from taking such action—even when borrowers defaulted on their equated monthly instalment (EMI) obligations.

Many saw the behaviour of lenders as a case of corporate encroachment and suspected them of snooping on the conduct and social interactions of phone users in violation of their right to privacy as citizens. A seemingly libertarian outcry against 'corporate greed' being allowed to smother citizen rights may have cowed RBI into abandoning credit discipline in favour of good public relations.

Defaults on loans made to finance the purchase of smartphones started to mount. Lenders, especially smaller ones that relied on technology rather than repossession agents to take credit decisions and enforce repayment, pulled back on financing phone sales. This hurt the volume of phone sales as well.

RBI started receiving representations to bring back phone-locking as a form of digital collateral to support credit decisions. At its October monetary policy review press conference, the RBI governor indicated that the central bank was revisiting the subject, according to the *Economic Times*.

What is at stake goes beyond the sale of smartphones. Many of those who borrow to purchase smartphones have no formal history of availing themselves of a loan. Absent a credit history and an associated credit rating, these borrowers would in the normal course be totally ineligible to buy a phone or some other consumer good by agreeing to make a finite number of EMI payments. Armed with the power to remotely lock the phones on which EMIs are in default, some lenders have been willing to take on the risk of deficient repayment and still give loans to such borrowers.

Buying a smartphone on credit and repaying the EMIs without any default is one sure way to acquire a credit history and a decent credit rating for millions of first-time borrowers from the world of formal finance. Disabling phone-locking in case of loan repayment default disempowers such would-be first-time borrowers as they are denied access to formal finance.

India has a relatively low level of bank credit to the private sector. Banks do not have the capacity to measure the creditworthiness of those outside the world of formal finance. NBFCs do a better job of it. Beyond these lenders, informal sources of credit meet the needs of a large segment of small borrowers. Such borrowers typically bear a higher cost of credit as compared to those who do manage to access formal finance. Clearly, it is desirable to bring larger and larger numbers into the fold of formal finance.

QUICK READ

RBI was reportedly considering a reversal of its move against financed phones being remotely disabled if borrowers failed to repay loans availed to buy them. It should go ahead and reverse it.

Allowing such a kill-switch will improve access to finance for borrowers with no credit history. As for privacy concerns, safeguards such as a code of conduct can be put in place.

Loans for the purchase of smartphones can function as a viable point of entry to formal finance, provided such loans are disciplined by technical instruments such as the remote-locking of phones by phone manufacturers. Such remote-locking can easily be done through the use of a kill-switch that may be triggered when a financed phone fails to receive a message from its manufacturer saying that the payment due on the device has been received.

This functionality does not entail prying into the personal data stored on the phone or generated by the phone's use. RBI can formulate and enforce a code of conduct for lenders, barring privacy breaches and stipulating sufficient notice to a defaulting borrower of the impending disciplinary measure. Device-locking can be calibrated, with some functionalities disabled first, before the phone is fully converted into little more than a brick.

It should be ensured that a locked phone can be unlocked, again by use of an expedient software switch, once the payment obligation is honoured and that information is relayed to the manufacturer.

Phone manufacturers have every incentive to install a kill-switch in their phones that is immune to tactics such as a reset to factory settings and to cooperate with financiers in enforcing credit discipline. That is the way to brisker sales. When RBI dithers over resuming phone-locking as a way to create digital collateral, it discriminates against small borrowers and small lenders. It should snap out of it and act.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

THEIR VIEW

Crypto apocalypse: Time to get real about these pseudo assets

Digital tokens have had the US administration's favour but this industry's demands would put the banking sector at threat



NOURIEL ROUBINI
is professor emeritus of economics at New York University's Stern School of Business and author of 'MegaThreats: Ten Dangerous Trends That Imperil Our Future, and How to Survive Them'

REUTERS



A year ago, the most pro-crypto president in US history had just returned to power after pandering to clueless retail crypto investors and receiving massive financial backing from semi-corrupt crypto insiders. Donald Trump's second coming was supposed to be a new dawn for crypto, leading various self-dealing evangelists to predict that Bitcoin would become 'digital gold,' reaching at least $200,000 by the end of 2025. As promised, Trump did gut most crypto regulations. He also signed the Guiding and Establishing National Innovation for US Stable Coins (Genius) Act, pushed for the Digital Asset Market Clarity Act, profited personally from shady domestic and foreign crypto deals, promoted his own meme coin, pardoned crypto crooks who had allegedly aided terror organizations and hosted private dinners for crypto insiders at the White House.

Moreover, crypto was supposed to benefit from various macro and geopolitical risks, such as the ballooning of US and other advanced economies' debt and deficits, the debasement of the dollar and other fiat currencies, new trade wars and growing tensions between the US and Iran, China and others. Indeed, the heightened risk environment helps explain why gold rose by over 60% in 2025.

But 'digital gold' fell by 6% in 2025. As of now, Bitcoin is down 35% from its October peak, below where it was when Trump was elected, and the $Trump and $Melania meme coins are down 95%. Every time gold has spiked in response to trade or geopolitical ructions over the past year, Bitcoin has fallen sharply. Far from being a hedge, it is a way to leverage risk, showing a strong correlation with other risky assets like speculative stocks.

Calling Bitcoin or any other crypto vehicle a 'currency' has always been bogus. It is neither a unit of account, a scalable means of payment, nor a stable store of value. Even though El Salvador made Bitcoin legal tender, it accounts for less than 5% of transactions for goods and services. Crypto is not even an asset, as it has no income stream, function or real-world use (unlike gold and silver).

Seventeen years after Bitcoin's launch, the one and only crypto 'killer app' is the stablecoin: a digital version of old-fashioned fiat money. Yes, whether digital money and financial services should be on a blockchain (distributed ledger) or a traditional double-ledger platform remains a question. But 9.5% of 'blockchain' monies and digital services are blockchain in name only. They are private rather than public, centralized rather than decentralized, permissioned rather than permissionless and validated by a small group of trusted authenticators (as in traditional digital finance and banking) rather than by decentralized agents in jurisdictions with no rule of law.

True decentralized finance will never reach scale. No serious government will allow full anonymity of monetary and financial transactions as that would be a boon for criminals, terrorists, rogue states, non-state actors, human traffickers, crooks and tax dodgers. Moreover, because digital wallets and regulated exchanges must be subjected to standard anti-money laundering and know-your-customer rules, it is not even clear that transaction costs through permissioned and private 'blockchains' are any lower, especially now that traditional financial ledgers have improved with real-time settlement and faster clearing tools. The future of money and payments will feature gradual evolution, not the revolution that crypto-grifters promised. Bitcoin and other cryptos' latest plunge further underscores the highly volatile nature of this pseudo-asset class.

QUICK READ

Bitcoin was hailed as 'digital gold' but has clearly lost its glitter as a safe haven for investors. Note that crypto is not even an asset as it has no income stream, function or real-world use.

We can either radically change our financial system to separate payments from credit creation or prohibit stablecoins from paying interest and threatening the role of banks as intermediaries.

As for the Genius Act, having set the stage for another destructive experiment in free banking, like the one that ended in tears during the 19th century, it may well be remembered as the Reckless Act. Under the law, stablecoins are not regulated as narrow banks (for payments and deposits rather than riskier lending and investing), nor do they have access to the lender-of-last-resort or deposit-insurance benefits provided by central banks. All it would take to incite a panic and trigger a bank run is for a few bad apples to misinvest their holdings or place their deposits in weak institutions. As in the 19th century, the current US approach is a recipe for instability.

The recent fight between real banks and the crypto industry over the Clarity Act is revealing. The issue is not about banks wanting to keep their near-monopoly on monetary transactions. In a fractional reserve banking system, banks are involved in both payments and credit creation via the transformation of short-term deposits into longer-term loans and credit. They provide a valuable semi-public good.

Short-term deposits don't pay interest because they are nearly equivalent to currency. Yet the crypto industry wants interest payments allowed for stablecoins—directly or indirectly via exchanges—which would undermine the banking system. So, we must either radically change our financial system to separate payments from credit creation (via narrow banks for payments and loanable funds from financial institutions for credit), or prohibit stablecoins from paying interest and disintermediating banks.

This is a serious political and financial stability issue. Jamie Dimon, CEO of JPMorgan Chase, is rightly raising the alarm over what the crypto industry wants and Brian Armstrong of Coinbase is wrong in dismissing such concerns.

Trump's advisors should explain to him how the banking system works before serious damage is done. Treasury Secretary Scott Bessent, are you listening?

©2025/PROJECT SYNDICATE

06 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW

ISTOCKPHOTO



AI agents: Did markets misread their invasion?

Rattled investors who foresee chunks of the software industry going obsolete aren't wrong. But legacy systems, rules, laws and the true cost of Agentic AI will slow the pace of change

It was swift and brutal, the global sell-off in tech stocks this week after Anthropic's launch of Agentic AI tools with startling skills. From America to India, software stocks lost $285 billion in market value globally within the span of a single trading session. Indian IT majors also slid sharply, with investors seeming convinced that AI agents had finally arrived to replace software products and services at scale. The trigger was Anthropic's decision to open-source 11 'plugins' on GitHub for its Claude Cowork AI platform. Compatible with Claude Code, its coding assistant, these plugins let users set goals for its AI model to achieve. Each plugin guides Claude on which tools and what data to use for every task. Together, this toolkit spans productivity, sales, marketing and legal work. What rattled markets the most was its legal plugin for reviewing contracts, compliance and risk. The panic was understandable, but contracts and revenues have not changed. So, did investors overreact, or do IT firms face a mega-threat?

Until now, humans wrote the script. AI tools such as Replit, Bolt and Claude helped refine it as assistants. Now, an agent can write the script, analyse it, test it, improve it and even deploy it, which explains the market's extreme reaction. The first casualties were predictable. Large tech firms with product-heavy business models driven by software-as-a-service (SaaS)—especially those behind banking, financial service and insurance workflows—were hit the hardest. Indian IT majors that sell licensed platforms alongside services suddenly looked exposed. One may argue that IT firms already use AI platforms like Kiro, Claude and Replit to build their own for clients. But if an agent can reconcile data, generate compliance reports, monitor transactions and flag anomalies, the case for paying recurring licence fees weakens over time. Globally, the same fear rippled across enterprise software. Layered on top is relentless rhetoric on artificial general intelligence (AGI) that spooks investors with endgame scenarios. Every agent's launch seems like a step towards that 'singularity,' overhyped or not. That said, markets may have missed key nuances. For instance, agents today excel at preset tasks, not designing complex workflows for organizations with messy legacy systems. That still calls for human architects. Besides, agents automate work but do not yet own outcomes. So businesses with customized services are at less risk than those counting on licensed stuff—at least for now. Application development and maintenance revenue will not vanish overnight either. Banks, insurers and governments still run old systems. Agents can help, but humans remain essential—particularly in regulated fields.

Markets also need to take the true cost of agents into account. Replacing humans is not a simple swap. A developer's salary is visible, while an agent's cost is buried in cloud bills, compute cycles, storage, redundancy, uptime guarantees and energy use. Just to break even, the AI industry will need to charge far more at some point. AI adopters must also price in risks of security and legal liability. Automation won't be cheap for adopters that must not go wrong. Caution could keep humans in charge. Yet, market fears are justified in some fields (like SaaS). So, was the tech-stock rout overdone? In the near term, yes. Revenues will not be wiped out. But over time, Agentic AI will surely shrink, reshape and reprice parts of the tech industry. What we don't know is the profit patience of AI majors and the speed of this agentic shift.

06 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MY VIEW | FARM TRUTHS

Indian policymakers mustn't let agriculture fall off their agenda

Boosting the farm sector will improve the lives of multitudes and also invigorate domestic demand



HIMANSHU
is associate professor at Jawaharlal Nehru University and visiting fellow at the Centre de Sciences Humaines, New Delhi.

Going by the national accounts, if there is one sector that seems to have done well in recent years, it is agriculture. As the *Economic Survey* also notes, the sector as a whole has grown 4.4% annually in the last five years and 3.9% in the last 10 years. These are impressive numbers for a sector that employs the highest number of workers in India's economy. But also because they outshine the sector's own past performance. Yet, data from the field also suggests that the agrarian sector is in its longest and deepest phase of distress as far as income levels go.

Part of this contradictory assessment of agriculture stems from the way its data is collected and made available. While growth rates are generally presented in aggregate terms for agriculture and its allied sectors, agricultural sub-sectors do not show the same dynamism as the aggregate. Agriculture and allied sectors comprise farm crops, livestock, forestry, logging and fishing and aquaculture. Of these, the crops sub-sector accounts for 54%, livestock 30%, forestry 8% and fishery the rest. Much of the growth in agriculture and allied sectors is driven by growth in livestock, which has expanded at more than 7% per year, and fisheries, which has grown at more than 8% in the last decade. On the other hand, the largest sub-sector of crops has grown at just 2% annually. It includes major crops such as cereals, edible oils, pulses, cotton and sugarcane, along with horticultural crops such as fruits, vegetables and flowers. It is also the largest employer of agricultural workers along with livestock. To put it in perspective, the crops sector grew at 3.3% annually between 2004 and 2014. But its recent decadal growth is among the lowest in three.

While the underlying database for livestock, fisheries and forestry is weaker than for crops, its annual growth of more than 7% in the last decade seems suspicious. Past trends suggested that the livestock sub-sector had grown at a rate similar to that of crops, or marginally higher, given the close linkages between the two and because most farmers in India are involved in crop cultivation as well as livestock rearing. While national accounts data suggests faster livestock growth, data from the Situation Assessment Survey (SAS) shows slower growth. However, what matters for the majority of farmers is growth in crops, for which even the national accounts point to weaker growth than other segments.

This weakness is also seen in India's household survey on income and indirect estimates of it from national accounts. This data confirms a decline in real cultivation income, with households supplementing earnings through wage work. But with wages almost stagnant in the last decade, it's insufficient to raise household incomes. Indirect income estimates from the national accounts that follow the Niti Aayog methodology actually suggest a decline in the income of farmers of 0.62% per year between 2016-17 and 2023-24.

Not only does this raise questions on the government's claim of doubling farmer incomes, it confirms a worsening of earnings and profitability. To put it in perspective, farmer incomes increased 7.5% per annum between 2004-05 and 2011-12. Even on a decadal basis, the increase between 2004-05 and 2014-15 was a strong 6%.

The decline in agricultural incomes has come at a time when the number of workers in the sector has been rising. Almost 66 million workers joined the sector in the last six years, reversing the entire fall in their number between 2004-05 and 2017-18. This is not due to agriculture offering better remuneration, but on account of distress in non-agricultural sectors that are failing to provide remunerative employment. This structural reversal in the economy of workers moving back to agriculture is evidence of the gravity of the crisis we face, more so in the rural economy.

This has occurred despite farmers trying hard to increase productivity and can be viewed in the context of an adverse policy environment. Government investment in agriculture has been weakening in recent years. The state's basic price-support mechanism has also not helped stabilize the prices of farm output. There has been a decline in the farm-gate prices of a majority of crops this year. While food inflation has dropped, so has the price realization of farmers. Agriculture needs to be revived not only because it employs almost half of all our workers, but to drive a long-term revival in India's economy. With private investment failing to pick up and exports slow, we need a domestic demand revival to sustain the economy's growth momentum.

QUICK READ

Our national accounts data suggests this sector is doing fine but aggregate numbers mask weak growth in sub-sectors that support livelihoods. Farmer distress mustn't go unheeded.

Policy attention should shift to strengthening agriculture. Not only will this raise incomes and ease hardships but also address a demand deficiency that has restrained faster GDP growth.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

India-EU FTA: What does it mean for our food trade?

ARPITA MUKHERJEE & LATIKA KHATWANI



are, respectively, professor, and research assistant, ICRIER.

The conclusion of negotiations over the India-EU free trade agreement (FTA) shows that agriculture is no longer a deal-breaker. Both sides carefully manoeuvred around each other's domestic sensitivities while offering tariff reductions to enhance market access. The agri-food negotiation was complex, covering multiple chapters—including tariffs and non-tariff measures like sanitary, phytosanitary and technical barriers to trade, apart from labour and environmental standards. Given its Green Deal objectives, the EU added a chapter on 'Sustainable Food Systems,' which was missing in its earlier trade agreements with countries like Vietnam.

It would have been a big miss had agri-food trade been left out of the FTA. The EU is India's second-largest market (after the US), accounting for over 10% of our agri-exports. In 2024–25, India exported $5.25 billion of agri-products to the EU, accounting for around 7% of our total exports to the bloc. The top 10 commodities accounting for over 80% of exports to the EU include marine products, coffee, spices and rice. We have a positive agri-trade balance with the EU, but there is scope to raise our exports as India ranks 11th among its import destinations, making up only 2.3% of its agri-imports.

Some of our exports face high tariffs in the EU. If its duties on marine exports, ranging between 4% and 26%, are eliminated, Indian exporters of items like shrimp would be at par with those from Vietnam and Ecuador, which face zero duty. This may increase agri-exports to the EU.

Our rising per-capita income and food demand make India an attractive destination for EU companies, which are unable to access the market due to high tariffs (an average of 36% with a rate as high as 150% for wines). While the EU has published a list of products (wines, olive oil, non-alcoholic beverages, bakery and confectionery items, etc) on which it secured phased tariff cuts, India is yet to come out with similar details. Tariff-rate quotas for imports of produce like fruits will safeguard Indian farmers.

The EU uses its Green Deal as well as high food safety, labour and environmental standards as tools for protection, while India looks at market access from an angle of the livelihood of small-scale farmers. The EU's food-safety regulations are more stringent than international rules like those under the Codex Alimentarius. Despite India being a large producer of dairy and dairy products, most of these cannot be exported to the EU due to lack of traceability and stiff requirements calling for hormone-free and pasture-fed certifications. We export only a few items like *ghee*. On its part, India did not reduce dairy tariffs (such as on fresh and skimmed milk), but duty reduction for confectionery and bakery items will benefit some EU exporters. Specialized cheese from EU member states may continue to face a high tariff in India.

India's exports of agri-products are likely to perform well only if a variety of stringent EU norms are met

Although rice is among India's top three agri-export items, it has been kept on the EU's sensitive list. Rice has been under an EU scanner for food safety, stubble burning and child labour reasons. Between January 2020 and 2025, 136 notifications were issued on the EU's Rapid Alert System for Food and Feed over Indian rice exports, of which 77 were due to the presence of tricyclazole. Our rice exports have thus been facing food-safety-related rejections. In December 2025, the European Council and Parliament came up with an automatic safeguard mechanism (a tariff-rate quota) for rice imports, which will be effective from 1 January 2027. This regulation, primarily designed to protect the EU's own rice producers, adversely impacts countries like India and Pakistan, but excludes FTA partners like Vietnam, which seems to have some leeway under its deal that features a zero-duty quota of 80,000 tonnes per year for select rice categories.

Until the India-EU FTA is placed in the public domain, it is difficult to understand how non-tariff barriers and labour and environmental standards have been addressed. While the EU may not have relented on its domestic regulations, there may be options for mutual recognition of rules and cooperation over the same. Both sides have reserved the right to implement future regulations.

In 2024, the EU came up with a comprehensive Corporate Sustainability Due Diligence Directive (EUCS3D), which requires EU companies to put in place a system of due diligence across their supply chains, identify environmental and labour risks, and mitigate them. The penalty for non-compliance is up to 5% of their global turnover. The cost of meeting these requirements, coupled with capacity and knowledge gaps, can be a challenge for our farmers and small units. An ongoing survey by the authors found that planters in sectors like tea and coffee face rising costs of production but are unable to claim carbon credits. Farmers and small businesses are more likely to adopt green methods if they receive financial benefits or carbon credits.

While the FTA offers us some respite in a world of volatile trade, it may not guarantee higher exports unless exporters focus on five key aspects: one, traceability from farms to ports; two, reduction in pesticide and insecticide use to comply with EU norms; three, regular labour and environmental audits to identify and mitigate risks in their supply chains; four, greenhouse gas emission reduction; and five, supply-chain capacity creation to meet EUCS3D requirements.

These are the authors' personal views.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | MUSING MACRO

Celebrate the US deal but watch out for devilish details

AJIT RANADE



is senior fellow with Pune International Centre

Markets love certainty, or rather its appearance. That is why our equity market cheered the announcement of an interim India-US trade deal framework even though the 'fine print' is still not fully in the public domain. Its 18% reciprocal tariff on Indian-origin goods entering the US has been treated as a diplomatic trophy and a commercial windfall. But trade deals, like monsoon rains, are judged not by the first thunderclap but by rainfall distribution.

The joint statement issued by the White House says that this is a framework for an interim agreement, with negotiations due for a broader bilateral trade agreement. Apart from the US commitment to apply an 18% reciprocal tariff on Indian goods, it signals tariff removals (or adjustments) on a "wide range of goods" contingent on the successful conclusion of talks, with sectoral references spanning textiles and apparel, leather and footwear, home décor, artisanal products and certain machinery, among others. It also emphasizes rules of origin, easing of non-tariff barriers and a pathway to digital trade rules in an eventual agreement.

That is already a clue for sober readers: the market is reacting to a direction of travel. The economic outcome will depend ultimately on the terms of arrival.

An 18% tariff is better than what most other US partners face, so it gives India a competitive edge, especially in some labour-intensive categories like garments, footwear and home-textiles. Orders can shift quickly as buyers diversify supply chains. But bear two cautions in mind. First, tariffs are only one part of the landed-cost equation. Compliance costs, standards, logistics, lead times and rule-of-origin documentation can eat away the advantage. Rules of origin will involve tight scrutiny and heavy paperwork for which our MSMEs will need support.

Also, note that 18% is still a tariff and not zero as 'free trade' implies. Moreover, there may be many a slip between the cup and lip.

So what has India given? *First*, New Delhi's commitments are consistent with its World Trade Organization obligations. *Second*, what the US has been offered is not very different from what is being given to the UK and EU, at least in manufacturing. *Third*, agricultural concessions are politically combustible. The joint statement says India will "eliminate or reduce tariffs on all U.S. industrial goods and a wide range of U.S. food and agricultural products," listing items like dried distillers' grains, sorghum for animal feed, tree nuts, fruits, soybean oil, wines and spirits. It also calls out our non-tariff barriers in food and agriculture. Since we don't know what a final deal will cover in agriculture, farmer anxiety is real but hopefully manageable with safeguards and transparent communication.

The India-US deal framework calls for neither triumphalism nor alarmism but conditional optimism

The best response to the deal hence is neither triumphalism nor alarmism. It is conditional optimism.

The most sensitive issue is of energy autonomy and geopolitics. India's version of the statement does not mirror the claim by US President Donald Trump that India would halt Russian crude imports and buy more from the US (and potentially Venezuela). How to tackle the geopolitical balance between a trade deal and our energy and defence partnership with Russia will test diplomatic skill to the hilt. The best response is not rhetoric but building capabilities.

However, the most consequential upside of the US relationship may not be its 18% tariff. It may be India's entry into trusted technology and mineral supply chains. A recent piece on 'Pax Silica' notes that the US wants coordination among partners to diversify critical mineral supply chains away from over-concentration, especially given China's dominance of rare earth mining and processing. This is where India can convert a trade *détente* into an industrial leap: attract investment in exploration, refining and processing; build downstream capacity; and use 'trusted partner' status to plug into high-value global supply chains. But, as the author of the report warns, delivery, regulatory clarity and execution credibility will decide outcomes.

Hence, the practical steps ahead are as follows: *One*, treat the tariff edge as an opportunity, not a guarantee. Push export readiness in textiles, footwear, leather goods, home décor and MSME clusters—while investing in compliance capacity for rules of origin and standards. *Two*, insist on transparency and guardrails in agriculture. Publish schedules early; use tariff-rate quotas, safeguards and phased openings where needed; pair openings with productivity support for farmers and cold-chain logistics. *Three*, build negotiation strength through domestic capability. Strategic autonomy is earned by controlling 'building blocks' (electronics, minerals, biopharma, standards, platforms). *Four*, plan for the future of work. Even if service exports helped generate a surplus with the US, the AI transition will compress low-end coding arbitrage. The answer is to climb the value ladder—product ownership, applied AI, engineering R&D, domain expertise—so that services stay globally competitive.

A final perspective. The world may be 'capitulating' to US pressure, but India's job is not to win applause, but to secure market access, investment and learning—while keeping domestic legitimacy intact. If we achieve higher exports and deeper tech-industrial capability, we should celebrate the deal. If it becomes a headline masking lopsided concessions, the market's euphoria will look like a sugar high. Either way, the decisive factor will not be the 18% tariff. It will be what India builds at home before the next round of talks.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

THEIR VIEW

RBI's rate call makes sense but is it overdoing liquidity injections?

Its policy stance and rate status quo is welcome but providing liquidity at the slightest hint of tightness may spell trouble later



MYTHILI BHUSNURMATH
is a senior journalist and a former central banker.

REUTERS



Finance minister Nirmala Sitharaman's business-as-usual budget for 2026-27, presented on 1 February, was followed less than a week later by an equally pragmatic monetary policy decision, Friday last. In one of the shortest monetary policy announcements to date (just 27 minutes), Reserve Bank of India's (RBI) governor Sanjay Malhotra announced the unanimous decision of its rate-setting Monetary Policy Committee (MPC) to keep the repo rate unchanged and maintain *status quo* on the stance as well (albeit by a 5:1 majority). For now, the repo rate—at which RBI infuses liquidity into the system—will remain at 5.25%. The stance will also stay neutral.

The decision was not unexpected. Given the impending revision in two key macroeconomic numbers—gross domestic product (GDP) estimates where the base year is to be brought forward to 2022-23 from 2011-12 at present and consumer price inflation, where the base is to be moved forward to 2024 from 2011-12 now—any other decision might have risked rocking the boat.

Central banks are 'data dependent.' Decisions on the growth-inflation trade-off depend on underlying macroeconomic fundamentals, for which we in India don't have the requisite data. For now, that is, given the forthcoming revisions: the new retail inflation number is expected to be announced as early as 12 February and the new GDP series on 28 February. Clearly, these played on the governor's mind. He referred to it thrice in the course of the first 10 minutes of his speech. It is also the same reason why the governor gave no guidance about future growth or inflation, saying, "We are deferring the projections for the full year to the April policy as the new GDP series will be released later in the month."

Faced with black holes on GDP and retail inflation, the MPC opted to hold its horses. Wisely! Almost a year to the day since governor Malhotra, presiding over his maiden monetary policy on 7 February 2025, had cut the repo rate by 25 basis points after a long hiatus under previous governor Shaktikanta Das, the MPC opted to bide its time.

There is nothing to be gained by rushing into pre-emptive action. Remember, RBI has already cut the repo rate by 125 basis points in the preceding 12 months, reduced the cash reserve ratio, or the amount of deposits banks must keep with RBI, by a percentage point and infused a huge amount of liquidity. According to the *Economic Survey*, average surplus liquidity in the system was a mind-boggling 117 times that of the previous year. In such a scenario, any further action, whether on the rate or liquidity front, could well prove hasty and possibly misguided.

More so since the economy's improvement in growth impulses—growth estimates for the first and second quarter of the next fiscal year have been revised upwards marginally—is expected to continue. At the press conference following his announcement, the governor described India's growth as being in the "same sweet spot as earlier, maybe even better." Inflation is also expected to remain well within the target range specified under the Flexible Inflation Targeting Regime. And though there is a slight uptick in inflation estimates for both the first and second quarter of 2026-27, which have been revised upwards to 4% and 4.2%, from the earlier estimates of 3.9% and 4% respectively, the MPC is clearly not losing any sleep over it. As yet.

It's on the liquidity front that RBI must tread a far more careful line than before. Going ahead, says the policy statement, the central bank "will remain proactive in liquidity management and ensure sufficient liquidity in the banking system to meet the productive requirements of the economy and to facilitate monetary policy transmission." What is left unsaid is that, as the government's debt manager, it will manage liquidity so that the government's borrowing goes through successfully and at a low cost. Never mind that a sizeable increase (of 16%) in the government's gross borrowing plan for 2026-27 puts it in a tight spot.

As in the past, it could groom the market, suffusing it with liquidity. The policy statement says RBI "undertook several measures to provide durable liquidity in December and January"; indeed, it did this through most of 2025-26. But there's another side to that. A sustained shortage of 'durable liquidity' is a sign of a deeper malaise. By addressing the symptom (tight liquidity), rather than the cause (slower growth in bank deposits and hence in credit creation), RBI is missing the wood for the trees.

In a telling slip of the tongue at the press conference following the monetary policy announcement, the governor, while elaborating on RBI's duty to provide liquidity, spoke of providing "ample liquidity," before quickly correcting himself to say "sufficient" liquidity.

Agreed, central bank liquidity has a key role to play in safeguarding financial stability and dealing with liquidity crises. But the key word here is 'crises.' At all other times, the role of the central bank must be confined to bridging temporary mismatches and acting as a lender of last resort. When the central bank acts as the lender of first rather than last resort, as RBI has been doing over the past few months—by rushing to provide liquidity at the slightest hint of tightness, rather than allowing interest rates to rise—we are inviting trouble. The economy could overheat and inflation surge.

09 Feb 2026

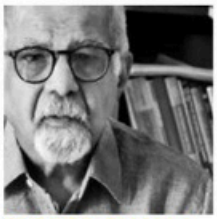
mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +77

GUEST VIEW

Viksit Bharat requires us to forge close economic ties with the US

Engagement with the world's most vibrant free market could deliver both trade and policy payoffs



SURJIT S. BHALLA
is chairperson of the Technical Expert Group for India's first official Household Income Survey.

There are two basic elements to any successful development strategy: growth and redistribution. Over the last decade, the Narendra Modi government has been very successful with policies of redistribution. Indeed, India's record on inclusive growth has likely been among the best in the world.

On economic growth, however, the record is not good. India is the fastest growing major economy in the world, and unlike some, I believe Indian data accurately reflect the underlying reality. So what is the problem with annual growth at around 7.8% for the last five years? Growth has occurred via robust expansion of infrastructure investment. Both private investment and net foreign direct investment (FDI) have been depressingly low; net FDI as a proportion of GDP is the same as last observed in 1990 and private investment is 10 percentage points lower than its peak around 2010. Both are in the doldrums because of a bad climate for private investment.

This is where the real mother of all trade deals comes into play. I am talking about the India-US rather than the step-motherly India-EU deal. Our trade deal with the EU is welcome, like those with the UK and Australia, but the real Enchilada is the India-US agreement.

One of many indicators of the relative importance of a US deal: in constant dollar terms, the joint contribution of India and the US to world growth is the same as China's: India's is 10%, the US's 24% and China's 34%. (The EU's share is also 10%.)

Geopolitics and geo-economics both suggest that our choice in the new G-2 world is to partner either with the US (with which we have a lot in common, starting with democracy) or with China-Russia. The US across all dimensions is the most open economy in the world; China is open for itself, not for other countries. The two economies offer very contrasting models of trade, investment and growth.

For the last couple of decades (at least), all one had to do is name an important country and it has had a large trade deficit with China. The same country would have a large trade surplus with America. Why this 'equivalence'? Because the Chinese model is a me-first growth model that is not constrained by democratic compulsions. The China model aims to be the first (and only) manufacturer for the world; the US model makes it the first consumer for world output. Here is an easy prediction from these orthogonal economic philosophies: the US will run large trade deficits; China will run large trade surpluses. This has been a consistent story of the last three decades, especially after China deeply undervalued its exchange rate in the early 1990s. Since India needs to run current account deficits while obtaining capital and technology through foreign investment, there was never any alternative to an India-US deal.

Why did the obviously beneficial and necessary India-US trade deal take so long? One possible explanation is a misunderstanding of the rationale of Trump's tariffs. Most economists have interpreted them as having something to do with economic principles and trade. An alternate view is that they were entirely about international politics with two primary goals. First, that Europe should pay more for its own defence (and this has happened), and second, that China's expansionist and mercantilist tendencies should be both contained and reduced.

The India-US trade deal will do what no other deal can do—revive private investment in India. The country and its people will gain; and the losers will be our policy bureaucrats. In the language of economists, major reforms will now be endogenous. What does one mean by 'endogenous'? Policymaking will now no longer be controlled by bureaucrats but by market forces—with the state playing a facilitative role. Good policy will now emerge from a pool of actors acting in their own best interests, rather than via the Kafkaesque diktats of bureaucrats.

This advocacy is as old as Adam Smith and more recently, Frederich Hayek, both of whom advocated economic freedom. The India-US trade deal signals a historic dual pivot—from bureaucratic control to market reform, from a closed world to an open-market world. India will now be market-forced to be open to much-needed capital, technology and trade exchanges.

The trade deal is fit for the times and world we live in. These are difficult times for diplomacy, sure. But good diplomacy is to engage, not avoid. It is easy to be a 'successful' diplomat or policymaker when there is no tension in decision-making. Remember that the mark of a good economist is what she does with bad data. Ditto for diplomats and all shades of policymakers.

Viksit Bharat can now be a possibility rather than an impossible dream. India needs foreign capital and foreign technology, and no one can provide it as effectively as the US (no, not even the joint contributions of the EU, UK, Australia and forthcoming Canada). Only a trade deal with the US can lift today's cloud over investment in India and end an adverse business climate visible in the capacity of non-market forces to 'discipline' investors.

Vive le deal!

These are the author's personal views.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

OUR VIEW


PTI

India-US trade: Calmer seas put success in sight

Overall, the deal's framework tilts a re-globalizing world in India's favour even if it has some bits to carp about. But this is just an opening. It's now for economic agents to raise their game

In a world of trade roiled by US President Donald Trump, it is good news that choppy seas promise to settle for shipments between Indian and American ports. Only a framework for an interim trade deal has been decided so far, but it lets us look farther over the horizon with anticipation. In today's context, mutually lowered market barriers signal that India and the US are moving closer, not apart. Last year's storm of geopolitics, seen in Trump's selective targeting of India with an add-on 25% punitive tariff for buying oil from Russia while ignoring the imports of China, Turkey, Japan, Hungary, *et al*, has finally blown over. This matters for business, finance and our broad economic prospects, not just for trade. The global chessboard of diplomacy has shifted in our favour: the Quad will not be scuppered and China cannot hope to tighten screws on India, nor expect to gang up with Pakistan against an India left to fend entirely for itself. Critics who accuse the government of having sold the country short fail to take a global view.

An 18% US tariff counts as preferential market access and we need not compare it with India's zero-duty list for this deal to spell net positive results for us: this game defies such easy math. Sure, some local manufacturers are likely to sweat under the pressure of eased imports, but our output must get cost competitive in any case, especially with this sector being reshaped globally by technology. Our long aim, after all, is to snap into global value chains. Talks on taking this framework to its final stage before US tariffs are fully lifted on key Indian exports should place that goal above the nitty-gritty of give-and-take for home optics. In the farm sector, on balance, both sides have done well on batting for domestic interests: keeping genetically modified foodstuff out, for example, is our sovereign right, though we cannot pretend some Indian growers have no cause to feel let down. A broad weigh-up of tariffs under this pact's outline reveals a fair degree of consistency with what we have offered other rich-world trade partners—like the EU—keen on easier access to our markets. As we work towards a sealed deal with the US, we must stay wary of any Trump flip, given how hard it is to bet on the stability of his stance. Yes, America's oil-tariff relief is conditional, but with geopolitical trade-offs a hard reality, strategic autonomy must go by what optimizes our interests. New Delhi's commitment to buy $500 billion worth of stuff from the US across a range of sectors over the next five years is not unrealistic if we keep energy imports fungible. Indian airlines already have aircraft orders worth $77 billion waiting to be fulfilled and aviation is headed higher; plus, the interim deal envisions a role for India in aerospace value chains. No less notably, the defence aspect of the larger India-US compact being worked upon is likely to involve imports of American weaponry.

In itself, a trade deal is just an opportunity. The challenge comes now: We must adapt to a world that might change at warp speed. Artificial intelligence (AI) could upturn manufacturing, services and even agriculture. To the extent trade deals foster the economy's globalization, our economic agents must ascend a curve led by the globe's best, but without letting AI-rich tech imports blunt a labour or human-resource edge they may need to wield. Today's wave of export optimism should set minds whirring on how to make the most of this deal.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

THEIR VIEW

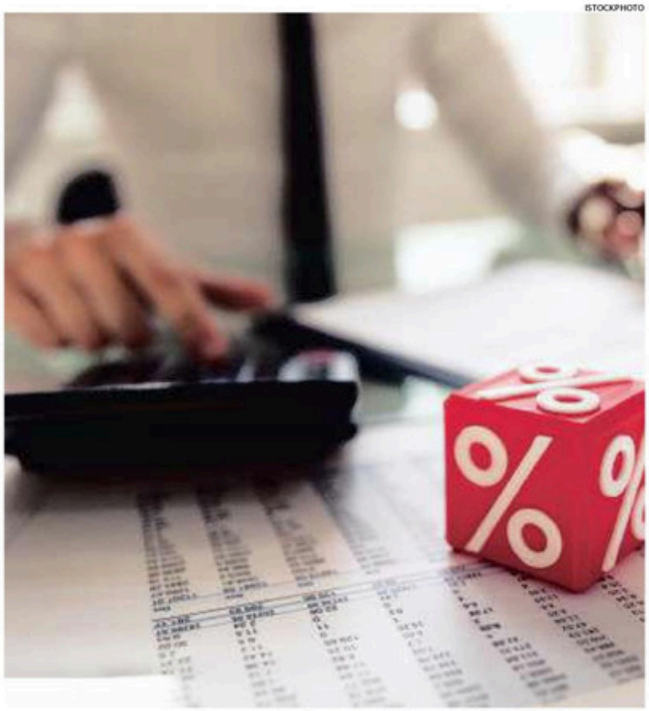
India can have its own Big Four audit firms: How to go about it

We have no dearth of CA talent. Legislative enablers and efforts by the ICAI could foster the rise of Indian audit powerhouses



G.N. BAJPAI & PRAVEEN TIWARI
are, respectively, former chairman, Sebi and LIC; and former deputy comptroller and auditor general and member, National Financial Reporting Authority.

ISTOCKPHOTO



Prime Minister Narendra Modi, in his address to chartered accountants (CAs) in July 2017, shared his vision of "Big Eight" audit firms in India, of which he said four should be of Indian origin with a global footprint. The idea was not to displace the existing global Big Four, but to complement them with domestic champions.

His call could not have been timelier. India aims to become a developed country by 2047, which requires sustained gross capital formation (GCF) at a minimum rate of 35% of GDP. In this journey, the strength of the country's institutional framework, including auditing practices and audit assurance, assumes significance. Investors expect not just world-class corporate governance, but also top-notch assurances on financial statements of the quality level that the world's Big Four audit firms are perceived to provide.

Despite a large talent pool, India lacks homegrown audit firms comparable to the Big Four. Deep fragmentation of the profession is a key reason. Data from the Institute of Chartered Accountants of India (ICAI) suggests that as of October, India had over 102,000 registered chartered accountancy firms, of which 72,696 were sole proprietorships, 27,442 partnerships and only 2,129 limited liability partnerships (LLPs). Together, they employed about 183,642 professionals, thus averaging only 1.8 CAs per firm.

The Big Four are not limited liability companies (LLCs), but a network of independently owned, legally separate member firms, often structured as LLPs. In India, some major domestic firms operate under a network arrangement with one of the Big Four.

Apart from their brand strength, the Big Four bring to the table scale, a higher level of learning and cutting-edge auditing tools that leverage technology and databases. This gives them an advantage in securing the audit work of big companies, albeit by employing Indian CA talent. They have access to patient capital; even private equity funds are allowed to invest in these firms.

Hence, the real issue in raising a homegrown Big Four is not a lack of talent, but the absence of entrepreneurship needed to upscale a fragmented sector that primarily comprises sole proprietorships, with access to frontline technology and capital key concerns as well.

In this context, the ministry of corporate affairs has published a paper on establishing 'Multi-Disciplinary Partnership Firms,' encompassing auditing, accounting, cost accountancy, actuarial and legal disciplines. An important issue in bringing auditing (assurance) and non-auditing disciplines under one umbrella is the potential 'conflict of interest' between auditing and consulting services. This could compromise audit independence, which lies at the heart of the auditing function. Laws and regulations across the world have been designed to mitigate this conflict.

The Big Four, which have historically evolved to offer both auditing and consulting services under the same brand, have been at pains to demonstrate that their services for these functions are independently managed and have no conflict. Yet, in numerous instances, regulators have sanctioned them on this ground. In India, Section 144 of the Companies Act prohibits auditors from offering specified non-audit services, including management advice. This is an important consideration in evolving any model for an Indian Big Four.

Given that we have no dearth of high-quality talent, the evolution of our own Big Four must address at least three enabling factors: a legal framework for the achievement of scale, availability of cutting-edge audit tools and access to capital that would enable talent recruitment as well as retention.

In India currently, only individuals and LLPs are permitted to practise auditing, since the Chartered Accountants Act of 1949 prohibits companies from this profession. This acts as a legal-structure constraint on the development of large Indian audit firms. The CA legislation should permit companies to enter the profession (as many other countries do). Audit practice should be ownership-structure agnostic, with an organization taking the form of a partnership, LLP, private or public company.

A feasible option for consolidating the sector would be to let smaller firms band together to form a network under a holding company or protected cell company (PCC) structure—a corporate form that exists in many jurisdictions. PCCs allow multiple, legally separate 'cells' with ring-fenced assets and liabilities to operate under a single corporate structure. The holding company, or PCC, can raise capital, acquire or develop technology at par with the Big Four's proprietary tools, leverage data analytics, hire high-quality talent and build an umbrella brand. Individual member firms, like the network partners of the Big Four, may even retain their old names, which would address the 'loss of identity' feared by many.

The ICAI should play a major role in fostering the rise of an Indian Big Four and developing or acquiring high-end auditing tools and technology. It can charge its members a user fee. The ICAI should also proactively pursue the recognition of Indian CAs by foreign jurisdictions on a reciprocal basis. This would help them globalize.

Along with aiding the evolution of large homegrown firms, the ICAI should also support the implementation of international standards for group audits, enabling large and small audit firms to co-exist in a complementary yet professionally rewarding manner. High-quality auditing infrastructure would go a long way towards inspiring greater trust among international investors.

The need for domestic auditing firms cannot be overemphasized in the context of a Viksit Bharat. As Mark Carney, Canada's Prime Minister, famously said in his address at the World Economic Forum in Davos this year, "If you are not at the table, you are on the menu." Coordinated action by the ICAI, government and CA firms could help India fulfil the PM's vision.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

OUR VIEW



MINT

A central bank must not let its heart rule its head

However well intentioned, RBI's move to cushion the losses of cyber-fraud victims would take it into the government's domain. Central banks should stick to their traditional role

It is not often that the Reserve Bank of India (RBI) governor's statement on monetary policy includes an announcement that directly touches the lives of Indians at large. Repo rate changes and liquidity measures—the stuff that such statements are usually made of—are one stage removed, as their impact plays out through the banking system. This time, however, citizens were direct beneficiaries of a proposal aimed at better customer protection. On Friday, Governor Sanjay Malhotra said that RBI would introduce a framework to compensate bank customers up to ₹25,000 each for losses incurred in fraudulent transactions of small value. These constitute roughly 65% of online frauds in India. Notably, victims would not be asked any questions in such cases, so the scheme is expected to cover even those who disclose an OTP—the one-time password used by banks to confirm a customer's identity. While victims and their banks will each be required to bear 15% of the transaction value, RBI will pay the rest from its Depositor Education and Awareness Fund.

Draft guidelines are to be issued soon. Before the central bank does that, however, it should pause and reconsider the proposal. Is it rushing into an area beyond its remit with an idea best left to the government? Given the gravity of the problem, nobody can quarrel with RBI's intent. In the last six years alone, nearly ₹53,000 crore has been lost to cyber-crime. Whether this is an appropriate bank-regulatory answer to the menace, though, is unclear. Safety measures such as lagged credits and additional authentication for vulnerable user classes (like senior citizens), plus improved financial literacy and public education, apart from the use of loss insurance, may comprise a better approach. Perhaps banks could also be nudged to minimize the frequency of their app redesigns, complex upgrades of which can confuse UPI users. True, both the government and RBI have been doing a great deal to spread awareness and protect citizens from cyber fraud. Recently, RBI proposed a discussion paper on how best to enhance the safety of digital payments. Yet, their efforts so far do not seem to have had the desired effect, going by the growing incidence of such crimes. It is another matter that law enforcers have largely proven ineffective in tracking down fraud perpetrators and bringing them to book.

The RBI proposal of a compensatory mechanism presents a domain-overlap problem. Central banks should not allow their hearts to rule their heads. Their primary mandate is to maintain price stability, with the objective of growth-support a close second or parallel priority. In India, the central bank already has plenty on its plate. Apart from being the issuer of currency and our monetary authority, RBI is also the banker to the Union and state governments (as well as banks), regulator of the banking sector, manager of foreign exchange and supervisor of our system for payments and settlements. In addition, it has a developmental role. Experience has shown that the narrower their remit, the better the performance of central banks. Federal Reserve Chair Jerome Powell put it well. Speaking in the context of the US central bank's role in fighting climate change, he said the Fed should not "wander off to pursue perceived social benefits that are not tightly linked to its statutory goals and authority." These, he added, are best left to elected branches of government. India's Reserve Bank, likewise, would be best served by sticking to its knitting.

10 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MY VIEW | A VISIBLE HAND

The dollar is not giving up its reserve-currency status

NARAYAN RAMACHANDRAN



is chairman, InKlude Labs. Read Narayan's Mint columns at www.livemint.com/avisiblehand

As 2026 dawned, two remarkable things happened. The first was news of an explicit call by President Xi Jinping of China for a "strong yuan" to challenge dollar dominance. At the same time, US President Donald Trump dismissed worries about a falling dollar with a "no, it's great" comment. It is true that Xi's point was made in a closed forum back in 2024, but the Chinese authorities only released it this year. It is also true that Trump is the first US President to talk down the dollar in almost four decades.

There is a complex set of forces at play. Before we unpack that, here is a quick flashback on the various historical cycles of the US dollar. The earliest point traces back to president Richard Richard Nixon's shock announcement in 1971 to suspend the gold standard and the dollar's convertibility into gold under the Bretton Woods Agreement. Since then, the dollar has had seven major cycles. *One*, 1971–1978: Volatility after leaving the gold standard. *Two*, 1978–1985: The dollar appreciated significantly. *Three*, 1985–1992: The Plaza Accord and planned depreciation of the dollar in collaboration with trade partners. *Four*, 1992–2002: A strong-dollar era, with the US as the sole global hegemon. *Five*, 2002–2012: The dollar lost value as the US underwent significant monetary easing while emerging markets rose. *Six*, 2012–2022: A decade of strengthening that culminates in highs around 2022. *Seven*, 2022–2026: The dollar reached new peaks, but a downtrend began in mid-2022 that accelerated in 2025.

Today, the DXY dollar index (against a basket of six currencies) is about 13% off its 2022 peak, 30% above its 2008 floor and bang in the middle of the full period trend. At the same time, gold, which has sometimes been called the 'anti-dollar,' and other metals like silver, copper and platinum have reached their all-time peaks recently (with a recent sell-off). This has led to some analysts calling it "debasement" of the dollar. In the context of currencies, debasement is a serious term. All four of the following conditions need to be met for that term to apply: *One*, a strong increase in money supply, usually measured by M2 growth; *two*, large fiscal and current account deficits; *three*, easy monetary conditions, usually marked by a policy of quantitative easing; and *four*, low confidence in the economic management of the country.

On these four metrics, here are the facts for the US today. Annual money supply growth as measured by M2 is 5%, which is quite normal. The US does indeed run a large fiscal deficit (about 5.5% of GDP projected for 2025-26), with its national debt at $39 trillion. An unusual circumstance is that $9 trillion of this is due for refinancing in 2026, which may put upward pressure on bond yields. The US is operating under moderately tight monetary conditions, with a combination of positive real rates and quantitative tightening. The recent period has accelerated the path of a 'normalizing' dollar and the US is not at risk today of currency debasement. It is mostly sentiment around US economic management that has weakened the dollar.

America's classic 'strong dollar' will return at some point even if Trump wants it weakened

Over the past year or so, the Indian rupee has been among the currencies that have lost ground to an otherwise weakening dollar. Contrary to popular belief, despite a sharp fall in the exchange rate in 2025, the rupee has only depreciated at a compounded annual rate of 3.1% over the last 3 years. The worst three-year period for the rupee in the last 25 years was 2011-13, a phase that included the 'taper tantrum' and the dollar's return to base, which also signalled a period of dollar strength.

Today, India's economic growth is strong and we have had sustained fiscal consolidation after the pandemic. Relative inflation against the US is now the lowest in 25 years, with a declining trend. Given a new trade agreement with the US that should soon be in place, prospects for the rupee-dollar exchange rate appear positive, and it could potentially perform better than what the inflation difference between the two would suggest. Also, the Reserve Bank of India has the highest ever foreign exchange reserves of over $700 billion to push back against any untoward fall of the rupee.

So where does the dollar go from here? An increase in the US's blended average tariff rate from low single-digits to double-digits puts upward (not downward) pressure on the dollar. Worries about substantial upcoming Treasury refinancing could potentially weaken the dollar in 2026. While international central banks may diversify away from the dollar, which may lose some of its dominance, it is a long way away from being dethroned as the world's reserve currency. The share of bilateral trade conducted outside the dollar could rise from a small percentage to a higher figure. Even if many of the social aspects of Trumpism survive his presidency, the view of the dollar's reserve-currency status as a burden rather than 'extraordinary privilege' is unlikely to. China may be trying to project its renminbi as a reserve currency, but the institutional credibility needed for that is at least a decade away.

Like the past five or so presidential terms before this one, the US will sooner or later return to the 'strong dollar' stance that has characterized the country for the last 40 years. You cannot make America great again with a debased dollar.

P.S.: "Our greatest glory is not in never falling, but in failing to rise again," said the enigmatic Confucius.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DEL TECH UNIVERSITY

ISTOCKPHOTO



Income tax rules should be eased, but not overly

The Centre's rule proposals are broadly welcome, especially their effort to ease the filing of income-tax returns, but lifting the current cap on PAN-free transactions is not a good idea

The draft income tax rules released by India's government for public comments are a marked improvement on what's currently in force. For one, the number of rules and forms will almost be halved. For another, information requests that have become redundant will be done away with. Some forms are being merged. Many more income tax filers will have an easier time filing their returns—they will only be required to edit or okay the pre-filled form they are presented. While this facility is not new, the categories of taxpayers who can avail of it would widen, although they might need to spend some time on amending the pre-filled data, given the more complex transactions they make. The real hallmark of reform would be when someone with multiple streams of income, including from overseas, no longer needs the help of a professional accountant to file tax returns. That day may come, but has not dawned yet.

The new rules also propose to raise the value threshold of assorted perks provided by an employer, ranging from car allowances to office-paid meals, beyond which their value would be deemed 'income.' The list of cities that qualify for the highest level of house-rent allowance eligible for concessional tax treatment is being expanded, at long last, to include major urban centres like Bengaluru, Hyderabad, Pune and Ahmedabad. This is welcome. This might be the right time to move beyond such an eligibility list of cities to a sharper—and far more apt—criterion like a location's cost-of-living index. What is not welcome is a proposal to raise the value cap of cash transactions that do not require the folks making them to identify themselves via their Permanent Account Numbers (PANs). Perhaps PAN data submission should be mandated for all dealings that do not leave a clear audit trail. India's total tax collections as a proportion of GDP, at around 17%, are still less than half the OECD average. Direct taxes need a broader base in a country where many people who go income tax-free can afford fancy foreign holidays. It is not just rich owners of orchards and big farms who do this, though tax exemption for farmers does demand its own debate. In general, the well-off must not escape India's tax net; raising the threshold for PAN-linked transfers will not aid that cause.

While agricultural income is exempt from central income tax, state-level rules vary. Many Indian states do levy income tax on money made from plantations, but they typically balk at taxing income from crops grown outside plantations identified as such. This creates a loophole that many take advantage of to evade tax altogether—which is often done by clubbing together all earnings, whatever their source, as agricultural. This must stop. If the Centre dares not risk the ire of our farmers by taxing their income, state governments could tax them at rates paid by urban taxpayers. Whenever a rich farming family makes huge cash payments, or tries splitting these among multiple household members to stay below the tax radar, this data should be captured and collated to identify those who wield such purchasing power. The government should therefore rethink its relaxed PAN mandate. As farm subsidies slowly morph into income support linked to the area cultivated by a farmer (or left fallow to prevent over-production), the state should have a better grasp of who is well-off and who's hard-up. Tagging the money that people move with their PANs would make that process easier.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Our trade-deal flurry demands climate-resilient ports

SOUMYA SARKAR



is an independent expert based in New Delhi, Kolkata and Odisha. Twitter: @scurve Instagram: @soumya.scurve.

India's flurry of trade deal-making with the UK, EU, US and others has revealed a push for strong export growth. Tariff barriers are coming down, standards are being aligned and new sectors from electronics to renewables are being positioned for global integration. But this quest rests on a brittle foundation. India's port and logistical infrastructure is out of step with the demands of climate-resilient trade. The country's maritime ambitions are growing faster than its ability to shield its nodal points of trade from floods, heatwaves and chronic inland bottlenecks.

Over 95% of India's international merchandise trade by volume moves by sea. Kandla, Nhava Sheva, Mundra, Visakhapatnam and Chennai move hundreds of millions of tonnes of cargo annually. Capacity has been expanding steadily to meet shipping demand. Yet, none of these ports, nor the country's ambitious Sagarmala programme overseeing their expansion, is adequately prepared for the scale of climate disruption projected in the next two decades.

The science is clear. Along India's coastline, sea levels are rising faster than the global average. Tide gauges at Kandla, for instance, have recorded a level-rise rate of 3.18mm per year since 1950. This sounds trivial until storm-surges arrive, riding on higher baseline levels. Each millimetre adds force to waves that crash into port infrastructure. Each centimetre pushes water deeper into coastal terminals.

Combined with sinking land in some areas and intense cyclones in the Arabian Sea, these trends sharply increase the risk of coastal inundation. Mumbai, the Gulf of Khambhat and Kerala are highly exposed. Heat extremes are also intensifying for our ports and inland logistics corridors that serve them. Neither heavy cranes nor human workers function efficiently under 45° Celsius heat.

Despite this, India continues to pursue a port development model that prizes capacity over resilience. The current plan is to push national port capacity from 1.65 billion tonnes to 2.5 billion tonnes by 2030. But this growth relies on an ageing and carbon-intensive hinterland system. Over 70% of inland freight moves by road, driving up logistics costs to a staggering 13-14% of gross domestic product (GDP), well above the 8-9% level in efficient economies. Railways, the obvious low-carbon alternative, suffers from chronic congestion. More than 80% of high-density routes operate above capacity. Inland waterways and coastal shipping remain marginal.

The problem isn't just one of exposure to climate risk. It is of institutional fragmentation and misplaced priorities. India's major port plans, including its Maritime India Vision 2030, largely ignore climate adaptation.

Cyclones have damaged the Paradip and Visakhapatnam ports, shutting them down for days and costing crores in repairs and lost cargo.

There is no doubt that trade volumes will rise significantly. So will the cost of each disruption. A cyclone that results in the shutting of the Paradip port for a week would inflict damage that once took a month-long shutdown. Ports designed for storms that struck once a decade now face them every few years.

For India's trade pacts to deliver, its shipment infrastructure must resist the fallout of climate change

If India wants its trade pacts to deliver on their promise, it must treat ports and their surrounding infrastructure not as isolated assets, but as part of an interconnected, climate-exposed system. This requires three principal shifts.

One, integrate climate risk assessment into every port expansion plan, not as an afterthought but as a design driver. It means higher berth levels, better drainage, storm buffers like mangroves and backup energy systems.

Two, overhaul inland logistics to reduce reliance on trucks and ramp-up electrified rail and waterways, as outlined in the National Rail Plan and the Pradhan Mantri Gati Shakti framework.

Three, mandate full life-cycle carbon accounting in infrastructure, from materials to operations. Unfortunately, green guidelines for ports that target a 70% cut in carbon emissions per tonne of cargo by 2047 remain without teeth. These must become enforceable requirements, not voluntary goals.

Renewable energy can power our port operations. Shore power can eliminate diesel emissions from docked ships. Electric equipment can replace fossil fuel machinery. Low-carbon materials can cut construction emissions.

India is not short of policy frameworks. What's lacking is alignment and urgency. The ministry of ports may approve climate-resilient dredging plans, but if the railway ministry delays track upgrades or a state government stalls land acquisition, the logistics chain stays fragile. The country needs a unified resilience strategy for its trade backbone, one that links ministries, port trusts, industrial and freight corridors and exporters under a common mandate: build for continuity, not just capacity.

Every port and logistical expansion will be in operation well into the second half of this century. If designed poorly, it will bake in vulnerabilities and emissions. With a timely course correction, India can transform its maritime trade backbone into a durable low-carbon system fit for a hotter world. To boost its trade prospects, India must storm-proof the gateways through which shipments flow. Trade deals create new opportunities, but infrastructure will partly determine whether India can seize them.

AI relieves us of pressure to extract stuff from animals

RAHUL MATTHAN



is a partner at Trilegal and the author of 'The Third Way: India's Revolutionary Approach to Data Governance'. His X handle is @matthan.

Ambergris is a waxy substance produced by sperm whales to protect their digestive tract from indigestible debris. Once expelled, it floats to the surface, washing up as flotsam on beaches around the world. Ambergris also happens to be highly effective at stabilizing volatile perfume notes, significantly extending how long they remain active on human skin. As a result, it became one of the most sought-after substances in the fragrance industry.

As its commercial value grew, demand for this rare biological substance increased to the point where it cost $10,000 per pound. Rather than waiting for chance discoveries of ambergris, whalers began hunting sperm whales, killing a countless number in the process. Since only one in every 100 sperm whales has ambergris, this became one of the most wasteful—and cruel—objectives of the whaling industry.

For centuries, we have extracted rare and exotic compounds from animals for human use. The triumphal robes of victorious Roman generals were dyed in Tyrian purple, a pigment so rare it took 10,000 Mediterranean snails to produce a single gram. When we learnt that diabetes mellitus could be treated with insulin, we extracted this hormone from pig pancreas—killing 23,000 pigs to produce just a single pound.

In retrospect, it is hard to see bio-farming as anything but cruel and wasteful. But it was only after international moratoriums were imposed that trends began to reverse. It's now almost impossible to source natural ambergris for large-scale commercial use and the perfumery industry has turned to synthetic alternatives, just as the medical industry has for insulin.

But despite these advances, many industries still rely on animal-derived substances—because of molecular complexity, regulatory obstacles or the perceived superiority of natural products in some applications.

Each year, the blood of nearly half a million Atlantic horseshoe crabs is harvested to test for bacterial endotoxins. Since the crab's blue blood has a protein that clots instantly when it comes in contact with bacterial endotoxins, it remains our most reliable way to ensure the safety of vaccines, intravenous fluids and implantable medical devices. The production of antivenoms for snake, scorpion and spider bites still requires 'milking' venom from live animals and injecting it into horses or sheep to harvest antibodies—a dangerous, slow and expensive process.

Beyond ethical concerns, animal biofarming also poses significant health and environmental risks. The production, storage and consumption of animal-sourced products risk the spread of infectious diseases, which no biosecurity system or containment measures can definitively prevent. The environmental cost of raising, feeding and maintaining animals solely to harvest a single molecule or organ is becoming increasingly difficult to justify. The question is not whether we should quit extractive bio-farming, but why our systems remain structured around it at all.

AI-led advances in biotech mean we needn't treat our fauna as a 'resource' to be mined for rare substances

While advances in recombinant DNA technology and industrial bioprocessing have enabled the mass production of some biological molecules, many of the most valuable compounds—particularly those involved in immune response and toxicology—have proven difficult to replicate. Their three-dimensional structures are complex, their binding behaviours subtle and their effectiveness often depends on interactions that remain poorly understood. In practice, the biological machinery of animals has continued to outperform our best attempts at imitating them.

In a recent paper, scientists described a radically different approach. By using generative artificial intelligence (AI), they were able to design synthetic antivenom proteins from scratch. Rather than harvesting antibodies from animals, they used an AI system called RFdiffusion to generate entirely novel protein 'binders' whose shapes were engineered to precisely match specific venom toxins they were targeting. These binders act like molecular caps, attaching tightly to the venom toxins and preventing them from docking onto human cells.

The results were striking. In laboratory tests, these synthetic binders successfully neutralized the toxic effects of black-necked spitting cobra venom on human cells even when introduced after exposure. In live animal tests, mice survived doses that would have otherwise been fatal. Most importantly, since these binders were highly specific, they narrowly targeted venom toxins without triggering a broader immune response.

The significance of this experiment extends well beyond snakebite treatment. It demonstrates that computational systems can now reliably produce what we once depended on living organisms to provide us. Advances such as these are making it possible to replace traditional biofarming with specifically designed alternatives. Because these molecules are engineered from scratch, they can be made to be more stable than their animal counterparts, reducing the need for cold chains and easing various other storage constraints.

For centuries, we have extracted molecules from animals, treating our fauna as a resource to be mined. Computational biology offers a fundamentally different paradigm—one in which value comes not from chance discovery, but from deliberate design. This shift is not technological, but conceptual. Instead of foraging for what nature happens to produce, we can deliberately build what we actually need.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

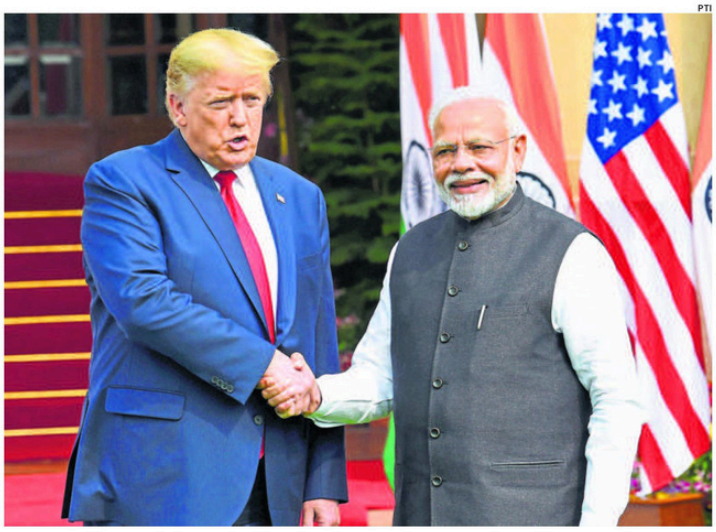
The meaning and significance of the Indo-US trade deal for India

It matters less for what it concedes than for what it enables: investment, scale and a durable position in today's world order



V. ANANTHA NAGESWARAN
is chief economic advisor to the Government of India

PTI



The joint statement issued by India and the United States of America on the conclusion of their trade negotiations, which led to a framework for an interim trade agreement, has been read in India in sharply different ways. Many have hailed the strategic thinking and vision behind clinching this agreement soon after the conclusion of the India-EU free trade agreement. Textile manufacturers and exporters in Tiruppur have applauded the agreement as an important breakthrough for their export prospects. On the other hand, much of the criticism rests on a literal reading of the text. In practice, framework agreements are generally intended to express shared intent and broad orientation, while allowing for sequencing and adjustment over time in the light of evolving circumstances.

Consider the reference to India's stated intention to purchase up to $500 billion worth of goods from the US over a five-year horizon. Such medium-term indications are best interpreted as signalling an intent to deepen economic engagement rather than as fixed procurement commitments. They provide a framework for expanding trade in product categories where the US has established global competitiveness and technological depth—particularly in advanced manufacturing inputs, energy-related technologies, high-end capital goods, electronics and semiconductor equipment, and specialized aerospace and defence systems. Imports in these areas primarily function as productivity-enhancing inputs for domestic value chains, supporting infrastructure expansion, manufacturing upgradation and technological diffusion within India. As the economy grows and diversifies, the absolute value of such imports may increase even as their share in overall economic output moderates over time. Viewed in this manner, the stated intent reflects a pragmatic and forward-looking approach that balances ambition with flexibility, consistent with the requirements of a large evolving economy.

The interim India-US framework does not alter market access for US soyabeans, maize, dairy or poultry. It is confined to products such as DDGS, feed sorghum, tree nuts, processed fruits, soyabean oil and wines and spirits that are either not produced at scale in India or constitute a marginal share of our agricultural output. As noted by Harish Damodaran in *The Indian Express*, any impact is limited to relative price adjustments in specific input markets, rather than the displacement of core farm production, leaving cereals, pulses, sugarcane and milk that define Indian agriculture unaffected.

Some commentary has emphasized the apparent asymmetry between India's decision to allow zero-duty access to US industrial goods and the tariffs applied by the US on Indian exports. Such comparisons are incomplete, as the economic significance of tariffs depends not on their absolute level, but on their incidence relative to those faced by exporting countries that compete with India; assessed on this basis, our relative market access position has improved. Moreover, zero-duty access does not obligate importers to import US goods. Tariff liberalization influences prices rather than purchase decisions. When US products are cost-competitive and meet domestic requirements, lower tariffs reduce input costs for Indian producers and lower prices for consumers; when they are not competitive, trade flows are unlikely to change materially. In this sense, trade outcomes are primarily determined by market conditions rather than by tariff schedules alone.

Where the agreement truly matters is in confidence and capital flows. By restoring a degree of predictability in trade relations with the US, India has put itself back in contention for global portfolio and direct investment flows at a sensitive moment. Without such inflows, financing even a modest external deficit had come under strain and the Indian rupee would have continued to face downside risks in 2026. Trade access, in this sense, is not just about exports; it is about anchoring macroeconomic expectations. Indeed, with this agreement concluded, India should court foreign investment assiduously, allow the current account deficit to expand slightly to boost capital formation, generate employment, acquire vital technologies and seek to embed itself more widely in global value chains. That is now a top macroeconomic priority and this agreement materially shifts the odds in India's favour.

This macroeconomic dimension matters because the US remains, by a wide margin, the world's largest source of final demand. In 2024, US private consumption alone was nearly $20 trillion, exceeding the combined consumption of the next three big economies. Competitive and predictable access to this market is therefore not optional for India's export ambitions; it is foundational to manufacturing scale, currency stability and the sustainability of external balances.

There is also a quieter firm-level story. Preferential access to the world's largest importer is a necessity for India to be a preferred destination for the 'China plus one' ambitions of global supply chains. The labour-market implications are equally significant. Labour-intensive sectors such as textiles, gems and jewellery, shrimp exports and automobile components stand to benefit directly. For an economy where employment generation remains a central challenge, this consideration cannot be dismissed as secondary.

Stepping back, the agreement also reflects India's adjustment to the world as it now exists. With multilateral trade mechanisms largely paralysed, bilateral and selective arrangements shape outcomes. Engaging bilaterally and pragmatically is how outcomes are shaped in global trade. At the same time, the agreement complements India's broader strategic posture in the Indo-Pacific, sitting comfortably alongside arrangements such as the Quadrilateral Security Dialogue without turning trade into a formal security commitment.

The interim trade framework between India and the US must be evaluated not as a ledger of concessions, but as a choice of economic posture. In an international environment marked by fragmented trade regimes, selective decoupling and heightened capital sensitivity, predictability in India's most consequential external economic relationship has intrinsic value. It shapes investor expectations, lowers macroeconomic risk premia and conditions India's ability to scale up its manufacturing and absorb global capital.

Economic agency today is exercised through calibrated integration, not rhetorical resistance. Read in this light, the interim trade framework does not narrow India's options; it expands them. The invitation extended by the US to India to join Pax Silica—a strategic initiative to secure and reconfigure global silicon, semiconductor and critical minerals supply chains—reinforces this interpretation. It signals that trade predictability is being treated as a gateway to deeper industrial, technological and supply-chain integration, rather than as a standalone concession. The real risk, therefore, lies not in engagement, but in the continued mischaracterization of such an engagement as weakness.

In sum, the agreement reached on the framework matters less for what it concedes than for what it enables: investment, scale and a durable place for India within the economic architecture that is now taking shape.

11 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

Can market-making give India's corporate bond market a buzz?

The idea could succeed if some key impediments are tackled that keep these bonds relatively illiquid



MADAN SABNAVIS
is chief economist, Bank of Baroda, and author of 'Corporate Quirks: The Darker Side of the Sun'

One significant announcement in the budget relates to the introduction of market makers in India's corporate bond market. This idea has been around for some time, with the Securities and Exchange Board of India (Sebi) having released a paper on it. Market makers are entities that get certain benefits for creating liquidity in a market. As a corollary, once this is enabled, retail access gets easier.

In the government securities (G-Sec) market, for example, primary dealers do this job when they subscribe to primary issuances. In the secondary market, they provide 'buy' and 'sell' quotes. This means that they hold on to securities and place them on offer for buyers to purchase. They take the risk of price changes but get regulatory benefits in return. This gives G-Secs liquidity.

This is the theoretical part. Let us look at India's G-Sec market. There are presently about 120 issued securities of long-term tenure with a combined outstanding liability of around ₹120 trillion. Specific amounts vary across securities depending on their importance. While this market is liquid, this is unevenly so. In the first nine months of 2025-26, for example, data shows that almost 60% of the trading was in 10-year paper, while another 18-20% was distributed across 5- and 15-year bonds. The rest were quite insignificant. This means that even market-making does not work fully for a majority of issued G-Secs.

Notably, only benchmark securities trade in high volumes. Even with these, it is the 5, 10 and 15-year securities that top the list. The rest are usually dormant. Within these three, the 10-year bond dominates, serving as a reference for the bond market and yields. It is also used for global comparisons.

Interestingly, this security changes once every year as new benchmarks are announced. For example, the 2035 security at the beginning of 2025-26 would be replaced by the 2036 bond as the benchmark, with the 2035 one gradually losing its sheen. Also, while the benchmark sees significant trading volumes, once it has less than 10 years left to maturity and is replaced, trades drop off. This makes liquidity a challenge even in the G-Sec market.

In the corporate bond market, things get even more complex. In the case of G-Secs, the issuer is the Government of India, so there is only one issuing party. But there are multiple bonds issued by various companies in the market for corporate bonds. Further, AAA-rated bonds, which are deemed relatively safe and typically carry lower coupon rates than lower-rated paper, can have yields that vary across private companies and public sector issuers. If a market maker comes in, which securities should it be dealing in? Should it go by companies, ratings, tenures or yields? This requires some clarity.

Sebi has tried to bring in the concept of re-issuance of a security—a security issued by, say, company ABC with a maturity date of 2040 will have future issuances. This would increase the quantity of floating securities. But it won't necessarily work, as issuers also need to have issuances with maturities that fit their asset-liability mix. Besides, even if a maturity date is harmonized, the market maker will have to sift through the list and decide which companies to back while fulfilling the responsibility of market making.

Another issue, a broader one, is that major debt subscribers are financial institutions such as insurance companies, pension funds and provident funds, among others. These are typically 'buy and hold' subscribers, as they buy bonds to match their long-range asset-liability profiles and are usually not interested in trading. Mutual funds could trade in bonds, though they may not do it very regularly since their own rating, which is judged on the basis of portfolio stability, could take a hit. Hence, while talking of market making, we need to also identify counter-parties as buyers and sellers.

There has been talk of getting retail investors into the market for corporate bonds. But that is hard because of limited liquidity. One can buy and sell a share of a company any time, as there are counter-parties available. But this does not hold for corporate bonds. Further, understanding a bond price is complex, as yields and prices move in opposite directions and interpreting movements requires some specialized knowledge. While tracking a portfolio of bonds held, a retail investor may not realize that a 10-year bond has turned into 9-year paper after a year. So getting counter-parties to market makers will be a challenge, unlike in the country's G-Sec market, where banks are major players as their treasury operations are a business activity.

The way forward may be to focus on nudging retail investors towards debt mutual funds. Fund managers who handle portfolios could invest in corporate bonds. This was indeed popular before Indian tax rules became asymmetric and debt returns began being taxed at the income-tax slab rate while equity gains continued to be taxed at capital-gains rates. Revisiting these tax rules could make a difference. Perhaps the tax imposed on interest earnings from bank deposits could also be brought to parity; it would help elevate financial savings in the economy. This could be taken up in India's next budget.

These are the author's personal views.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MINT CURATOR

Asia's decades-old fertility fall cannot be reversed overnight

The shift from smaller families to larger ones will require patience



DANIEL MOSS
is a Bloomberg Opinion columnist covering Asian economies.



Singapore is better placed than its peers to overcome fertility hurdles. BLOOMBERG

Singapore has been put on notice. The city-state has long wrestled with how to lift its birth rate. But despite an array of incentives, couples aren't showing much interest in larger families, or having any at all. The challenge is shared by most successful nations. Ultra-low fertility is a byproduct of rapid development and elevated living standards. South Korea, Japan, Taiwan and China all have rates of fertility well below 2.1, the level at which demographers say a society reproduces itself.

Leaders are far from comfortable with the trend. Singapore is still crunching the numbers for 2025, though they are unlikely to improve much from the prior year. "I'm not likely to give good news," Deputy Prime Minister Gan Kim Yong told a conference last week.

Singapore had hoped for a boost in 2024. Instead, the rate, which measures the average number of kids a woman has in her childbearing years, was stuck just below 1.0. The figure has been retreating for decades; when the country became independent 60 years ago, it was around 4.5. In the absence of a meaningful boost, the low level raises profound questions about the role of immigration, robotics and artificial intelligence. The country's residents are also getting older; the government has warned that the republic will soon be a "super-aged" society.

Unlike Japan, South Korea and China, Singapore strives to attract the workers it needs—especially in industries it considers strategic such as technology, engineering and finance. In important ways, the it is better placed than peers to overcome the hurdles. Yet there are limits: Since an electoral setback in 2011, the ruling party has emphasized that topping up the population won't come at the expense of jobs for citizens.

Should governments just give up? Even if measures like increased paternity leave, baby bonuses and a raft of tax incentives fail to move the fertility needle to a significant degree, that doesn't mean they are bad policy. And it's possible that families could again start to expand in a marked way. It's not a lifetime ago that officials fretted about an overcrowded planet.

Just don't expect miracles. "Financial approaches to low fertility do not account for the powerful shift in values that has driven the move to smaller families," Jennifer D. Sciubba, Michael S. Teitelbaum and Jay Winter wrote in their new book, *Toxic Demography: Ideology and the Politics of Population*. Values could transform "but because of the long-lasting momentum of demographic change, countries in which such counter shifts might occur after their populations were already declining would continue to register negative growth for several decades." In short, shoring up languishing fertility requires patience.

That doesn't mean these Asian economic stars have taken an irrevocable turn for the worse. By many metrics, they deserve praise. Gross domestic product is high and, when measured per capita in the case of Singapore, stratospheric. Each ascended to prominence in the post-World War II era characterized by falling trade barriers and capital mobility. But pre-eminence in exports did not by itself generate demographic challenges. Family planning was vital to national security as well as finances. Countries had to thrive, not just survive.

If governance was geared for keeping a lid on headcount, the opposite is now true. But it isn't being pursued with the same vigour: Some countries strongly promoted sterilization and, in the case of China, which enforced a one-child policy, additional kids led difficult lives. (They were often denied registration cards essential for education, healthcare and the ability to move in search of better employment opportunities.) Now China is so keen for families to get larger it's even taxing condoms. Restrictions are gone but the problem remains.

It's one thing to galvanize residents around the need to lift fertility. Dire predictions aren't the solution. One South Korean minister warned in 2023 that the country risked extinction. Reports on China's economic slowdown are now accompanied by grim-framed updates on its shrinking population. By this measure, the big news of 2025 wasn't US tariffs or the record trade surplus, but the steepest annual drop in population since the Mao Zedong era. This retreat has been a long time in the making.

It's not just about redirecting state actions. Women want careers, children cost a lot, housing is expensive and men still aren't doing anywhere near their fair share at home. (A paper last year by Nobel laureate Claudia Goldin urged men to be dependable dads.) Singapore is right that fertility news isn't likely to be encouraging. But we didn't suddenly arrive at this moment. Solutions won't come overnight, if they ever do.

©BLOOMBERG

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

MY VIEW | WORLD APART

Japan is reinventing itself under Takaichi's leadership

RAHUL JACOB



is a former Financial Times foreign correspondent.

A photo last month of Japanese Prime Minister Sanae Takaichi wearing a bright electric blue outfit and playing the drums alongside Korean President Lee Jae Myung is only one of many of Japan's prime minister to go viral. The image is also remarkable because Korea and Japan have long had a strained relationship. The camaraderie between the two leaders playing a K-pop song radiated out of the photograph in a manner akin to speech balloons. Takaichi's hands were above her shoulders, as if she had just won a 100-metre sprint.

In a sense, the Japanese prime minister has. As the victor of an internal party vote to become prime minister in October, Takaichi lacked a popular mandate and was momentarily enfeebled further when she lost the support of a coalition partner of the Liberal Democratic Party (LDP). Nonetheless, when she was asked in parliament in November what Japan would do if Taiwan was threatened by a blockade by Beijing, she responded by saying Japan would have to intervene.

This turned out to be both politically savvy and a forthright statement of her views. Takaichi began to climb in opinion polls. Beijing's usual playbook of intemperate language and economic bullying in response played to her advantage as Takaichi refused to soften her statement even as China clamped down on Japanese seafood imports and sought to limit supplies of rare earths to Japan. The 64-year-old in January called for a snap election, well ahead of schedule, and led the LDP to a two-thirds majority, a margin never achieved in Japan's post-World War II history.

In a matter of months, Takaichi has seized the advantage from Japan's old guard of male politicians, in a manner not dissimilar to the way Indira Gandhi established control over the Congress Party in 1969. And her star quality with young voters is reminiscent of the cult that surrounded John F. Kennedy and Jackie Kennedy in the early 1960s. Takaichi has a 90% approval rating with those under 30. Everything she uses, from her unremarkable black handbag to a metallic pink pen, has started to sell out. The manager of the Hamano handbag factory in Nagano sounded somewhat baffled by the huge demand from young women. There is now a nine-month wait for that tote bag.

This is markedly an election victory, as with so many these days, determined in part by popularity fanned by social media. But Takaichi's challenges are likely to be old-fashioned. Her government must find a way to keep inflation in check and resist the urge to put pressure on the Bank of Japan (BoJ) to keep interest rates low.

Could the country be on the verge of a revival that echoes its famous Meiji Restoration?

Her promise to suspend a consumption tax of 8% on food for a couple of years could also boost consumption across the board. But it would amount to forgoing 6% of Japan's total tax intake at a time when there is concern about its fiscal position. On 20 January, the day after Takaichi called for the election saying she was also seeking a mandate for fiscal expansion, the market for long-dated Japanese bonds showed investors were getting concerned. Yields on 30- and 40-year bonds tightened.

Takaichi is also expected to move quickly to militarize Japan. This is long overdue, but it will inevitably add to Japan's fiscal deficit. While developed world debt has risen sharply in the past few years, Japan's is the highest of them all as a percent of GDP. And, as *The Economist* noted in a recent article, it is no longer true that Japan's debt story is a domestic drama alone. The market segment that sold off bonds with 10-year to 40-year maturities in January is more than half owned by foreign investors, up from less than a quarter before the covid pandemic.

The BoJ, meanwhile, wants to keep inflation in check by raising interest rates. This puts it and the prime minister potentially on a collision course. In a rare misstep since she took over, Takaichi opined that she thought raising interest rates would be "stupid". Befitting Japan, this will likely be settled decorously, but, as events last month in its bond market demonstrated, foreign investors will make their opinions count.

Unlike her immediate predecessors whose tenures fell short of the four-year term of the lower house, Takaichi now has a full term ahead of her. This means she will need to carve out a working relationship with Chinese President Xi Jinping. As its first attempt at intimidating Takaichi backfired spectacularly, Beijing will have to devise a different strategy. Responding to US President Donald Trump's warm congratulations this week, Takaichi praised the "limitless" alliance between the two countries. In another achievement, like Prime Minister Giorigia Meloni in Italy, she appears to have built a stable and cordial relationship with the unpredictable US leader.

Meanwhile, corporate Japan is starting to transform itself in a manner akin to its politics. Major corporations are giving promotions based on ability rather than seniority and offering outsiders large pay hikes to join. Many are adding leverage, says Jesper Koll, a former JP Morgan managing director who has lived in Japan for decades, and banks are forcing zombie companies to close. The country has been working around its rapidly ageing population by granting more than 1,200 work visas a day for the past couple of years, he says. Women are joining the workforce in larger numbers.

Taken together, this is a 21st century equivalent of the Meiji Restoration. And all the more remarkable because this potential turnaround is led by a leader who plays the drums and totes an iconic handbag.

12 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MY VIEW | MYTHS AND MANTRAS

Rags-to-riches stories often have more to them than what we hear

Entrepreneurs are often from privileged backgrounds rather than supposedly humble beginnings



DEVINA MEHRA
is founder of First Global and author of 'Money, Myths and Mantras: The Ultimate Investment Guide'. Her X handle is @devinamehra

Which is the land that exemplifies 'rags to riches,' where you can be anything in the world? I am sure the US will come to mind. You know all those glamorous stories of college drop-outs, guys who started out in garages and made it big. But dig into the details and the stories don't quite hold up. To give a few examples: founders Jeff Bezos of Amazon, Mark Zuckerberg of Meta, Elon Musk of Tesla, Space X, etc, Bill Gates of Microsoft, Michael Dell of Dell Computer all came from privileged backgrounds... as did Warren Buffett of Berkshire Hathaway.

The 'merit' argument that anyone can make it always tries to downplay privilege because those who make it usually have it. How does privilege work? Let me count the ways.

The first obvious one is quality education. For example, Bill Gates' school was one of a handful in the world with a computer back in the 1960s. Who your parents are and what they can afford is usually also a determinant of the university you can go to—never mind whether or not you drop out of it.

Then a part that is often not talked about is parents' financial support for one's business in its early days. Bezos's parents invested nearly a quarter of a million in his business 30 years ago. Zuckerberg started with $100,000 from his father. Dell and Phil Knight of Nike also got seed money from their families.

In hindsight, it is easy to call it loan or equity investment, but we know how much due diligence would have gone into these. Economists Ross Levine and Rona Rubenstein of the University of California at Berkeley did a study in 2013 that looked for shared traits of US entrepreneurs and found that most were Caucasian, male and highly educated. "If one does not have money in the form of a family with money, the chances of becoming an entrepreneur drop quite a bit," Levine said in an interview.

Nor is this a US phenomenon. A study by Israel's ministry of finance reported in *The Guardian* said, "There is a strong connection between your parent's income and your chances of becoming a startup entrepreneur, with those from a strong financial background having a higher chance of becoming entrepreneurs." This study, which used demographic, academic and financial data from Israeli entrepreneurs aged 25-35 and their families, found that parental income was the most important factor determining the likelihood of starting a business. It also found that even those who scored lower on math tests but came from a family with higher income and wealth had a bigger chance of becoming entrepreneurs.

The third aspect is not just financial investment, but a stated or unstated cushion to fall back upon—meaning you can take risks with a startup because you can afford not to earn for a while or have enough family wealth to ensure that you won't be out on the streets if the venture fails. Musk comes to mind. "Having strong financial support can help someone who is interested in setting up a startup and providing a financial safety net in the case of failure," said the report.

Then there are networks. Gates' mother was on the IBM board, for example, which gave him his first big break with MS-DOS. Privileges are of many kinds and operate in many other fields too, including Bollywood. From Amitav Ghosh's *Smoke and Ashes*, it is also apparent that most of the 'old money' in the US, the so-called Boston Brahmin families, owe their initial fortunes to the opium trade of colonial times. There are many rags to riches stories about them. But while Americans going to China were by and large poor, they had something very valuable—wealthy relatives. They were mostly poor nephews and cousins of rich men ready to fund their adventures. That is not very different from venture capital networks today on the US West Coast, where it is nearly impossible for an entrepreneur to even get a proper hearing without 'knowing' somebody in the system.

Occasionally I see on Indian social media people recounting how their parents were poor and their education was funded by someone in the extended family or community. Almost all of them belong to the 'right' caste. And while many underline their lack of wealth, they mostly turn a blind eye to the big enabler in their lives—access.

Of course, not all those with privilege build world class companies in competitive fields. Privilege may be neither a necessary nor sufficient condition for success, but it is doubtless a starting advantage, including in fund-raising.

Unfortunately most of us refuse to acknowledge our privilege, whether it is class, wealth, caste or gender. Attribution bias nudges us to attribute our successes to ourselves. Buffett has been one of the few exceptions who have acknowledged the birth lottery of being born "white", American and male.

Even though I did not come from generational wealth, I certainly had enough cushions available when I started my own entrepreneurial journey three decades ago. An education ensuring I could get a job anytime I wanted. Parents who would have been more than happy if I had given up working and gone off to do a doctorate. I had options many others did not. The very fact that I grew up as the child of two professors in a home full of books has given me a life-long advantage in a country where many are first generation learners.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MINT CURATOR

Is China's yield-paying digital currency taking on the dollar?

Its cross-border linkages could stir a mutiny against the greenback



ANDY MUKHERJEE
is a Bloomberg Opinion columnist covering industrial companies and financial services in Asia.



US dollar stablecoins cannot pay interest but China's CBDC now does. X/CGTNGLOBALBIZ

The highest US tariffs in almost a century have had a muted impact so far on global growth, but Asian policymakers aren't lulled by the calm. They're taking their cues from jumpy markets and plotting what appears to be a mutiny against King Dollar. Those searching for evidence of it in payment flows are looking in the wrong place. For years to come, de-dollarization will remain hidden in alterations to financial plumbing. The cumulative effects will take time to show.

With little fanfare, China's e-CNY, its official digital currency, has gone from being interest-free cash to a yield-bearing product of commercial banks. It's a profound change. Until now, the problem with e-CNY adoption was that even Chinese state workers who received their salaries as tokens in e-wallets would immediately swipe them into their bank accounts. Now they don't need to. For them and their banks, e-CNY is no different from a regular deposit account. Payment apps like Alipay and WeChat Pay work with both.

This move won't dent the greenback's dominance: The dollar is the preferred global payments currency with a 50%-plus share, more than twice that of the euro and way ahead of the yuan's 3%. But an e-CNY that's more widely used in China lowers the threat of further dollarization in a scenario where local savers switch to dollar stablecoins. Paying interest on e-CNY is a defensive step because last year's US Genius Act prohibits stablecoin issuers from offering yields. But a moat against stablecoins won't be enough. To take on the dollar's hegemony more directly, China will have to attack it overseas. But outside of Hong Kong, where banks are making yuan-denominated trade finance available to clients in Indonesia and Cambodia, there isn't a deep enough pool of offshore liquidity in the Chinese currency.

Enter mBridge. When I wrote about it 2022, it was just a pilot project of the Bank for International Settlements (BIS) and the monetary authorities of China, Hong Kong, Thailand and the UAE. Some of their financial institutions had come together on a shared blockchain where they swapped prototype digital currencies issued by their central banks to settle cross-border claims of their corporate clients.

In 2024, Saudi Arabia joined the experimental payments platform. Yet, it hardly attracted any attention before Russian President Vladimir Putin identified the underlying technology as a tool to circumvent sanctions and potentially undermine the dollar. The BIS withdrew from the project in 2024, but its partner countries ran with it. According to a recent Atlantic Council report, activity has swelled to more than 4,000 cross-border transactions since inception with a cumulative value of about $55.5 billion, a 2,500-fold increase from 2022. The e-CNY accounts for more than 95% of the settlement value.

There are reports that mBridge could morph into something larger. India, which has developed its own central bank digital currency, is looking to propose linking the CBDCs of so-called Brics+ grouping of emerging markets, according to *Reuters*. The idea will be anathema to Washington. And since New Delhi has agreed to stop buying Russian oil to get out of the Trump administration's tariff prison, it's hard to say if its enthusiasm for a payments corridor that includes Russia and Iran will last.

Even if a viable anti-dollar coalition takes time to emerge, Beijing will keep pressing. A few years ago, China's President Xi Jinping's emphasis on its need to build a "powerful currency" that's "widely used in international trade, investment and foreign exchange markets, and attain reserve currency status" would have been dismissed by investors as empty boast.

That's no longer the case. Markets are already questioning the dollar's exceptionalism. Looking under the hood of what caused the unusual spike in US bond yields after US President Donald Trump launched his tariff war, New York University professors Viral Acharya and Toomas Laarits conclude that "investors lost confidence specifically in the long-term safety properties of Treasuries while still valuing their near-term benefits." They found evidence of a flight towards gold.

But gold cannot be a payments currency. In the $9.6 trillion-a-day foreign exchange market, the greenback shows up in 89% of all trades. About two-fifths of this outsize share has been chalked up to its vehicle-currency status: Funds are first converted into dollars and then reconverted into whatever currency the payee's bank account will accept.

An interest-paying e-CNY, settling transactions within China and around the world, will bypass the dollar—and Swift messaging—entirely. Now that superior plumbing have been invented, it won't be allowed to gather rust. ©BLOOMBERG

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | CAFE ECONOMICS

India's inflation data is about to reflect real consumption better

An updated consumer price index will aid monetary policymakers but there's scope for even more accurate inflation readings



NIRANJAN RAJADHYAKSHA
is executive director at Artha India Research Advisors.

ISTOCKPHOTO



India will at last get a recalibrated inflation measure this week, part of a broader update of Indian economic statistics. The statistics ministry is scheduled to unveil a new consumer price index (CPI) that will replace the one in use for nearly 15 years. The weights in the new CPI will reflect changes in how Indian households allocate money in their monthly budgets to various items of spending such as food, housing, healthcare and entertainment. These changes were revealed in the nationwide household expenditure survey conducted a couple of years ago. Shifts in the spending pattern are only to be expected as incomes have grown since 2012. The base year of the CPI will now be 2024.

The overdue move to a new CPI will have important consequences for Indian monetary policymakers, since their main task under the flexible inflation targeting framework is to keep CPI inflation within a range. The results of an earlier household consumer expenditure survey—which provides the statistical structure to measure inflation—due to be released in 2019 were held back by the government, which cited data quality issues. What the delay in updating inflation measurement meant is that Indian monetary policy has for several years been operating with an outdated inflation measure based on consumer spending data more than a decade old. The new series should therefore provide a more accurate picture of what the average Indian household actually spent money on in 2024 (compared to 2012) and give monetary policymakers a better sense of what the country's true inflation situation is.

The most significant change in the new CPI is that the weight assigned to food items will drop from 45.86% to 36.75%, a result of the fact that Indians are now spending a smaller portion of their household incomes on food. International experience shows that rising incomes mean households spend a smaller slice of their total income on food. Discretionary spending becomes more important in a relative sense.

This fundamental shift in the structure of household spending has two consequences for the conduct of monetary policy. *First*, headline inflation will now be more stable than earlier, since volatile food prices will be less important in the overall CPI. *Second*, it would allow the Monetary Policy Committee of the central bank to pay more attention to core inflation in its analysis of price pressures in the economy.

A look at inflation data over the past 10 years shows that headline inflation has moved in sync with core inflation in some periods, while the two have diverged in other periods. The correlation coefficient of these two inflation measures has been 0.71, which shows that both headline inflation as well as core inflation have been influenced by common factors such as demand conditions, monetary policy, wage growth, profit markups and broader economic cycles. But there are still episodes of divergence (or the missing 0.29) because food prices are subject to supply shocks such as heat waves or global food prices that are independent of underlying conditions in the domestic economy.

Volatility in headline inflation over the past 10 years, measured in terms of standard deviation, has been almost twice the volatility of core inflation. Headline inflation has bounced about while core inflation has been more stable. Core inflation has broadly been in the range of 4-5% since 2016, while headline inflation has moved between 1.3% and 7.5%. A more stable headline inflation that moves in sync with core inflation will allow monetary policymakers to focus on the state of demand in the economy rather than respond to supply shocks. The structure of modern monetary policy is better designed to deal with the former than the latter.

In a recent paper, economists Ravindra H. Dholakia and Sri Virinchi S. Kadiyala make an interesting case for another measure of consumer price inflation based on the national income accounts used to calculate gross domestic product every quarter, rather than the current method of using data from the household expenditure survey that is conducted once every decade or more. ('Which Inflation Should India Target? Rethinking The Monetary Policy Framework,' *Economic and Political Weekly*, 17 January 2026). The two economists have calculated a "counterfactual CPI" based on the national income accounts in which food has an even lower weightage than it does in the new CPI that is about to be launched: 31% as against 36.75%.

Dholakia and Kadaliya also argue that one of the advantages of using their alternative CPI would be that it enables government statisticians to move to a chain-based index of consumer prices, or one in which the weights assigned to various items move dynamically rather than get adjusted at one shot after a decade. In short, a chain-weighted CPI will update the basket of goods and their weights regularly, based on what consumers are actually buying at that time, rather than going by a fixed basket from a base year, as is currently done. This prevents the index from overstating inflation by accounting for consumers switching to relatively cheaper substitutes when prices increase.

The switch to a new official CPI and discussions about how to measure inflation may seem like abstract statistical debates that interest only a few eggheads, but they have far-reaching consequences for the country's interest rate policy that affects consumers, borrowers, investors and companies.

13 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

Reform the process of reforms: We need a new growth formula

It may be time for honest reflection on the market approach taken by Indian reformers back in 1991



ARUN MAIRA
is the author of 'Reimagining India's Economy: The Road to a More Equitable Society'

The general consensus seems to be that the budget for 2026-27 was not bad, but not good enough. It's a safe budget. It didn't rock the boat. It tried to keep the ship on course to India's goal of increasing GDP and achieving 'Viksit Bharat' by 2047. However, it did not address the strategic vulnerabilities of the Indian economy highlighted in the *Economic Survey*.

India is caught in the pincer grip of a US-China geopolitical standoff. We rely on trade with China, with which we have boundary disputes, and on Russia for oil and arms, while the US continues to support Pakistan. We cannot afford to annoy the US, China or Russia, as our industrial capabilities are not strong yet. We must build these to recover ground lost to China by our premature abandonment of industrial policies in 1991.

No doubt, India's GDP has grown since 1991 and poverty has also reduced. But over the same period, China's GDP and per capita income grew much faster. The employment elasticity of India's GDP growth (i.e., good jobs generated per unit of GDP) is among the world's lowest. Estimates show that since 2001, India has been converting GDP to jobs at only two-thirds the rate of other Asian countries. GDP will have to grow at a rate of 12% annually to produce enough jobs if this pattern of growth persists. This is well beyond the 6.5-7.5% that economists say is feasible.

Debates on India's economy have degenerated into whether GDP and employment did better under Congress or BJP-led governments, but the truth is there is no difference. GDP grew at 7.2% annually in 10 years of the former (excluding 2008-09 when the global financial crisis hit) and at 7.2% in the next 10 years of the latter (excluding the 2020-21 pandemic shock).

The structural conditions that cause inequitable growth have not changed either. The employment elasticity of GDP growth has been declining since the 1990s. Between 1983-84 and 1992-93, jobs increased by a little over 2% per annum. Then from 1993-94 to 2004-05, though the economy grew faster, this rate decreased to 1.85%. After 2004-05, matters became worse. Employment elasticity, which had been 0.44 from 1999-2000 to 2004-05, decreased to only 0.01 from 2004-05 to 2009-10. This was an ominous sign. If employment and incomes do not increase faster for the masses, investments are not sustainable for businesses counting on rapid economic growth.

Advocates of the 1991 reform agenda want land and labour markets opened up to make it easier for businesses to profit, reduced trade barriers and the privatization of public sector units even though these have social objectives.

QUICK READ

The structural conditions that cause inequitable growth have not changed in India for decades. The employment elasticity of GDP growth has been declining since the 1990s.

Apart from GDP growth, our progress dashboard needs a tracker of environmental resource depletion and a gauge that alerts policymakers to social and political tensions.

What we need is honest reflection. The paradigm of liberal economic reforms we adopted in 1991 may be the cause of our vulnerabilities. We thus need reformers with the courage to break out of that paradigm, as India cannot become a developed country on this path even if our GDP grows. Wealth and incomes must grow for all citizens.

Two basic reforms are required in the process of reforms. *First*, to monitor progress, apart from GDP growth, two more gauges are essential on the dashboard. GDP measures only the speed of growth. As with a car, we also need a 'fuel' gauge: in the economy's case, we must measure how fast environmental resources are running out (clean water, productive soil, air quality, etc.). An 'RPM' meter is also necessary to alert us to social and political tensions that could stall growth.

Second, we must reframe economic development as a process of learning: of enterprises acquiring capabilities they do not have yet; people climbing a skill development ladder; and policymakers learning to do what they have not done before. China's leaders have proven to be faster and better learners than India's. While we adopted the US model of liberal-market capitalism in 1991, China stayed on its course of "socialism with Chinese characteristics." It experimented, learnt and made course corrections: "Crossing the stream by feeling the stones underfoot," in Deng Xiao Ping's memorable expression.

International surveys show that each unit of India's GDP growth is creating fewer jobs than the growth of other economies; and each unit of growth is also damaging the environment more than in other countries. We cannot carry on this way. It is time for a bipartisan reflection on our experiment of liberal market reforms. Our agenda must take a new form and direction now. India's pattern of growth must change. Incomes at the bottom must increase much faster and ecological destruction must stop before it's too late.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

THEIR VIEW

India could gain from a US-led critical minerals club

HARSH V. PANT



is professor of international relations, King's College London, and vice president for studies at Observer Research Foundation, New Delhi.

The Critical Minerals Ministerial Meeting convened in Washington D.C. last week underscored the extent to which resource security has become central to contemporary geopolitics. Hosted by US secretary of state Marco Rubio, with vice-president J.D. Vance delivering the keynote address, the gathering brought together representatives from 54 countries and the European Commission. The presence of key stakeholders, including India, Japan, Australia and the Democratic Republic of Congo, reflected a growing recognition that access to critical minerals such as lithium, cobalt, rare-earth elements and graphite is no longer merely an economic concern but a strategic imperative.

At its core, the meeting was a response to the structural vulnerabilities embedded in global supply chains, particularly the overwhelming dominance of China in mining, processing and refining critical minerals. Beijing's control of more than 60% of rare-earth production and its recent willingness to weaponize export restrictions on minerals such as gallium and germanium have sharpened anxieties in Washington and allied capitals. The Trump administration's framing of this challenge—as a strategic liability comparable to the influence of the Organization of the Petroleum Exporting Countries over oil markets, but with far greater implications for high-tech, clean energy and defence sectors—reveals how deeply resource geopolitics is now intertwined with great-power competition.

The ministerial thus reflected a realist recalibration of economic policy. Markets, left to themselves, have produced outcomes that favour scale, subsidies and state action, areas where China enjoys significant advantages. As Vance argued, the flooding of global markets with cheap Chinese minerals has hollowed out domestic production elsewhere, creating dependencies that are politically and strategically untenable. Against the backdrop of rising US-China tensions and surging global demand—particularly for lithium—the meeting sought to mobilize collective action around diversification, 'friend-shoring' and supply-chain resilience.

Its outcomes were indicative of this shift. The announcement of a $10 billion US Strategic Critical Minerals Reserve under Project Vault signalled Washington's intent to treat minerals as strategic assets rather than just commodities. Proposals for preferential trade arrangements among allied states, including tariffs and price-stabilization mechanisms, point to a more heavily managed economic order, one that blends protectionist instincts with selective multilateralism. A proliferation of bilateral and plurilateral agreements, including new frameworks with the EU, Japan and several emerging economies, further reinforced the momentum towards an allied ecosystem for mineral security.

QUICK READ

The Critical Minerals Ministerial Meeting in Washington highlights how access to key minerals is no longer merely an economic security concern but a strategic imperative for countries globally.

Its outcomes present both an opportunity and challenge for us. India could align with a mineral bloc to secure supplies but it also needs to maintain strategic autonomy in a fragmented world.

For India, the implications are particularly significant. Represented by external affairs minister S. Jaishankar, New Delhi positioned itself as a key partner in efforts to mitigate risks arising from excessive supply-chain concentration. India's endorsement of initiatives such as the Forum on Resource, Geostrategic Engagement (Forge) aligns well with its own National Critical Minerals Mission, which seeks to reduce dependence on imports, especially from China, by expanding domestic exploration, processing and international partnerships. Given that India currently relies on China for the bulk of its critical mineral imports, especially for electric vehicles and renewable-energy technologies, the strategic logic of diversification is clearly compelling.

Closer US-India cooperation in this domain also dovetails with broader strategic convergence. Jaishankar's engagements with senior US officials, coupled with recent trade and tariff adjustments, indicate a growing political will to deepen collaboration on technology transfer, joint ventures and investment in mining and refining capacities.

India's untapped reserves—from lithium in Jammu and Kashmir to rare earths in Kerala—offer new opportunities, but only if matched by capital investment, regulatory clarity and environmental safeguards. As a manufacturing hub, India could integrate into allied blocs, reducing vulnerabilities and enhancing its Quad role (with the US, Japan and Australia) on mineral security.

Yet, India's choices are not without constraints. Limited processing capacity, long project gestation periods and ecological sensitivities could slow progress. More importantly, an overt alignment with US-led mineral blocs carries geopolitical risks, particularly given India's complex relationship with China, its largest trade partner and a persistent security challenge. Managing this balance between strategic autonomy and strategic alignment will test India's diplomatic agility.

Ultimately, the 2026 Critical Minerals Ministerial meeting highlights how the global political economy is being reshaped by resource nationalism and strategic competition. For India, it presents both an opportunity to enhance self-reliance and a challenge to navigate an increasingly fragmented order. Whether this emerging framework delivers genuine resilience or merely reconfigures dependencies will depend on implementation, inclusivity and the ability of participant states to reconcile security imperatives with their goals of sustainable development.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

OUR VIEW

ISTOCKPHOTO



How RBI can step up its drive to curb mis-selling

Its draft guidelines aim to restrain banks from mis-hawking financial products. However, they harbour three particular gaps that should also be addressed to deter such malpractices

Traditionally, a bank served only two types of customers: depositors, who were primarily individuals, and borrowers that were usually corporate entities. The bank courted both categories because it needed deposits for lending (after making allowances for statutory reserves and other risk mitigation measures) and the loans advanced allowed banks to make profits. Over time, banks added other sources of income, such as treasury income earned by trading bonds or foreign exchange. Revenue streams were progressively diversified by including new services (issuing letters of credit, for example) and the sale of products from inhouse subsidiaries and even third-party providers. This helped hedge slowing credit demand during economic downturns. It has now reached such a stage that banks in India, especially in the private sector, have found that hawking financial products requires less work than core credit functions (such as credit appraisal, execution and monitoring); all it takes is the deployment of sales and marketing skills. An apparent desperation to maximize this revenue has found its way into a perverse incentive structure. Frontline bank staffers are typically rewarded for selling packages regardless of whether a particular product actually meets customer needs.

The Reserve Bank of India (RBI) has rightly been frowning on that practice for a while. Not only is it unethical, it also violates customer trust, the glue that holds the financial sector together. This week, RBI issued draft guidelines that spell out detailed regulations on the advertising, marketing and sales of financial products and services. Broadly, these guidelines aim to inhibit the institutional mis-selling of products, bar banks from bundling sales of third-party products with its own, dissuade the exploitation of "dark patterns" to delude customers, enjoin banks to compensate customers fully in case mis-selling is established and upend incentive structures that embolden unfair practices. RBI has also, for the first time, defined 'mis-selling' to minimize ambiguity and discourage forum shopping. The financial sector is expected to make some noise about these guidelines, since they are bound to depress bottom-lines for some time. On the bright side, though, it might push banks and non-bank financial companies to expend greater energy on increasing credit sanctions and disbursals, especially to medium- and small-scale industries.

These guidelines are both timely and appropriate, but have three grey areas that demand RBI's attention. The first is their lack of an explicit penalty clause that could truly act as a deterrent. The guidelines specify that for a complaint within a specified time-frame, banks should refund the entire amount paid by a customer. However, most customers are unlikely to complain and bank officials might be willing to refund a few disparate customers if it lets them continue with their egregious practices. The second concerns the proliferation among banks of cumbersome grievance redressal systems, including customer-unfriendly user interfaces that discourage customers from lodging complaints or going through with the process. The third gap in the guidelines relates to their ominous silence on fintech companies, which have not only emerged as key dispensers of financial products and services, but are known to have indulged in unethical practices to shore up their top-lines. The financial sector's next crisis could arise from here.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

GUEST VIEW

Bankruptcy code amendment: A 'clean slate' needs explicit clarity

India's IBC changes should leave no scope for confusion over the past liabilities that are wiped out by insolvency resolution



ARUNDHATI KATJU & RICHA ROY
are, respectively, a senior advocate at the Supreme Court; and partner, Cyril Amarchand Mangaldas, and a member of the drafting team for the IBC of 2016.

MINT



India's finance minister has stated in interviews that the Budget Session of Parliament is slated to amend the Insolvency and Bankruptcy Code (IBC) to clearly grant insolvent companies a "clean slate," with their civil and criminal liabilities wiped out, once a new management takes over. However, the key question is whether legislative reform is sufficient, given the tenacity of tax authorities and investigative agencies.

Insolvency law has different policy priorities from tax and criminal law. On one hand, the goal is to resolve insolvent companies and maximize value for creditors (a significant part of which are public sector banks or PSBs), repurpose productive assets and free up bank capital. On the other, the state has a duty to investigate economic crimes and recover tax revenue for public spending. While insolvency, tax and criminal law are often viewed as hermetically sealed silos, they are intricately connected. When investors lack confidence that the assets they purchase will be insulated from old claims, they discount valuations. This limits recoveries for lenders, traps bank capital and prevents credit outflow for productive uses. This in turn has fiscal consequences (including the need to recapitalize PSBs) and therefore requires policy trade-offs at the time of framing insolvency and tax laws.

Courts and legislators may treat insolvency, tax and criminal laws as silos, but reform requires a cohesive, whole-of-government approach. The proposed amendments prioritize insolvency claims over the government's tax dues and criminal attachments. However, what is required is a change in government behaviour through incentives and standard operating procedures (SOPs).

Currently, an IBC resolution plan binds all third parties, including central and state governments, which must give up claims that are not protected by the resolution plan. In the liquidation waterfall, financial creditors rank above statutory dues. In practice, however, tax authorities continue litigation even after a resolution plan is approved. They cite the Supreme Court's 2022 judgement in *State Tax Officer vs Rainbow Papers Ltd*, which held that if a statute protects a tax liability as a "first charge" on an assessee's property, the tax debt cannot be wiped clean by a resolution plan.

In the criminal law context, Section 32A of the IBC, introduced in 2019, extinguishes the insolvent company's criminal liability while leaving promoters and directors liable for prosecution. Courts have upheld Section 32A. Yet, the risk persists of resistance from investigating agencies, which often seize assets despite pending insolvency proceedings. In the *Kalyani Transco vs Bhushan Power and Steel Ltd* case last year, the Supreme Court noted that the Committee of Creditors was unable to execute the resolution plan on time partly because the Enforcement Directorate kept up its pursuit of attachments for money-laundering.

The Parliamentary Select Committee on IBC amendments noted that the code already incorporates the 'clean slate' principle. However, stakeholders recommended explicit amendments to prevent government agencies from acting against the company after a plan's approval.

The IBC Amendment Bill addresses these issues by recommending a few changes to the law. *One*, it limits the definition of "security interest" to specifically exclude statutory liens—the mechanism relied upon by tax authorities to seek priority over financial creditors. *Two*, Section 31 has been expanded to cover civil liabilities, including tax penalties and dues incurred before insolvency proceedings began. This effectively extinguishes the company's debts and liabilities unless expressly retained in the resolution plan. *Three*, the bill proposes that the insolvent company retain government licences and permits, preventing the state from terminating licences or benefits granted to the company even if its past debts are unpaid.

QUICK READ

The IBC Amendment Bill should incorporate changes that ensure due respect for the principle of past liabilities being extinguished once an insolvency resolution plan is approved.

Legislative action, however, might not suffice. We also need tax and other state authorities to honour the 'clean slate' principle so that IBC resolutions are not vulnerable to shock demands.

The response of the ministry of corporate affairs to these proposals is telling. Rather than blanket provisions to extinguish liability, it favoured retaining the existing law and assessing issues on a case-by-case basis.

This approach belies the reality of government litigation. The ministry of law and justice's April directive on litigation management noted that "a narrow interpretation of a statutory provision often serves as the primary catalyst for escalating grievances into litigation." The *Economic Survey of India 2020-21* also highlighted the scale of this "wasteful litigation." The government loses 73% of its tax cases in the Supreme Court and 87% in high courts. Yet, authorities tend to favour appeals. This approach persists against insolvent companies, contradicting the IBC's principles. It is this aggressive stance of government authorities that necessitates explicit clarity in the proposed amendments.

India's approach marks a significant departure from jurisdictions such as the US, UK and Canada. There, bankruptcy and criminal forfeiture operate in parallel: proceeds of crime are generally excluded from the bankruptcy estate (US) or confiscated even after ownership changes (UK, Canada). In India, investigative agencies tend to assert control over such significant portions of an asset that little value remains for the resolution applicant or lenders. And tax claims, if resurrected years later, can be debilitating for a company.

Ultimately, these are competing policy goals—recovering tax revenues, prosecuting economic offences and maximizing value in insolvency. While legislative clarity in the bill is an important step, change will also require executive directions and SOPs. The *Economic Survey* emphasized the need for coordinated and phased reforms and also inter-agency alignment in the context of financial regulation, but this equally applies to provisions of the IBC and the behaviour of tax and enforcement authorities.

These are the authors' personal views.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MINT CURATOR

Zara's Super Bowl tie-up with Bad Bunny was a smart move

It could support the brand's pivot towards the US luxury market



ANDREA FELSTED
is a Bloomberg Opinion columnist covering consumer goods and the retail industry.



Bad Bunny chose Zara for his Super Bowl halftime performance. REUTERS

Forget Kendrick Lamar's Celine jeans or Rihanna's red Alaia coat. There was a new fashion sensation at Super Bowl LX, and it wasn't one of the usual luxury suspects. Bad Bunny chose Inditex's flagship brand Zara for his much-anticipated halftime performance.

The custom, head-to-toe cream look worn by the Puerto Rican star is evidence that the world's biggest apparel retailer is succeeding in two of its most important goals: stretching Zara upmarket and raising its profile in the US, where the brand still punches below its potential weight. The collaboration isn't without its risks for the retailer—but they're well worth taking.

Big luxury is drawing ever closer to sport, led by LVMH Moet Hennessy Louis Vuitton, which dominated the 2024 Paris Olympic and Paralympic Games and months later struck a $1 billion deal to sponsor Formula-1 motor racing. That trend makes it even more of a coup for Inditex that Bad Bunny chose it—an accessible name—rather than one of the mega brands, such as Louis Vuitton or Prada, which he wore for the 2025 Met Gala. (The artist didn't abandon luxury all together: he wore a Royal Oak timepiece, the most iconic model from privately held watchmaker Audemars Piguet.)

Zara hasn't partnered with the musician in the past, so, at least for now, the pairing looks like a one-off. In fact, this is the first time the brand has collaborated with an artist for a performance of this scale. For the Super Bowl, it worked closely with Bad Bunny, his creative director Janthony Oliveras and his frequent styling team Storm Pablo and Marvin Douglas Linare, the company said.

Of course, there's a clear rationale for the choice: Inditex is Spanish, headquartered in Arteixo, in the north of the country. Given that Bad Bunny was making history with the first mostly Spanish-language halftime show, Zara was a natural fit.

But for the retailer, the moment goes beyond symbolism. Inditex, chaired since 2022 by Marta Ortega, daughter of billionaire founder Amancio Ortega, has been taking Zara upmarket. This is a smart move. Luxury brands have raised prices on a basket of iconic products in France by an average of 57% since 2019, according to analysts at HSBC Holdings. That's created space for more affordable luxury-style brands such as France's Sezane, Ralph Lauren and Tapestry's Coach. Zara, with its pricier Atelier collections, collaborations with the likes of former Saint Laurent designer Stefano Pilati and fancier stores, is also making a play for this market. Sunday night was a big step in that direction. For years, Zara was best known for offering cut-price takes on designer fashion. Now, Bad Bunny has it rubbing padded shoulders with luxury names.

The Super Bowl halftime show also ensures increased American visibility at a critical moment. Although the US is Inditex's second biggest single-nation market, CEO Oscar Garcia Maceiras has been on a three-year mission to bolster Zara's footprint in the country. As part of this strategy, the brand has opened stores in key locations in Los Angeles, Las Vegas, Charlotte and Frisco, Texas. At the same time, another Inditex label, quiet luxury favourite Massimo Dutti, has also re-entered the brick-and-mortar US market. Interest in Bad Bunny's ensemble should help drive more customers to the company's physical and online stores.

That said, fashion is often political and this year's halftime show was no exception. Bad Bunny hasn't shied away from speaking out against the Trump administration and its immigration policies—including using his acceptance speech at last week's Grammy awards to rebuke the actions of Immigration and Customs Enforcement. President Donald Trump, who has repeatedly criticized the National Football League's decision to invite Bad Bunny, attacked the performance as "an affront to the Greatness of America."

But any blowback for the brand will likely be worth it. The performance generated $3.1 million in brand value for Zara from social-media posts, engagement and articles, according to Launchmetrics, which tracks this type of data.

Dressing celebrities for their biggest moments has certainly worked for Gap, another seller of affordable fashion. Creative Director Zac Posen's work outfitting Da'Vine Joy Randolph and Cynthia Erivo has helped propel the once-tired retailer back into America's cultural conversation, bolstering sales in the process.

Last year, the Celine jeans that Kendrick Lamar wore for his Super Bowl performance spurred a surge in demand for the style. If Zara can generate the same kind of buzz, its debut on the halftime stage will be a pivotal point in its development, rather than a fashion *faux pas*. ©BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

THEIR VIEW

New AI rules: What kind of digital society do we want?

VIVAN SHARAN



is a public policy expert and partner at Koan Advisory Group, New Delhi.

Starting Monday, India will host the AI Impact Summit in New Delhi with heads of state, global tech leaders and policymakers in attendance. Just days earlier, the ministry of electronics and information technology had notified a legal framework to govern synthetically generated or AI-driven content. The timing seems deliberate.

Announcing new AI rules on the eve of a high-profile global gathering allows India to signal that it takes AI harms seriously. But beyond the optics, the substance of these rules deserves attention.

At their core, the amendments focus on "synthetically generated information," which is content created or materially altered using AI and made available online via digital services like social media. Over the past few years, the world has witnessed an explosion of AI-generated political memes, deepfakes and morphed images, including sexually explicit fabrications involving real individuals. These have caused India's political and societal fabric significant harm.

The government's initial response was blunt, as most early drafts of technology rules tend to be. Previous proposals sought sweeping restrictions that evoked industry concern and even alarm. To the ministry's credit, much of this has been rationalized. The definition of 'synthetic content,' for instance, has been narrowed to exclude routine editing, such as quality enhancement or the use of assistive AI. This carve-out addresses a big industry fear: that everyday tools like photo filters could face a heavy compliance burden.

Earlier drafts also leaned towards rigid specifications for watermarking all synthetic content. The final rules step back from this approach. Instead of prescribing that 10% of visible content be watermarked, as the previous rules did, they require content labels that are "prominent, noticeable and perceivable." This leaves room for industry-led labelling standards to evolve.

These are welcome changes. But content takedown timelines have been drastically shortened—for example, from 36 to 3 hours after a platform such as a social media service receives a notice from the government or a court. This could mean access cut-offs, content removal or even account suspensions on the assumption of wrongdoing.

There is a big problem here. The rules do a bad job of imagining or accommodating the future. Let us fast forward to a projected 2030 scenario to discover why.

The internet we inhabit a few years hence is unlikely to look like today's. It will increasingly be populated not by humans, but by AI agents acting on our behalf.

They will draft our posts, respond to messages, generate images, summarize news, argue online and even maintain our digital presence while we sleep. The line between 'authentic' and 'synthetic' will blur to the point of irrelevance.

We may not be comfortable with that vision. But cognitive outsourcing to machines is already taking place. The idea that most content online could soon be AI-assisted or entirely AI-generated is not science fiction. In fact, the internet as a whole is becoming self-referential—machines learning from machines and generating material for machines. In such a world, what does a 3-hour content takedown window mean?

A good way to answer that question is to ask how these rules would work as the internet evolves

Such a short time-span allows businesses no space to assess the legitimacy of requests, particularly from government departments. Today, platforms may pause, examine context, weigh legal risk or even challenge executive notices. Tomorrow, a delay could imply a legal liability. The incentive will be to comply first and scrutinize later.

Governments are not infallible. Decisions on political speech, satire and dissent are not straightforward. In a 2030-internet saturated with AI, the volume of such decisions will likely multiply. So what comes next? There are, broadly, two paths.

The first is of a subtle convergence. Digital platforms and governments become comfortable with each other. The arrangement suits both. Platforms exercise no judgement on the nuances of AI-generated online speech—particularly on posts that could be construed as political—because the government acts as the final arbiter. The state, on its part, acquires the capacity to monitor and direct online speech at scale in a government-mediated digital environment.

The second path is harder but healthier. Society demands that platforms invest meaningfully in online trust and safety, especially in vulnerable geographies. Platforms respond with better detection tools, stronger contextual review systems and human-in-the-loop safeguards. At the same time, they ask for a regulatory posture that is future-ready and adaptive, rather than one that defaults to command-and-control when faced with uncertainty.

The future-proofing question is not limited to AI rules alone. Consider data protection. By 2030, we will likely live in an IoT-saturated environment, with internet-connected devices embedded in public spaces, workplaces and homes. In such a world, will the model of obtaining granular informed consent for each act of data processing, as is the case under our data protection law, remain workable? We will move through immersive digital environments, surrounded by sensors and digital artefacts. The idea that individuals can meaningfully read, understand and consent to every notice is implausible. Laws and platforms will not be able to deliver a perfectly secure or just online world. The basic question we face is: What kind of digital society do we want?

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MINT CURATOR

What silver's surge says about the prospects of solar energy

Some believe that solar has peaked but silver prices say otherwise



DAVID FICKLING
is a Bloomberg Opinion columnist covering climate change and energy.



Silver may be headed for a glut even as its use in cleantech endures. REUTERS

Did we just pass peak solar? That's the claim now circulating among many analysts. Hitting net zero will require 630GW of panels to be installed every year between 2030 and 2050, the International Energy Agency (IEA) estimates. But we already blew past that target with 654GW built last year, according to BloombergNEF.

China's installations have hit a permanent peak, Sam Wilkinson, head of renewables at S&P Global Commodities, told the *Redefining Energy* podcast recently. With that one country making up nearly half the global market, the world will see connections drop in 2026, he added. Strip out the 'buffer' of entirely unexpected demand that BloombergNEF built into its forecasts to account for the way solar routinely outperforms, and it looks like we're never going to get past the 633GW connected in 2025.

For an alternative view, look at the past year's hottest commodity. Even after a slump from a record $121.65 per troy ounce in late January, silver prices are up 154% from a year earlier. Trading at $81.60 last Wednesday, the metal has notched more than double gold's gain.

As with any commodity price spike, that's the result of speculation as much as anything fundamental. But even speculators ground their bets in the physical market, where 60% of silver consumption comes from industrial users and most of the action over the past decade has come from solar.

Silver's conductivity makes it essential to photovoltaic modules, where thin printed contacts boost electrical output. About 196 million ounces were used by solar panel manufacturers last year. That's equivalent to every gram used in jewellery and represents about 17% of the global market.

Much of the recent run-up can be explained by a shift toward TOPCon, a new solar technology that requires more silver. Because the metal is so expensive, though, module makers are experts at reducing the amount they use. Such thrifting cuts consumption per watt by about 15% a year, to 8 micrograms last year from 73 micrograms in 2011. Silver-coated copper powder, or SCCP, a composite material that's becoming widespread in the industry, uses 30% to 50% less silver with minimal losses in electrical efficiency, according to the Silver Institute. The current price spike is only going to accelerate those efforts.

Assume ongoing thrifting at the 15% annual rate we've seen since 2011, and silver consumption for photovoltaics may be about to fall off a cliff. An industry installing a third more panels in 2035 will only need about a quarter of the silver used last year. On that basis, we're heading into a silver glut and prices should slide accordingly.

Silver has plenty of other uses, but none look sufficient to make up the shortfall. Electric vehicles have more contacts than conventional cars, but even then the Silver Institute only sees usage increasing to 94 million ounces in 2031 from around 80 million ounces this year—a drop in the ocean next to the 150 million ounces or so disappearing from the solar market. AI is another hot field, but usage in semiconductors is still a relatively modest 30 million ounces or so. Even that consumption may diminish as SCCP becomes more widespread.

Given the historic gains from thrifting, it's hard to argue that silver prices belong at anything like current levels. At least 80% of mine production comes from pits that would still be making money below $30 per ounce. Many also produce gold or copper—hot metals in their own right. That will keep the bullion pouring, even if demand for silver itself suffers.

If you believe that solar installations have more or less peaked, there is an immense opportunity in shorting the long end of the curve right now. Contracts for delivery next January on the Shanghai Futures Exchange are priced at 19,500 yuan per kg ($87 per ounce), higher than the spot market.

What if current forecasts of peak solar turn out to be as illusory as all the previous forecasts? The IEA has famously been underestimating solar's potential for almost as long as it has been a significant industry. Photovoltaic panels have spread to all sorts of places once thought implausible. In rich countries, they've become so cheap that they're finding use as fencing panels and plug-in devices that can be hung off a balcony.

Entire national markets have sprung up unexpectedly in places such as Pakistan and Saudi Arabia on scales sufficient to transform the grid. The same process is now repeating itself in sub-Saharan Africa. Plummeting battery prices are even extending solar generation outside of daylight hours, storing energy for the evening and morning peaks. The world's demand for energy is still nowhere close to being sated. Almost everywhere, solar is the cheapest way of meeting it. Silver's surge suggests this boom is nowhere close to petering out.

©BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | MODERN TIMES

Why 'kirana' stores have survived quick commerce apps

MANU JOSEPH



is a journalist, novelist and screenwriter. His latest book is 'Why the Poor Don't Kill Us'.

The guy who runs the *kirana* store in my colony has a wounded look about him because I don't go there anymore. Things were not good between us even without that. He thinks I ask him for products that do not exist in the real world just to belittle him before marching off to a posh store with overpriced grains marked 'whole' and 'organic' and packed in brown paper. A few months ago, for instance, I visited the *kirana* store after a long gap because Blinkit didn't have what I was looking for. I asked him for black rice. He had never heard of it, which surprised me because I thought anyone who owns a farm would know all kinds of grain. He told me that he had white rice, which he could paint black. It made some customers and his staff laugh.

So when I recently walked into his store again, he had this look as though I was there to settle a score, which complicated the humane nature of the question I had for him. How was he holding up in the age of quick-delivery apps like Blinkit? "Fine," he said. "They have nothing to do with me. I'm doing great," he said, with some defiance. Look around, he said, "there are a lot people." That was true. But surely these apps have affected him? "A bit," he said, "just a bit: people need to come to a store."

Across all big cities, *kirana* stores have been severely affected according to several surveys that I tend to believe, even though I don't usually take surveys very seriously. This makes sense. Food-delivery apps like Zomato may squeeze the profit margins of restaurants but they still give them business: in some cases, even making up for lower margins through extra sale volumes. But quick-delivery apps like Blinkit and Zepto do not source items from *kirana* stores as they have their own warehouses. My *kirana* guy has survived other *kirana* stores that tried to compete with his. Amazon and also superstores in the neighbourhood. He says he has survived quick-delivery apps too.

In another time, his trump card would have been grocery sales on credit, but that is not a facility anyone here needs. He has used technology, though, to fight back. He has made a WhatsApp group and promised free home delivery. He is smart and runs a tight ship with his family by employing poor assistants for almost nothing. Yet, all this doesn't explain how he has survived.

It has got nothing to do with him at all. Instead, it has something to do with the fact that people need a bit of inefficiency. It is true that they are pressed for time, yet it is also true that they have a lot of time.

People do demonstrate that they do not have the sort of time previous generations had. They don't have time, they say, for books, newspapers, magazines, even films in theatres and one-day cricket matches. So pressed are some people for time that they watch TV at twice the speed, just to follow that silly thing called a story.

Many people need fruitful ways to spend time more than speedy deliveries to their doorsteps

And what exactly are people doing with all the time they so save? The truth is that people of a certain class can harvest so much time that they must figure out what to do with it, even as they avoid doing what does not interest them claiming that they don't "have time." They are like rash drivers who get somewhere fast, only to do nothing. The increasing efficiency of a host of things and the persistence of low wages for domestic help has given people so much time that they need to allocate a portion of this excess to do what they deem valuable. Like going to a physical store, lifting a fruit and considering it, and then a vegetable, and putting it back on the rack.

I'm not saying this is a meaningless exercise, all I am saying is it is about spending time. It was in a *kirana* store, watching a person gape at an apple, and then at another one, that an English expression first mystified me. 'Like comparing apples and oranges.' Why would a person compare an apple to another apple? It is as absurd as comparing apples and oranges. I get the spirit of the idiom, but in a *kirana* store, what occurs to me is that people lifting one apple and then another, as though they know what they are doing, is not about fruit discernment at all, but a certain rustic expanse of time. It is about being human in some primordial way.

There is a Tamil film in which a man runs the most famous *idli* shop in the region because of the way he makes the batter, with an old-fashioned pestle and all the grime. His son wants to modernize and make batter with an electric grinder, but the old man resists. I felt it was not so much about *idli* at all, but the old man's fear of being a castaway in the ocean of time. Time is precious for modern people, but not like how money is precious for the poor. It is more like what money is for the rich.

The affluent old, especially, are lost in an abundance of time. They throng my *kirana* store. They go there, and there is a lot of lifting of apples and shaking of coconuts. They talk to the guy there. They mutter about the poor quality of something, never say a good word, as though that would not take enough time, and haggle with him for a few rupees here and there.

Once, at the VFS visa centre, I saw an old man who was baffled that his visa application process was over so fast. He looked like he was hoping it would take a few hours, like it used to at one time, and that there would be a fuss over missing documents. But it was all over quickly and he had to go back home, into the ocean of time. I even suspected that he really didn't need a visa. He just applied because he needed something to do. It was like walking into a *kirana* store and lifting some apples and shaking some coconuts.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

THEIR VIEW

Will the US Fed stay independent if Kevin Warsh takes charge of it?

He's Trump's nominee to succeed Powell but the irony is that he may well be remembered as a defender of the Fed's autonomy



BARRY EICHENGREEN
is professor of economics and political science at the University of California, Berkeley, and the author, of the forthcoming 'Money Beyond Borders: Global Currencies From Croesus to Crypto'

REUTERS



Now that US President Donald Trump has chosen Kevin Warsh as his appointee to succeed Jerome Powell as Federal Reserve chair, it is time to take Warsh's ideas seriously, if not literally. Much of the discussion about Warsh has focused on his interest-rate recommendations, which have swung with the political wind. But this is to make a mountain out of a molehill. The Fed's interest-rate policy is decided by a committee, where the chair is only one voice among many.

The chair's voice is the loudest, but that is no guarantee. G. William Miller was outvoted in 1979 when he opposed an increase in the Fed's discount rate. Miller was outvoted by the Federal Reserve Board, not the Federal Open Market Committee (FOMC), since it is the Board that makes the final determination regarding the discount rate. The highly regarded Fed Chair Paul Volcker was briefly outvoted in 1986 when he opposed an interest-rate reduction.

Neither split tarnished the Fed's reputation, although both episodes diminished the influence of the chair. Both Miller and Volcker exited their positions not long thereafter, which is a cautionary tale for Warsh. The next chair will have to build a consensus to avoid becoming another Miller.

This makes Warsh's ideas about forecasting the course of the economy a matter of keen interest, because his ideas will be the vehicle for his influence on other Fed governors. At times Warsh seems to have advocated depending less on complicated economic models, career staff and incoming data, favouring a more discretionary approach resting on the tenor of markets.

This sentiment-based approach to investing has been known to work when in the hands of seasoned practitioners, such as Warsh's mentor, the billionaire investor Stanley Druckenmiller, who came to prominence at George Soros's Quantum Fund. But it is unlikely to work as a guide to forecasting the medium-term evolution of inflation and employment.

At other times, Warsh seems to be arguing for relying less on trailing economic indicators and more on real-time sources of economic data available, courtesy of the digital revolution. Here, he is onto something. But so are Fed staff members who, in their research, already cite data from the likes of the Billion Prices Project and the HBS Pricing Lab.

Aside from Druckenmiller, the American financial operator who Warsh resembles most closely is J.P. Morgan Sr, who was intimately involved in managing the major banking and financial crises that erupted periodically in the US prior to the Fed's establishment. Morgan's preferred approach was to organize lifeboat operations in which stronger banks provided the liquidity needed to keep their weaker brethren afloat and calm financial markets. In one famous episode in 1907, Morgan summoned the heads of leading New York banks and locked them in his private library until they agreed to provide funds to bail out other solvent but shaky financial institutions.

Warsh, for his part, played a significant role in brokering the acquisition of Bear Stearns by JPMorgan Chase in 2008. Ultimately, this selective triage did nothing to stem a systemic financial crisis. For that, large-scale liquidity injections by the central bank were required, the very kind of credit injections about which Warsh has expressed reservations.

Back in 1907, participants in financial markets similarly worried about relying on J.P. Morgan's private-sector approach to resolving financial crises. Those concerns led directly to the establishment of the Federal Reserve in 1913 (Morgan died the same year).

Relatedly, Warsh argues that the Fed should focus on its dual mandate ensuring price stability and maximum employment while avoiding mission creep. This would appear to come perilously close to abjuring the Fed's responsibility for banking supervision and financial stability, which could encourage additional loosening of the Fed's regulatory reins.

Warsh's view indicates a preoccupation with moral hazard, the concern that Fed balance-sheet expansion encourages risky behaviour by banks, inflates asset prices and promotes profligacy on the part of an already deficit-prone federal government. But while moral-hazard risk is a valid concern, so is meltdown risk. The key to successful central banking is not to privilege one over the other.

The strongest argument for the Fed to focus on its core mandate—understood to encompass stable prices, full employment and financial stability—is that preserving the monetary authority's independence depends on it. Independence is politically viable only when paired with accountability—i.e., only when the individuals and agency to which public functions are delegated are required to explain and justify their actions.

The more complex the mandate, the more difficult it is for the agency's political masters—US Congress and the public—to evaluate the correspondence between those decisions, on one hand, and its mandated goals, on the other. The harder it then is for independent policymakers to defend their actions credibly.

The irony is that Warsh, nominated by a president who values fealty above all else, may be remembered as a key protector of central-bank independence.

©2026 PROJECT SYNDICATE

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

OUR VIEW



MINT

Our macro data update will improve outcomes

India's vastly improved consumer price index for measuring retail inflation should lead to better policy formulation and therefore superior results. It matters to India in multiple ways

India's new consumer price index (CPI) series, released last week by the statistics ministry as part of a huge two-year long exercise to revise key macroeconomic variables, is a marked improvement over the one it has replaced. The CPI's base year, methodology and coverage have been updated to better reflect what Indian households consume. Its base year is now 2024, far more recent than the old series' 2012. Its basket of items whose retail prices are tracked has been churned in line with findings of the 2023-24 Household Consumption Expenditure Survey (HCES). The weights assigned to various items represent actual spending patterns across the country far better than before. Consider. Back in 2012, India was only a $1.83 trillion economy. By 2024, it was $3.91 trillion. Yet, despite this more-than-doubling of our GDP and nearly 90% increase in per capita income—from $1,429 in 2012 to $2,695 in 2024—retail inflation numbers were based on an outdated basket. That this has been rectified is a relief.

Not only has the number of items gone up, so has the CPI's count of data collection points. The most significant change in the new series is the weight of food items, which has fallen below 37% from nearly 46% earlier. With growing prosperity, as income levels rise, people spend a smaller part of their earnings on food, while spending more on other stuff—especially services like health, education and transport. The new series reflects this reality. Inevitably, comparisons will be made between inflation numbers from the old and new series. The latter has put retail inflation at 2.75% in January, year-on-year, while the former recorded 1.33% for December. Given the revisions made, that gap tells us little. One could, of course, work out historical numbers using new weights and a 'linking factor' given by the ministry, but that would be of academic rather than policy interest. What matters is whether the CPI update helps formulate policy better. The answer, clearly, is 'yes.' Evidence-based policy-making is superior to intuition-based, which is how policy often gets made in the absence of reliable data. As India's Chief Economic Advisor V. Anantha Nageswaran has said, the CPI reset will help calibrate monetary and fiscal policy better since updated data reflects current consumption patterns and economic conditions. The hope now is that with volatile food prices losing CPI basket weight, headline inflation will be more stable. Note that monetary policy is more effective in dealing with demand than supply shocks; so, to the extent that food prices are driven up by shortages, we can expect this update to serve us better.

Any policy is only as good as the underlying gauge on which it is based. Granted, we could conceivably adopt an even more sensitive tracker of inflation. More frequent purchase patterns from sources other than the HCES, for example, may let us use a 'chain-weighted' basket for dynamic readings. But what we have in place today offers conceptual continuity. So long as it offers a more accurate picture of the price situation, India's central bank will be able to target inflation better in meeting this part of its mandate. As for the statistics ministry, it must stick to its plan to revise the base year of key economic indicators every three to five years, instead of 10. In a fast-growing economy, structural changes are inevitable, and unless these are captured by economic data, policy formulation and hence outcomes suffer.

16 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

Can India aim for AI leadership? We should go by a strategic plan

The AI Impact Summit must converge attention on how best to leverage key resource endowments



ANANT GOENKA
is president, Ficci.

India AI Impact Summit 2026 comes at a crucial time. Global benchmarks indicate that India is emerging as a relatively well-positioned economy for artificial intelligence (AI) readiness. India ranks third in Stanford University's 2025 Global AI Vibrancy Ranking.

Apart from political leaders, some of the biggest names of the technology world are descending for the summit, reposing confidence in India's promising tech market and capabilities while also elevating our global relations. Further, the last few weeks witnessed some major trade deals that India clinched with the EU and US. This sent a strong signal to the global business and technology community about India.

India has grown from an agrarian developing economy into one that will soon rank as the world's fourth-largest. As a technology services powerhouse, India created an industry that employs millions of people and dramatically changed the direction of its economy.

Indigenous AI companies are demonstrating India's capacity for innovation at scale. Indian agritech innovators are deploying solutions in local dialects, solving challenges unique to the Indian landscape. Homegrown enterprises are serving clients worldwide with AI solutions. Numerous AI-based startups are revolutionizing healthcare, banking, education, services, defence and virtually all other sectors.

But the opportunity is massive and fast-evolving. The Niti Aayog's just-released *Frontier Tech Hub* report on 'Technology Services—Reimagination Ahead' outlines how India's $265 billion technology services sector can scale to $750–850 billion by 2035 while strengthening global competitiveness in the AI era. The roadmap highlights that AI marks a structural shift in the industry: value will move from labour-arbitrage services to intellectual property-led, outcome-oriented and platform-driven delivery models. India has an opportunity to evolve from services leadership to global leadership in the creation of AI-native systems.

Turning ambition into leadership requires strategic intervention. Over the past year, it has become evident that while the use of AI tools can be widespread, the frontier of AI is highly concentrated. The development and training of advanced foundational models is increasingly capital, compute, data and energy intensive. Some announcements made recently clearly reflect India's intention to build a strong AI ecosystem. These measures expect AI infrastructure to act as an engine for achieving Viksit Bharat by 2047. A tax holiday extending till then for foreign companies providing cloud services globally using Indian data centres is aimed at building critical data infrastructure for digital leadership. Similarly, extension of the Semiconductor Mission reflects an ambition to become an AI compute hub and achieve self-reliance in related physical infrastructure. The doubling of the Electronics Components Manufacturing Scheme's allocation will enable self-sufficiency across the country's technology stack—from AI-optimized processors to foundational models and applications.

This integrated vision recognizes that AI leadership requires owning critical layers of the value chain and not just participating in isolated segments. Our AI-readiness rank reflects systematic progress across all five layers of the AI architecture: applications, models, chips, infrastructure and energy.

Also, for leadership in AI, extensive investments need to be made in R&D and building an AI-ready talent pool. Entities with property rights to innovations have premium valuations. Hence Indian industry and startups should make good use of the Research, Development and Innovation Fund that was announced by the government to come up with breakthrough applications.

Early evidence on potential job losses due to AI may be a worry in the near term, especially for a labour-abundant economy like India's. Nonetheless, given our large workforce, we need to have skilling, reskilling and workforce redeployment avenues to ensure a smooth tech-led transition.

With AI changing the way global economies and societies operate, India stands at yet another pivotal juncture to create a new chapter in its economic and development history.

The AI revolution offers us a chance to rewrite the software industry's script as it represents an opportunity to transform a service provider into an AI innovator. From the semiconductor mission to data centre incentives, our policy framework is designed for India to act as an architect of this tech revolution rather than just a participant.

The AI Summit in New Delhi brings together the world's foremost technologists, investors and policymakers. It is an opportunity to translate vision into action, forge valuable partnerships, build collaborations and get investments. Most importantly, it offers a platform for the world to arrive at a framework consensus on ethical, responsible and inclusive AI.

By 2030, AI is projected to add nearly $15.7 trillion to global GDP. Its adoption advocates expect it to unlock unprecedented productivity gains and accelerate innovation across sectors. India could use the summit to drive the global AI agenda and seize the massive opportunity it presents.

17 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Earn the trust of farmers for AI diffusion across farms

SHANKAR MARUWADA



is CEO and co-founder of Ekstep Foundation.

Last week, Amul launched Sarlaben, an AI-powered digital assistant for dairy farmers in Gujarat. It will benefit over 3.6 million milk producers, most of them women, across more than 18,500 villages. Sarlaben answers queries on dairy farming, animal husbandry and milk procurement in real time, and is accessible through the Amul Farmer mobile app and via voice calls in Gujarati by those using basic feature phones.

The challenges were remarkable. The system must be able to understand farmers speaking Gujarati and local dialects, work amid intermittent connectivity in rural areas and give advice they can stake their livelihoods on. It draws from over 50 years of verified cooperative data, including 2 billion milk procurement transactions annually, veterinary treatment records of 30 million cattle and farmer-wise cattle census data.

Maharashtra's Vistaar agricultural advisory system took nine months from commitment to deployment in 2025. The state wanted AI-powered advice for farmers in Marathi and local dialects, accessible via basic phones and available even when connectivity drops during the monsoon season. Ethiopia's OpenAgriNet took three months to deploy earlier this year, addressing the same core challenge of agricultural advice at scale, but with a pathway already mapped by Maha Vistaar.

Amul's Sarlaben took just three weeks. This time compression happened because deployment know-how became transferable. The technical architecture, governance frameworks, evaluation protocols and deployment playbooks that took nine months to build for a pioneer like Maharashtra could be re-used and adapted rather than rebuilt from scratch.

Most AI pilots succeed in controlled environments with clean data, engaged users and vendor support. Then organizations try to scale them and encounter systematic failures that pilots did not reveal. A farming advisory could work perfectly with 500 farmers during a pilot test. But when it expands to cover 50,000, farmers find it hard to connect during the rainy season when they need advice the most. The system struggles with dialects and recommendations often contradict local agricultural universities. So farmers quit using it.

These failures are visible in India because the scale required leaves no room for workarounds. A service in 22 official languages that must account for seasonality and intermittent electricity means every infrastructure gap becomes apparent. A Marathi-speaking farmer using a chatbot on a basic feature phone represents the actual AI frontier, far from the controlled demo environment where all of it works.

India's approach focuses on ensuring people can adopt AI systems in real conditions. An adoption pathway is a reusable route that combines technical architecture, data and safety governance with evaluation benchmarks and deployment playbooks, maintained in a way that lets others adopt it without starting from scratch. This pattern enabled Amul's three-week deployment.

AI can expand its Indian reach if systems are set up that work at scale well enough to win cultivators over

The work began much earlier, though. AI4Bharat at IIT Madras spent years collecting speech data across 400 districts to build datasets that reflect India's actual linguistic reality. That foundation enabled the government's Bhashini language platform, which serves countless people, and EkStep Foundation's AXL that personalizes learning for millions of students in government schools.

These systems have moved beyond pilot projects to reliable production infrastructure, serving populations larger than many countries. Vistaar provides agricultural advice in Marathi and local dialects because it can draw on Bhashini and AI4Bharat's multilingual models. Without these shared building blocks, every agricultural system would need to rebuild language capabilities from the ground up. With them, deployment becomes repeatable, costs drop and timelines compress.

The real friction in the adoption of these tools may have more to do with risk exposure than technical capability. Institutions hesitate because adoption could fail publicly, disrupt workflows, result in compliance burdens or create accountability gaps should recommendations go wrong. Every pathway includes specific mechanisms to address adopter risk. Evaluation and testing protocols ensure systems behave as expected before they are deployed. Human oversight makes space for escalation channels in special cases. Monitoring tracks performance in real conditions. Institutional backing creates accountability structures. These reduce reputational, political and compliance risks for adopters. Weak diffusion capacity creates a strategic risk: when only a few actors have the capability to deploy AI at scale, resilience and public trust are hard to acquire. India's digital infrastructure avoided this trap.

Creating these pathways takes time and investment. The innovation is largely done: models work. What matters now is diffusion infrastructure to enable adoption across sectors: agriculture, education, healthcare and governance. The creation of this infrastructure requires governance mechanisms that can help generate institutional trust and interoperability, apart from the data pipelines, safeguards and accountability mechanisms that let AI work under real constraints.

AI diffusion demands that an invisible framework be trusted across India. The difference between controlled pilots and population-scale infrastructure will determine whether AI works for a billion people who face real constraints and challenges.

17 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

Blame the upper middle class for America's 'unfair' economy

Adjusting to a sharp increase in upper-end affluence can be hard



ALLISON SCHRAGER
is a Bloomberg Opinion columnist covering economics.



America's enlarged wealthy class has put things out of reach for many. ISTOCKPHOTO

Billionaires are now Public Enemy No. 1 in America. Most voters across party lines think the gap between the rich and poor is a big problem and that the rich have too much power. To be fair, this economy does seem to be making a lot of people anxious and unhappy, but it's not Elon Musk or Mark Zuckerberg's fault. If anyone is to blame, it is the upper middle class. In other words, if you are reading this — or, come to think of it, writing it—you. Us. We are the problem.

An unsung story of the last few decades is the rise of the upper middle class. In the 1960s and 70s, the US had a robust middle class, and the national income distribution looked like a bell curve. The middle class has since been hollowed out, not because people got poorer, but because many families joined the ranks of the affluent.

The shape of the distribution of income changed as more households out-earned the median income: The curve flattened because there were more higher earners. That translates into earnings between $150,000 and $300,000, or even $400,000 if you live in an expensive city. There is also a small cohort of Americans who became very very rich. The top 1%—and especially the 0.01%—moved even further apart from everyone else.

This is all mostly a positive development. Some Americans got super rich, many more became more prosperous and fewer overall are poor. But it feels like a crisis because the economy has not fully adjusted to this new income distribution. Too many affluent people are chasing a limited number of high-end goods and services that feel like necessities: city apartments, an elite university education, luxury vacations, innovative health care, concert and sports tickets, and so on.

Consider housing. A popular narrative is that a lack of supply is why home prices have increased 70% since the 1980s. While supply is certainly an issue, there is also research showing that there are more affluent buyers whose wealth has grown faster than the number of available homes. There is also a study saying that much of the increase in housing costs in cities between 2000 and 2020 can be explained by an increase in income. Income growth explains why homes are bigger and have more amenities too.

Granted, none of this makes anything more affordable. If you are not a member of the new mass affluent class, then you are getting outbid on a house that you may want, or you may have to settle for a smaller home with fewer features, or maybe there just isn't anything for you on the market at all. Even if you are mass affluent (or on your way), you might have trouble finding a house you can afford.

The same dynamic helps explain why so much else feels so expensive. It's easy to blame algorithms and the secondary market for expensive concert tickets, but a market exists for $1,000 Taylor Swift tickets because many families are willing and able to pay that much for an event with a limited number of seats.

Higher incomes also mean more demand and thus higher prices for less discretionary goods and services such as private schools (or homes in areas with good public schools) or even health care.

Some people are genuinely struggling with affordability because they aren't mass affluent, and more of the economy is now geared toward goods and services out of their price range. Less deserving of sympathy (though still somewhat sympathetic) are the affluent frustrated when their expectations don't match reality. A family with an income of $300,000 may feel like it should be able to afford a great home in an expensive area, send their kids to private school and take nice vacations. But in many areas of the US, it isn't.

The mismatch between affluent demand and supply will probably work itself out. Either the market will find a way to offer more high-end goods and services for cheaper, perhaps through technology, and the trappings of elitism will become less elite—or it won't. In that case, some people will adjust their expectations by moving to a cheaper area, taking cheaper vacations or cooking more at home.

Economies evolve. When they change quickly, the allocation of resources can be thrown out of equilibrium. Sometimes the government steps in and sometimes the market adjusts. That becomes less likely when the frustrated mass affluent turn to populism, which promises to fix the problem with price controls, punitive taxes on the very rich or industrial policy. This will reduce innovation and create shortages, making the problem worse.

And billionaire hatred certainly doesn't help, especially if they are the ones who are making things cheaper. At the very least, you're not competing with them for concert tickets.

©BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

THEIR VIEW

Decline of the American Empire? What current signs of it suggest

America's biggest threat arises not from external but internal forces that may wreck its big advantage. Can it auto-correct?



ALOK SHEEL
is a retired Indian Administrative Service officer and former secretary, Prime Minister's Economic Advisory Council.

PTI



Even as US President Donald Trump imposes his will at home and abroad, there is talk about various stages of imperial decline and how the American Empire is now at one of its last few—fifth out of seven by one estimate.

Empires as commonly understood were based on force and political control. These, however, ended with the rise of civil society, nationalism and anti-imperialism. 'Empire' is now proxy for American global hegemony, referring to its power to enforce its will through a consensual global order of its own making. With that caveat, let us examine the proposition through the lens and arc of history.

Empires in the past ultimately yielded to superior powers beyond their borders. Rome fell to 'barbarians' from western Europe. Islamic empires to Mongols, the Chinese and Indian empires to newly industrialized Europe and an overstretched British Empire to the US.

Paul Kennedy argued several years ago that modern empires (since 1500) declined not through military collapse, but through 'imperial overreach' that stretched resources beyond fiscal breaking point. Attention is drawn to America's tendency to repeatedly get entangled in wars overseas and to the dramatic deterioration in US public finances.

The rapid rise of China with its unstoppable trade competitiveness is seen as a symptom of US decline. A possible alliance of middle powers in response to the Trump onslaught, as proposed by Canadian Prime Minister Mark Carney at the World Economic Forum in Davos, could also conceivably contain US imperialist tendencies.

But how much is history a guide for the decline of the American Empire?

Before the Industrial Revolution, there were few technological gaps between empires. Despite the rise of China, a big technological gap now exists between China and Europe on one hand and the US on the other. It is difficult to see the US defeated militarily anytime soon. A global alliance of middle powers would not change this reality.

The argument then turns to the decline of the US dollar through debasement. In the past, the intrinsic value of a currency was measured in relation to its extrinsic anchor, namely bullion. Currency debasement altered the metal content, resulting in a growing difference between its intrinsic and extrinsic value. Currencies debased by precious-metal dilution eventually collapsed.

Currencies, however, no longer have a bullion anchor. They have been pegged on a fixed basis to the US dollar (or allowed to float against it), which gave up its gold convertibility in the early 1970s and has been a fiat currency ever since. The dollar's status as a global reserve currency and its use for trade explain why the US printing excessive dollars, as seen during the global financial crisis of 2008-09, has had little effect on its strength. The global appetite for dollars (or dollar assets like US Treasury bonds) seems endless, like gold in the past: this has prevented the ill effects of imperial overstretch. Today, though, we are in uncharted territory. History offers little guidance.

Is the steep rise in the price of gold over the last two decades a canary in the goldmine augurING the demise of the dollar as the top reserve currency? Since all currencies are linked to the dollar, this may augur the death knell of fiat currency *per se*. Currencies have had anchors all through history; fiat money has been around for only half a century. If printing money to finance huge deficits is akin to debasement, it is not just the dollar that's at risk.

The strategic depth of the American Empire is based on its technological superiority, as reflected in theatres of war. This, in turn, is anchored in the dynamism of its unparalleled university system. Despite its aged infrastructure and countries like Japan and China moving ahead in applied sciences, the US university system straddles cutting edge fundamental research that drives future tech applications like a colossus. About 70-80% of STEM Nobel laureates were at some point associated with this system. For any assessment of the US Empire, we need to look at the health of its university system.

President Trump's unprecedented attack on the American university system and use of federal authority to constrain intellectual freedom and deprive it of the best young minds from abroad is a monumental self-goal. It is akin to what might have happened had the Romans taxed or banned road building, Mongols mounted archery, Spanish ship-building or Britain the steam engine.

This attack represents more than the whim of an idiosyncratic president. It reflects the resentful mindset of a bigger social underclass of which the 'MAGA' phenomenon is symptomatic. This underclass is a byproduct of neo-liberal capitalism, untempered by the kind of redistributive social policies characteristic of European capitalism. US capitalism has dealt a body blow to the 'American Dream' and created a sizeable underclass with shrinking access to new technologies and the university system needed to get ahead in life. This soured dream has generated resentment against America's privileged elite, with spillovers not just for its university system and aspects of liberal democracy that are seen to be associated with privilege, but also for US foreign relations. It threatens to transform the American Empire from a relatively benign one enforced through a consensual global order into a malign one increasingly relying on hard power both at home and abroad.

The biggest threat to the American Empire arises not from 'barbarians' beyond its borders, but from political forces within. The jury is still out on whether the famed US system of institutional checks and balances would auto-correct to restrain executive excess—as seen in civil society's push-back against ICE in Minneapolis and the rise of leaders like Zohran Mamdani in New York promising a Roosevelt type 'New Deal'—or result in a broad collapse that makes it hard for this empire to recover over the decades. A malign empire is inherently unstable in an age where both civil society and nationalism remain strong.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | IT MATTERS

AI rivalry has strengthened as software services get hit

SIDDHARTH PAI



is co-founder of Siana Capital, a venture fund manager.

The emergent 'QuitGPT' movement is an interesting blip in the evolution of the AI sector, where user allegiance is increasingly shaped not merely by technical superiority, but by perceived ethical alignment and institutional transparency. Launched recently through initiatives such as QuitGPT.org, it calls for a mass departure from OpenAI's ecosystem. Its impetus stems from public disclosures of executive political affiliations and campaign funding, alongside broader unease over what critics see as a shift towards more closed research practices.

OpenAI is formidable by any objective metric. As of early 2026, it reported an estimated 810 million monthly active users. At this scale, even marginal defections matter. Some 700,000 subscribers have reportedly signed up to 'quit' its ChatGPT and other tools. The deeper significance of this movement, however, lies not in its numbers, but in the structural conditions that make exits feasible. A capability convergence among large language models (LLMs) allows users to quit. For much of 2023 and 2024, OpenAI's GPT-4 maintained a defensible lead in reasoning quality and multimodal performance, which kept switching costs high for enterprises and individual users. But that moat narrowed considerably. Rival models are reaching parity in core zones of competence, letting users switch. Market data reflects this. ChatGPT's share of the Generative AI chatbot market declined from over 86% in 2024 to about 64.5% by early 2026 (*bit.ly/4coOLuQ*). While this contraction does not portend collapse , given OpenAI's brand equity and reach, it signals the rise of a multi-polar AI economy.

Competitors have been swift to capitalize on market fluidity. Google's Gemini is the most dramatic beneficiary. Its market share expanded from 5.7% to 21.5% within a year and it claimed 750 million monthly active users by February (*bit.ly/4kx9Ua5*). This surge is closely tied to the rollout of Gemini 3 and its integration across Android and Workspace, which has embedded it into daily workflows. Google Search has begun using Gemini too. By leveraging its existing user base, Google has converted ecosystem depth into rapid scale.

Other entrants have pursued differentiation rather than ubiquity. DeepSeek, for example, has disrupted pricing by offering reasoning-intensive models such as R1 at a fraction of prevailing costs, amassing over 96 million monthly active users by mid-2025 (*bit.ly/4qwpGDy*). Perplexity AI has consolidated a niche as a research-oriented engine, sustaining 45 million monthly active users. Together, the trends indicate that OpenAI's lost share is not merely about ideological migration, but also the appeal of specialized value propositions made by rivals—cost efficiency, research precision or ecosystem integration.

Also, OpenAI is not the only one being 'quit' too. Platform churn is now common across the sector. Even Gemini's ascent is tempered by a distinct form of attrition, as some users revert to traditional search tools or explore local-first AI models amid concerns over latency and the expanding footprint of AI-generated 'overviews.' So quitting has evolved into a recurring strategic recalibration rather than a singular act of protest.

Platform hopping does little to mitigate the structural threat these systems pose to Software-as-a-Service (SaaS) providers and the IT service firms that implement SaaS. As models evolve into active work participants, they begin to subsume functionalities that previously justified discrete software layers.

The market for AI tools is better contested now but competitive intensity also threatens other business models

The recent market reaction to Anthropic's Claude CoWrk puts this in sharp relief. Atlassian, producer of widely used team productivity and development tools such as Jira, has experienced a roughly 20% decline in market value since that launch. Snowflake, a data cloud platform, saw a decline of roughly 13%, reflecting investor concerns that AI systems reduce the frequency of direct data queries. Rather than use multiple discrete interactions with a data cloud, CoWrk promises to retrieve information, analyze it and deliver finished outputs—tables, charts or structured summaries—in a single context-aware sequence. By retaining memory across tasks and re-using prior results, such systems diminish the transactional intensity upon which many current revenue models depend. The stocks of various IT service providers, including major Indian firms, have seen a big sell-off in what has been dubbed the 'Claude Crash.' Such a sudden market response usually represents a credible power shift.

What appears to have unsettled investors most was not Claude's raw capability, but its architectural trajectory. Anthropic signalled an evolution from tools that merely assist discrete human tasks to systems capable of retention and acting with a degree of autonomy over time. The rise of AI that does not simply answer, but remembers and executes tasks poses a more profound challenge than incremental improvements in reasoning accuracy. It threatens to compress entire layers of software and services into a unified intelligent substrate.

Within this transformation, the QuitGPT movement is best seen not as an isolated boycott, but as a manifestation of a better contested AI market. Users are discovering that loyalty is negotiable, switching costs are falling and alternatives are viable. Investors are recognizing that as AI systems gain persistence and agency, the value chains built atop traditional software may erode. Both consumers and capital are recalibrating their assumptions in real-time this year.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

THEIR VIEW

Europe's regulations must ease for India to score on trade with it

New Delhi should press beyond the trade pact to resolve challenges such as its unfair carbon tax



R.V. ANURADHA
is a partner at Clarus Law Associates, New Delhi.

It was a momentous day: 27 January saw the signing of the EU-India Security and Defence Partnership, conclusion of trade negotiations for the India-EU free trade agreement (FTA), adoption of an MoU on an EU-India Comprehensive Framework on Mobility, launch of negotiations on a Security of Information Agreement and endorsement of a EU-India Education and Skills Dialogue. Close on the heels of India's Republic Day celebrations, where EU representatives were state guests, this was a moment of high symbolism in the shifting tides of global geopolitics. Prime Minister Narendra Modi hailed it as a "tide-turning moment" and start of a new era for India-EU relations. The FTA has been hailed as the "mother of all deals" by both sides.

The EU and India are moving towards cooperation through trade, defence and security partnerships at a time when international rules are being undermined and rewritten. Underlying this is the recognition that trade and economic security are intrinsically linked with peace, security and defence. The uplifting spirit of this moment must be carried forward to ensure that it works well for both India and Europe. This requires addressing the real impediments and challenges on both sides in a sustained and committed manner.

For India, steps towards customs reform, investment facilitation, deregulation and labour reform are all significant in making the country an attractive destination for trade and investment. The FTA's success will also be measured by whether Indian businesses have sustained market access to the EU. Effective tariffs in the EU are only in a range of 4-5%. The real challenge is the high cost of compliance with its regulatory labyrinth.

Take services. Despite India's competitive strengths, our exports to the EU are in a modest range of €37 billion, led by IT and consulting services but with a low EU market share. A regulatory impediment for IT services is that India does not yet have "data secure" status under the EU's General Data Protection Regulation (GDPR). With India's Digital Personal Data Protection (DPDP) Act coming into force, it is time to revisit this aspect. The DPDP Act applies to all digital personal data processed in India and provides a robust framework for privacy protection. Recognition of India as "data secure" could play a big role in boosting our IT and ITeS exports.

Indian exporters of goods will have to contend with several EU regulations. The 2024 report on the future of European competitiveness by Mario Draghi, former president of the European Central Bank, identified over-regulation, high compliance costs and complex and fragmented regulation as problems for EU industry, especially small businesses. Many of those dampeners could get in the way of our exports.

The Draghi report highlighted the EU's Corporate Sustainability Reporting Directive, Corporate Sustainability Due Diligence Directive and its rules for the registration, evaluation, authorisation and restriction of chemicals as amounting to regulatory over-reach. Each of these applies to EU imports as well. Additionally, India's farm exports often struggle with EU's Maximum Residue Limits that often exceed global norms. The EU's recent Deforestation Regulation will add further burdens. Indian industry, particularly small enterprises, will need to be equipped to handle the EU's complex traceability, reporting, monitoring and verification requirements.

The FTA reportedly provides a unique 'Rapid Reaction Mechanism' to address concerns that may hamper bilateral trade. This will need a responsive domestic system for exporters to raise concerns with the government.

The EU's Carbon Border Adjustment Mechanism (CBAM) will have an immediate impact on India's aluminium and steel exports and is expected to extend progressively to other sectors. This levy will likely burden Indian exports of affected products. It works on the principle of price equalization of carbon emissions; so imports from India will have to pay the EU the difference in the price of embedded emissions. It does not value the actual quantum of embedded carbon and focuses entirely on the carbon price—any difference has to be paid for market entry, even if embedded emissions are exactly the same as a domestic product's. It is estimated that even after India's carbon market becomes functional under the recently announced Carbon Credit Trading System, the price difference will be in the range of over €60 per tonne of carbon. This will significantly dilute the benefits of any tariff reductions under the FTA. A government release on the FTA suggests that India's CBAM focus is only on support for carbon verification and calculation of its price, but not on the principle of our exports paying the carbon-price difference. Note that India has complied with its commitments under the UN Framework Convention on Climate Change and Paris Agreement. A basic question of fairness thus remains unanswered.

The success of the India-EU deal will be determined by its implementation, which needs to be just and equitable. The "mother of all deals" awaits its true test: How it helps us achieve our goals.

These are the author's personal views.

18 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778



ISTOCKPHOTO

Satcom-linked AI: Let's propose a global treaty

In a world on the verge of a possible power shift, AI's impact on geopolitics matters acutely. India must accelerate AI-satcom integration and push for a global consensus on AI warfare

India opened its space sector to private players at a time of covid paralysis. Since then, some progress has indeed been made. Poised for a breathtaking leap into space, however, might be China. In the last week of December, Beijing notified the UN's International Telecom Union of its plan to put over 200,000 satellites in orbit within a decade. Its game, it seems, is to saturate the whole planet with satcom coverage and make US-based SpaceX's Starlink constellation of almost 10,000 low-earth orbiters look skeletal. Clearly, artificial intelligence (AI) is not the only tech race China is in a hurry to win. From the viewpoint of global geo-rivalry, satcom and AI are twin frontiers. Over in the US, AI startup Anthropic is reported to have had a run-in with the Pentagon over curbs on the use of its Claude AI tools, which other reports suggest were used by US forces for a regime-switch in Venezuela. AI paired with satcom can enable armed action—think of AI-run drone swarms armed with live data feeds across the globe—that might tip the balance of power one way or another. This may also explain why Elon Musk's SpaceX snapped up xAI, his AI venture. We can expect a blitz of space launches by archrivals America and China, one that grabs almost all low-earth orbits before others get a chance. How this shapes up matters to the world, of course, but especially to a space power like India. As defence minister Rajnath Singh said in the context of advanced technologies, "We must stay ahead of the curve."

Is China bluffing? Without a reusable rocket like SpaceX's fabled Falcon 9, which places satellites in orbit and returns home, Beijing's plan seems to stretch credibility. But then, that's where its Chang Zheng 9 plan may prove handy. If it works out, not only will this space vehicle be ready for round trips by the early 2030s, it would haul 150 tonnes of stuff into low-earth orbit with each go, more than six times what Falcon 9 does. That could make China's eye-popper of a plan plausible in terms of both bulk and cost. As Musk has shown, even space launches are now about economies of scale—which is why SpaceX's cost-per-tonne has reputedly dropped below Isro's. While Isro specializes in low-cost single shots, it is working on vehicle reusability too. For the sake of our satcom sovereignty—or self-sufficiency—this programme may need to be sped up. After all, relatively close orbital slots could turn scarce as satellite constellations begin to act as 'the nervous system' of AI-enabled warfare. Closeness offers an edge on signal quality for data-rich beams that need to dodge jammers.

If the role played in modern combat by such networks is hard to overstate, so is that of AI itself. Speedy responses are at a premium in battle. For most of history, combatants have had to identify a threat, decide on a course of action and then respond. An AI system that's given autonomy could snip this loop into a split-second. Given the fallibility of AI, nuclear triggers need not be in play for this to prove perilous. But then, that's the trouble with any arms race: restraint could lose traction as the stakes rise and turn the contest into a spiral of speed. As an imperative, thus, we should insist on human oversight of all armed action, with decisions kept under the control of actors with proven judgement. What's AI-aided must not become AI-led. No doubt, we must rush to keep up with tech advances. But let's also advocate a global treaty on AI warfare that could make the world safer for everyone.

mint

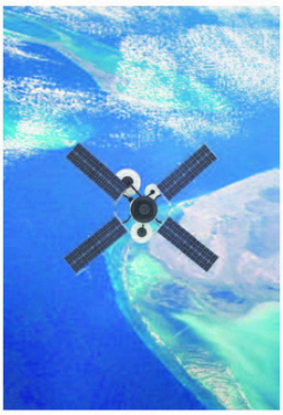
42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

China's 'paper satellites' can't match SpaceX's constellation

Beijing's ambition of over 200,000 orbiters is just a pie in the sky



DAVID FICKLING
is a Bloomberg Opinion columnist covering climate change and energy.



China is reserving slots but can't launch so many without reusable rockets. ISTOCKPHOTO

If orbital space is the 21st century's high seas, China looks to be preparing an armada. Government plans submitted late last year to the United Nations' International Telecommunications Union (ITU) promise a fleet of 203,000 satellites to be deployed by the mid-2030s. That would dwarf the ambitions of Elon Musk or Jeff Bezos: SpaceX's Starlink network has nearly 10,000 orbiters so far, while Amazon's Leo constellation will top out at just 3,232. It sounds like an alarming plan for the control of space. But while there's undoubtedly an orbit grab underway 600km above the ground, it's one that Musk is winning. China's plans are best understood not as a genuine expansion, but a bid to hobble the frontrunner.

The number of objects orbiting the earth is rising at breakneck speed. Two key innovations—reusable rockets and the development of resilient and lightweight components that enable smaller craft—have slashed launch costs. Since 2020, the number of orbiters has quadrupled to more than 16,000. SpaceX alone is adding more than 2,000 satellites a year.

That's rapidly turning the idea of overcrowding in space from science-fiction to a reality. Putting too many objects in orbit carries a host of potential problems. The most nightmarish is 'Kessler syndrome,' the runaway chain reaction that strands Sandra Bullock in the 2013 film *Gravity*. One disintegrating orbiter forms a cloud of debris, in turn smashing other vehicles, until Earth is surrounded by a hazardous asteroid belt of scrap.

The more prosaic and pressing issue is that too many communication satellites might cause radio interference. The so-called megaconstellations being built by SpaceX and Leo float in low-earth orbit (LEO), closer than the far smaller number of GPS, weather and comms craft in medium-earth orbit (MEO) and geostationary space. In that position, they risk blocking signals from more distant orbiters.

How near are we to that point? Closer than you might think. There is about the same density of active satellites at the best altitude for megaconstellations as there are pieces of space debris, the European Space Agency said in October. There may only be enough room at these levels for as few as 148,000 objects, according to one study last year. If just four space programmes hit SpaceX's current launch cadence of more than 2,000 orbiters a year, we could reach that number by the late 2030s.

That is the ideal context in which to understand China's 203,000-device plan. Many will be 'paper satellites' designed to create a regulatory hurdle for Musk and other megaconstellation builders, Evan Grey, a contributor to *SatNews*, argued last month. They don't have to enter orbit until the early 2030s and the only penalty if they're never launched is that China will lose the 'slots' it's reserving. But the ITU counts them as real and that has implications for the way rivals must mitigate radio interference. "Western engineers are forced to design real hardware to dodge the 'ghost noise' of Chinese paper satellites," Grey wrote, "effectively throttling the power and performance of US networks before they even launch."

China is hardly alone in this. One 2023 study found that governments had proposed launching a million orbiters in the past few years. About 454,000 of them were linked to one man, serial entrepreneur Greg Wyler—a sometime associate of Musk and Jeffrey Epstein, who advised Wyler on the creation of OneWeb. This network, which Wyler left after 2020, is currently Starlink's most serious competitor, with about 600 in space against its 9,646.

The scale of that disparity is a clue to how far ahead of the competition Musk is right now. Until a rival can develop a reusable rocket to match the low costs and rapid launch cadence of SpaceX's *Falcon 9*, the only weapon they can deploy in this 21st century space race is delaying tactics at a UN agency in Geneva.

China has nearly half a dozen firms, both private and state-owned, racing toward developing reusable rockets. With every month that goes by, however, SpaceX creates hundreds more facts on (or, rather, off) the ground. A megaconstellation of 203,000 paper satellites might look like a plan for global domination; yet, until China creates its own *Falcon 9*, the real power and potential lies in Musk's hands.

The touted $1.5 trillion number being mooted for SpaceX's stock listing this year might seem extravagant. But Musk, Bezos and Wyler are all betting that the future of the internet and communications depends not on overloaded terrestrial systems, but megaconstellations in LEO.

China seems to have now made the same assessment. If that wager is right, Starlink's commanding lead in space might justify its stratospheric valuation. ©BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

Beyond data capture: Statistics ought to shape India's narrative

We must tell our own statistical story with clarity and confidence before we find others setting perceptions of our progress



RAJESH SHUKLA
is managing director and chief executive officer of People Research on India's Consumer Economy.

MINT



In India today, statistics are no longer confined to official reports or technical briefings. Employment numbers trend on TV. Inflation figures influence how families think about their monthly expenses. Poverty estimates enter the political discourse. In many ways, this heightened visibility is a sign of progress. It shows that data matters and that citizens care about evidence.

India's statistical system has evolved significantly. Surveys are larger and more sophisticated. Data is processed faster. Digital tools have improved collection and dissemination. Official statistics today occupy a central place in our policy discourse in a way they did not even a decade ago. This institutional shift deserves recognition. Yet, greater visibility has not translated into greater trust. Many citizens listen to official numbers and quietly ask themselves: Does this reflect what I see around me? That is the 'moment of truth' for data credibility. If they feel distant from experience, even robust statistics may struggle to persuade.

Take employment. Our unemployment rate is measured with methodological care. But when people discuss jobs, they often mean something broader: stability, income security and prospects for advancement. In India, employment is fluid. A worker may be self-employed one season, engaged in casual labour the next and assisting in a family enterprise after that. A single unemployment rate cannot capture that volatility or the anxiety that accompanies it. When these nuances are not explained clearly, the data can appear incomplete even when it is technically accurate.

The poverty debate illustrates the point even more sharply. We hear that nearly 250 million people have moved out of poverty in recent years, an important achievement. Yet, over 800 million receive free foodgrains. To many observers, this appears contradictory. If poverty has declined so substantially, why does such a large segment of our population still depend on food support?

The answer lies in understanding what each measure is intended to capture. Poverty is assessed against a consumption benchmark at a particular moment in time. Food assistance programmes serve a different purpose. They are designed to reduce vulnerability in an economy where incomes fluctuate and employment remains largely informal. Households that have crossed the poverty threshold may still be economically fragile. Without explaining this distinction, our progress can seem inconsistent or overstated.

Inflation tells a similar story. Headline consumer price inflation may remain moderate. Yet, households frequently feel that prices, especially of such essentials as food, remain high. Aggregate indices conceal variation across categories and income groups. Food has a greater weight in lower-income budgets and tends to be more volatile. When communication focuses only on the overall figure without clarifying what is driving it, the data can feel detached from a family's daily reality.

For policymakers, the issue is somewhat different. They are rarely short of statistics. What they often require is timely interpretation. Data that gets released after budgets are finalized or programmes are redesigned rarely influences decisions, regardless of data quality. Statistics are most effective when they arrive at the moment policy choices are being shaped, accompanied by concise explanations of their implications. Statistical evidence has greater impact when it is aligned with decision cycles than published in isolation.

Trust, too, depends on how institutions respond to scrutiny. In a polarized environment, statistical findings can quickly get politicized. Responding solely with technical language may create more distance than clarity. Being transparent about assumptions, revisions and margins of error does not weaken institutions. On the contrary, openness strengthens confidence. Citizens understand that measurement is complex. What they expect is candour.

There is also a broader question of narrative control. In areas such as wealth distribution, hunger and university performance, global indices increasingly shape perceptions about India. Whether one agrees with their methodology or not, they influence how the country is assessed. If domestic systems do not regularly produce credible measures in these fields, we risk responding to external assessments instead of framing progress through our own evidence.

Statistical sovereignty does not mean rejecting global comparisons. It means ensuring that India has consistent, transparent and contextually grounded statistics of its own. Authority emerges from continuity, clarity and confidence.

Looking ahead, capacity building must widen its scope. Technical rigour will always remain foundational. But interpretation, communication and sustained thematic reporting are equally important.

Every major statistical release should answer three straightforward questions: What does this show; why does it matter; and what are its limits? Institutionalizing regular reporting in areas central to the national and global discourse, such as inequality, nutrition, innovation and regional disparities, would further strengthen credibility.

India has the technical capability to produce statistics of global standard. Our next step should be to ensure that those statistics shape public understanding and inform policy when it matters most. For a country aspiring to a Viksit Bharat (or developed-country status) by 2047, the accuracy of our counts is essential. But sustaining trust, continuity and narrative leadership is just as important.

In the end, statistics do more than measure progress. They help a nation understand itself. And if India does not tell its own statistical story with clarity and confidence, someone else will tell it for us.

18 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

The end of history as a guide: AI may alter more than we imagine

The past is fast losing its reliability in pointing us to the future as we stare at exponential evolution



NILESH JASANI
is a Singapore-based innovation investor for GenInnov Pte Ltd

The end of history' is a fool's title. It invites mockery the way a tall poppy invites a scythe. When Francis Fukuyama used it in 1989, it was ridiculed. Critics pointed to wars and coups as proof that history was alive and well. They missed his point, but their reaction birthed a rule: never use a title that claims the past is over.

Let's break that rule to make a narrower, uglier point. Historical analysis, treated as our primary compass, has become misleading. The temptation to look backward is a biological instinct; when the forest creates a new sound, the amygdala scans memory for a match. A twig snap may be a predator; a rustle mere wind. History works as a guide most of the time, which is exactly what makes it lethal when it does not.

In AI, since the release of ChatGPT and DeepSeek's open-weight shock to the rise of autonomous coding agents like Claude Code, breath-takers have become routine. We no longer debate if productivity will rise; we ask if our notions of a 'job' and a 'firm' were ever stable. Pattern-matching still works for the cyclical theatre of stock markets, but in the real world, reaching for historical reassurance is risky.

Tyranny of the decimal: There is a mathematical violence in recent developments that analysts miss. For years, the consensus was that AI could assist with code but not produce reliable systems because even a 1% error rate compounds brutally. Statistically, a 1% 'hallucination' rate per line guarantees the failure of a 500-line program. But we have moved from GPT-4 to a 'collapse of the decimal.' When the error rate drops to 0.01%, possibilities explode. This is a phase shift. Systems are now re-factoring 10,000-line repositories and joining their own improvement loops. This is recursion—a cycle that changes its own geometry. It is the 'Super-Moore' era, where capability grows fast to render history irrelevant.

Dichotomy of time: We are trapped between decades and Wednesdays. Secular forces like labour restructuring and the commoditization of intelligence are tectonic plates that move over decades. But our grasp of possibilities is measured in hours. A conviction held on Monday can be obsolete by Wednesday. Our intuitions of exponentiality are weak. Consider the paper-fold: if you fold a sheet of paper 42 times, it doesn't become a thick notebook, it reaches the moon. For the first 30 folds, progress looks linear. Then it goes lunar. We are currently around fold 35 in AI.

The aesthetic of authority: A retreat to history is an aesthetic choice. A chart stretching across decades, with regression lines bending toward a reassuring mean, has an aura of inevitability. It acts as a neurological sedative. It suggests that reality remains tame. By contrast, projecting forward from current observables feels reckless. But logical extrapolation compounds brutally. Our incentive is obvious: history holds credibility, but logic vulnerability. This is why analysts alter assumptions but do not rethink them, often folding world-altering changes into old narratives.

Today, understanding competitive advantage requires confronting abstractions like 'CoWoS' semiconductor packaging or recursive agentic workflows. These cannot be reduced to a viral tweet. The latest developments in autonomous reasoning are potentially more significant than the arrival of ChatGPT itself. Yet, they are almost impossible to discuss without their sounding like a 'castle of assumptions.'

The 'as we know it' filter: We typically append 'as we know it' to phrases like the 'death of software.' It was not a hedge but a diagnostic tool. Industries rarely vanish overnight; as with car-making in the US, they 'Detroit-ify.' They lose their centrality and pricing power while smart people within them make Herculean efforts to re-pivot.

Many of these pivots will fail, rendered obsolete by a 'Wednesday shock' that arrives before a new strategy gets a chance. Others may succeed for a season, only to realize the 'new normal' was just another fold on the way to the moon. Acknowledging this instability is the only path to agency. The old map is gone; the only mistake greater than having no map is insisting on using one from the previous century.

Honesty in front of a mirror: In private, we do not get to outsource honesty. The most dangerous phrase in analysis is not 'this time is different,' but we cannot know' when used as an excuse to stop thinking. The humility we need now is of the real kind. We must admit that our experience, which served well for decades, may now be pointing us in the wrong direction. The cost of that error is not abstract. It is capital trapped in dying assumptions and a generation of students trained for jobs that machines will perform more effectively before they graduate.

History has not become useless, but its reliability has become uneven. Pattern recognition, part of our survival instinct, is beginning to hallucinate continuity where none exists. The past does not announce its lost jurisdiction; it continues to offer answers even after the questions have changed.

AI will not wait. We must spend less time debating 'hype versus reality' and more time observing. We build monuments to the mean, but we are buried in the tail-ends of the bell curve; and these tails could soon form the bulk of it.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Climate: Let's get our institutional architecture right

ANOOP SINGH



is a distinguished fellow at the Centre for Social and Economic Progress (CSEP) and a former member of the 15th Finance Commission

India's climate policy has entered a decisive phase. The country must sustain rapid economic growth while managing mounting climate risks that threaten infrastructure, agriculture, energy security and urban resilience. Over the past year, policymakers have accelerated mitigation and adaptation initiatives, reinforced by climate-related provisions in the recent budget, which expanded allocations for renewable energy (RE), grid integration, storage, clean-technology deployment and climate-resilient infrastructure, alongside fiscal arrangements under the 16th Finance Commission (FC). A draft Climate Finance Taxonomy was also prepared, aimed at mobilizing private capital for the energy transition; official documents stress that this must be treated not as a standalone climate agenda, but as an integrated strategy linking growth, energy security and institutional preparedness.

Progress is visible across several fronts. RE capacity continues to expand, supported by incentives for domestic manufacturing of solar modules and batteries, plus investments in grid integration and storage. The National Green Hydrogen Mission aims to decarbonize hard-to-abate industries, while electric mobility adoption is advancing, especially in two-wheelers. Climate adaptation is gaining urgency as heatwaves, floods, and cyclones impose rising costs.

At the fiscal level, the 16th FC strengthened local bodies and disaster management funding, increasing resources for water solutions, sanitation and urban infrastructure that are increasingly climate-sensitive. Yet climate spending remains dispersed across ministries and tiers of government, making investments difficult to track or prioritize. Climate initiatives must compete with other fiscal demands as consolidation efforts tighten state budgets.

Several states are innovating. Tamil Nadu is linking RE expansion with industrial competitiveness and employment. Gujarat and Rajasthan continue to lead in RE parks and grid integration. Kerala and Odisha have strengthened disaster preparedness, while other states are experimenting with climate budgeting and resilience planning.

These efforts remain fragmented, though. There is no systematic mechanism to scale successful state initiatives, harmonize reporting standards or align fiscal incentives with climate outcomes. Stronger states attract investment and build institutional capacity, while more vulnerable regions risk falling behind. Federal diversity encourages innovation, but without coordination, it also produces uneven results.

A critical institutional weakness lies in the power sector, which underpins nearly all decarbonization pathways. Financing gaps in renewables, storage and transmission stem not only from scarcity of capital, but from structural risks in electricity distribution. Many state-owned distribution companies (discoms) remain financially distressed, which creates payment uncertainty for generators and RE developers, raising risk premiums all across. Thus, fixing discom finances and enforcing power purchase agreements are essential for scaling climate finance. Without credible reforms—for which renewed efforts are being made—investor confidence in RE and grid investments will remain constrained.

India has made progress but must build the governance systems that can deliver robust results

This challenge reflects a broader institutional gap: climate finance mobilization depends on sectoral institutions operating largely at the state level, while financing strategies are formulated nationally. Without alignment between sector reforms, fiscal incentives and climate goals, financing flows will continue to fall short.

The finance ministry's draft Climate Finance Taxonomy is a major step, offering a common vocabulary to guide green investment and reduce greenwashing. But this is a financial classification tool rather than a governance framework. It does not clarify who ensures consistent implementation, nor does it embed climate goals into fiscal systems.

International experience shows that climate transitions succeed when finance tools are supported by durable institutions. Countries with climate framework laws combined independent oversight, fiscal integration and long-term policy stability. India, by contrast, still relies on administrative coordination across ministries.

It is not enough to embed climate ambition in economic plans. Without stronger institutional foundations, implementation risks falling short as investment needs rise. To overcome this, India should prioritize the following institutional reforms:

One, enact a National Climate Framework Law clarifying responsibilities across the Centre and states while ensuring continuity across political cycles. *Two*, create an intergovernmental climate coordination mechanism to scale state innovations nationally. *Three*, adopt climate budget tagging, climate-screened infrastructure planning and performance-linked transfers. *Four*, incentivize state-level climate performance so that vulnerable regions can catch up. *Five*, strengthen climate data and accountability systems through standardized reporting and risk mapping. *Six*, align financial and governance reforms so that the taxonomy functions within an operational framework. *Seven*, restore financial and contractual discipline in the power sector, making viable electricity distribution central to climate finance mobilization.

While India has moved decisively on clean energy and climate finance, the next phase requires building the governance architecture that can deliver robust results.

Mitigate the risks posed by autonomous AI-driven labs

RAHUL MATTHAN



is a partner at Trilegal and the author of 'The Third Way: India's Revolutionary Approach to Data Governance'. His X handle is @matthan.

Early in 2020, as cities around the world began locking down in response to covid, a few researchers were still able to continue to run their experiments. Even though they, like everyone else, had been prohibited from entering their labs, they were able to log into 'cloud laboratories' and submit their trials remotely, leaving it to robotic arms and automated instruments to execute their instructions from a distance.

What was a quaint convenience in the midst of a crisis is now a widespread reality, as software, robotics and artificial intelligence (AI) have come together to bring the concept of 'work-from-home' to scientific experimentation. Around the world, commercial cloud labs have already begun to invert traditional scientific workflows to the point where, instead of researchers moving between their instruments, samples travel through robotic pathways.

Self-driven laboratories take this one step further. By embedding AI directly into these autonomous laboratories, they can move beyond just executing instructions to actively generating them. These intelligent automated systems are not only able to identify new experiments and carry them out using robotic infrastructure, but also analyse their results and, based on the feedback, decide what needs to be done next. In the process, the long cycle of experimentation can be collapsed into a continuous feedback loop.

The immediate consequence of all of this will be a dramatic acceleration of the timelines of scientific progress. When a year of human research can be compressed into weeks or even days, thousands of experimental variants can be explored in parallel. In such a world, failure is cheap and discovery through relentless iteration is not just possible but inevitable. In fields such as drug formulation, protein engineering and materials science, these capabilities can radically transform the economics of scientific work.

However, as we have learnt repeatedly, any attempt to reduce friction often spells unintended consequences. In accelerating the pace at which scientific research can be conducted, are we inadvertently exposing ourselves to harms that we have so far had no reason to worry about?

Any AI system that helps identify the cure for a disease can just as easily be used to identify chemical and biological agents that can make us ill. In a previous article, I told the story of MegaSyn, a machine-learning algorithm developed to identify never-before-seen compounds with a high probability of curing diseases. In its process of eliminating from a long-list of suitable molecules those that had toxic side effects, the system ended up generating a list of unimaginably lethal substances that were not only more potent than the most toxic chemical agents known to us, but also effectively untraceable, since many of them had not yet been discovered.

Laboratory inventions of new substances can help fight illnesses but also deliver lethal stuff

As terrifying as this sounds, all that Megasyn does is identify potentially toxic substances. To make use of this knowledge to actually build harmful biological substances, someone would have to take those theoretical formulae and synthesize them into actual products. This not only requires access to a fully equipped laboratory, but also personnel who not only have the expertise required to use it but also the moral ambivalence to do so regardless of the consequences. As autonomous laboratories become a reality, this barrier will soon come down.

This is not a hypothetical risk. Most biological AI systems are lightly regulated. Many are open-source. Few incorporate meaningful safeguards. The cloud labs that exist today operate in a regulatory grey zone—even though they can run highly powerful experiments. Legal frameworks such as the Biological Weapons Convention that were designed for a world in which physical facilities and human-controlled research were the only means to create biological substances will struggle to adapt to this new AI reality.

That said, self-driven cloud laboratories offer us unprecedented pathways for clinical experimentation. In the right hands, this could improve our ability to develop life-saving treatments and enable personalized treatment at scale. As serious as the potential harms might be, there are reasons aplenty to try and find a way to make this work safely.

If we want to achieve this uneasy balance, we urgently need to update our treaties and amend our laws. But we cannot stop there. As we build automated laboratory systems, accountability must be engineered into them from the start. Experiments devised, implemented and refined by AI agents must be identifiable, auditable and traceable to human decision-makers.

Cloud laboratories have enabled remote science by making research resilient to physical disruption. In doing so, they have also removed many of the frictions that were, unbeknownst to us, keeping us safe. Rapid advances in AI have not only accelerated this process, but also enabled a massive expansion of scientific capabilities.

There is usually a small window between the birth of a new technology and society's recognition of the harms it can cause. This is the period in which it can go unregulated and be used without permission from authorities. With AI evolving rapidly, that window matters a lot more than many of us realize. And in the case of self-driven laboratories, particularly, we must ensure that it is kept as tight as possible. Given the harms that could result, we need to not just close it quickly, but see that it is never wide enough for catastrophic outcomes.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

The puzzle of cash and UPI both touching record highs

SOUMYA KANTI GHOSH & TAPAS PARIDA



are, respectively, member, 16th Finance Commission and PMEAC, and group chief economic advisor, SBI; and economist and assistant general manager, SBI.

After the rationalization of GST rates and amid festive-season demand, India's currency in circulation (CiC) climbed to record-high levels in late 2025 and early 2026. In January, it touched ₹40 trillion. So far in 2025-26, CiC has increased by ₹2.76 trillion, 3.1 times the rise seen in the same period the previous year.

Intriguingly, even as CiC has jumped, India continues to log record levels of Unified Payments Interface (UPI) transactions. For example, in January, the value of these stood at ₹28 trillion—or 70% of CiC. Simultaneously, the cash-to-GDP ratio has declined in recent years to 11.2% in 2025-26 from 14.4% in pandemic year 2020-21. This shows that even as economic activity has been expanding at a rapid pace, currency is expanding at a much slower pace as UPI transactions have been substituting those in cash, specifically for day-to-day dealings. Additionally, India's monthly cash withdrawals from ATMs could surpass the long-term average of ₹2.5 trillion, with their numbers in states such as Karnataka, Tamil Nadu and West Bengal showing an uptrend. So, what explains this puzzle of high CiC co-existing with high UPI swipes? There are at least four reasons.

First, in July, the Karnataka Commercial Taxes Department had issued around 18,000 GST notices to small traders and vendors for UPI transactions exceeding the ₹40 lakh registration threshold between 2022 and 2025. This might have acted as a disincentive for UPI use. To empirically test the hypothesis that government action pushed consumers and small traders into the shadows of cash in Karnataka and even in other states (selected randomly) through policy signalling, we employed a technique akin to a randomized control trial (RCT)—the intensity-based difference-in-differences (DiD) framework—in five states on ATM-withdrawal data.

The results of this DiD experiment indicate that in Karnataka, after GST notices were issued in July, the districts that had stronger ATM activity prior to that month continued to experience significant increases in ATM withdrawals every month on an average relative to the districts that had lower ATM activity before the issuance of GST notices. The empirical results are significant for West Bengal and Kerala, suggesting that GST notifications did create a perverse signalling impact in other states.

Second, the motivation to hold cash in 2025-26 has also grown, particularly in rural areas, given low interest rates on bank deposits and increased consumption. This is also reflected in sluggish deposit growth for the banking system.

Third, and somewhat related to the second point, the rise in prices of precious metals could also be a reason for the increase in CiC, as gold and silver held by households may have got recycled. Some households have used the recent surge in these prices to encash some of their metal holdings, leading to a rise in cash usage across India's economy. Meanwhile, the cut in GST and income tax rates have acted as incentives for households to spend more.

There are at least four explanations. These should both reassure and caution policymakers

In this context, the link between gold imports and monetary policy deserves a special mention. Gold imports as a proportion of India's GDP rose from 2009-10 till 2012-13, when it reached a peak. Currently too, it is at its highest level since 2012-13. However, back in that four-year period, a Reserve Bank of India (RBI) report in 2013 had shown that currency as a proportion of bank deposits was also rising at a fast pace, indicating an increase in high-value cash transactions for the purchase of gold. That episode of de-financialization was undesirable for India's financial system; this time, people appear to be using cash to boost consumption.

Fourth, after the withdrawal of the ₹2,000 currency note (as announced by RBI on 19 May 2023), as of end-March 2025, in terms of value, the share of the ₹100 note has increased by 0.8 percentage point to 6.2% and the ₹200 note by 1 percentage point to 4.7% in 2025 from 2023. This is because, for the sake of public convenience, RBI directed banks on 28 April 2025 to increase ₹100/200 denomination notes in ATMs and ensure that 96% of these dispensers dispense these notes by end-March 2026.

Since small notes tend to display greater velocity in their circulation, this directive may have boosted CiC too. However, data from the National Payments Corporation of India on UPI transactions by volume indicates that the average ticket size of a person-to-merchant transaction of less than ₹500 already has a whopping share of 86% in overall UPI transactions. Thus, the substitution of low- denomination notes with UPI is unlikely to happen beyond a point.

There are at least two learnings from the increase in currency with the public.

First, UPI has been an innovation that has leapfrogged other kinds of bank-to-bank digital transactions in India and become a showpiece for the world. Let us not raise hurdles for something that has significantly enhanced the ease of living.

Second, the rise in gold and silver imports but decline in currency as a proportion of deposits indicates increased formalization and a move towards a digital economy.

Perpetual naysayers should note that India's economy has indeed moved beyond the de-financialization story of a decade ago. Remarkably, RBI now has more operational flexibility in the conduct of monetary policy to complement fiscal policy.

These are the authors' personal views.

19 Feb 2026

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW



BLOOMBERG

Can a data centre boom catapult us to AI glory?

A proliferation of data centres may serve some purposes but we can't expect it to make much of a difference to India's cause of emerging as a sovereign player in artificial intelligence

Are policymakers over-estimating the benefits of hosting the world's data in India? There are good reasons to believe that they are. A proliferation of data centres that store proprietary data in Indian locations is neither necessary nor sufficient to help us achieve our priority aims in the field of artificial intelligence (AI). To develop AI capability, we must devote resources to what is vital. For hardware, we should indigenize AI chip design, fabrication, assembly and testing; and for software, we should create our own AI models. This is the only way to guard against being at the mercy of foreign suppliers. That we form a vast market for AI services—estimated to be the world's third largest—should not impress us. Nor the fact that we generate diverse troves of data that AI businesses hunger for. Several cutting-edge AI developers have offered us their services either cheaply or free precisely to acquire a massive user base that would give them untold giga-loads to refine their models further. As social media has shown, we are among the planet's most prolific generators of data. Not only would it be hard to create enough capacity to store and process what we ourselves spout, there is little to be gained from being a storage utility provider to the rest of the world.

Consider the environmental cost. Data centres consume huge quantities of electricity. While mega projects claim they would run on renewable energy, a boom in overall power demand is likely to make it that much harder to decarbonize India's economy. Granted, mere data storage is not too power-intensive. But today's AI race requires a lot more to be done with data—from training models to inference operations—that guzzles electricity. High-end processing is presumably what the latest data projects are aiming for. These would require advanced processors of the sort made by Nvidia (its Rubin family for example), apart from high-bandwidth memory chips. Yet, as various scenarios of India's AI evolution plotted by *Economic Survey 2025-26* show, we may face the same hurdle in each case: a chip shortage. Given such constraints, can we make headway with frugal AI? The survey's chapter on AI recommends a focus on small language models and specialized apps rather than large foundation models. Sarvam, a local model for Indian language text and voice applications, is a good example. Open-source models from the US and China could also be adapted for local needs. But none of this will suffice for purposes of national security. Even if an open-source model has open weights that can be freely tweaked, its developer might still be able to hold users ransom. For AI sovereignty to be more than a buzzword, we must indigenously develop the key models we cannot do without.

India is one of the few countries in the world with potential talent for innovative AI: a large supply of young people who can be trained in advanced linear algebra, calculus and probability. Another group could work on developing the chips that perform parallel data processing for AI use. China's success with fewer resources than the US shows that determination can make a difference. It might be useful to think beyond foreign partnerships and subsidies to attract global majors, and instead deploy that money to fund local research and startups that hold genuine promise. We clearly need to catch up on AI. But for that, our infatuation with data-centre proliferation must yield to inspiration in the realm of original thinking.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

THEIR VIEW

A shaken world requires Europe to get its act together

DANI RODRIK



is a professor of international political economy at Harvard Kennedy School, and the author of 'Shared Prosperity in a Fractured World: A New Economics for the Middle Class, the Global Poor, and Our Climate'.

The world's two superpowers are hardly inspiring models for those who care about democracy, human rights and social justice. For all its economic success, China is an authoritarian regime that does not tolerate dissent. Under President Donald Trump, the US has not only abandoned any semblance of addressing its vast inequalities of income and wealth, but has also departed sharply from the rule of law at home and has become an erratic partner abroad.

Many yearn for a better future than what the US and Chinese models offer. If we are to achieve a stable, multipolar world in which democratic aspirations remain alive, Europe will have to take the lead.

But Europe has its own weaknesses. Its economic machine is faltering and its democracy is under attack from far-right groups. But its politics has not deteriorated as much as in the US and it still has many strengths, including a social-market model that produces greater equality than the US, as well as an economic base comparable to that of the US when adjusted for purchasing power and with many innovative industries.

The trouble is not only that Europe lacks a vision of what it wants to be, but that it often looks at the wrong models for inspiration. For many of its leaders, the holy grail is the Silicon Valley model of innovation. They point to an 'innovation gap' between the US and the EU that the influential Draghi report documented and advocate reforms—such as financial market integration and digital deregulation—that would make Europe more like the US.

This US envy is misplaced. It disregards Europe's own traditions of inclusion and regulation that have produced more equitable societies with broader access to good middle-class jobs and more reliable safety nets. It also overlooks the disconnect in America between innovation on one hand and productivity and living standards, on the other. It is true that by almost any metric the US spends more on R&D and produces more innovation. But this yields greater economy-wide productivity and rising living standards for ordinary people only if the benefits diffuse widely. Indeed, US productivity growth since 2000 has been lacklustre, except for a recent uptick. The tech sector is an island in an economy where many workers need a second job to keep their heads above water. As Ufuk Akcigit of the University of Chicago and Sina Ates of the Federal Reserve Board have shown, the diffusion of innovation has slowed in the US. A small number of large firms have monopolized knowledge production, while entry barriers and restrictive patents create laggard firms. This concentration of innovative activity means that the US economy produces a skewed income and wealth distribution that no country should emulate.

Neither the US nor China are worthy of emulation and time is running out for the EU to show leadership

In manufacturing, it is China that's the target of European envy. China's prowess has squeezed traditional areas of European dominance, such as autos and capital goods. For many European industrial leaders, restoring competitiveness requires putting up protectionist barriers against Chinese imports. But there is no way that Europe can return to its manufacturing glory days. Jobs will not return to factories: even China has lost millions of factory jobs over the past decade. Ensuring good jobs in Europe will require a focus on services, enhancing both productivity and work standards in areas like care and hospitality.

The competitive challenge from China requires a more strategic response than protectionism. An apt remedy would be finely targeted industrial policies that, unlike import tariffs, directly encourage innovation and focus on segments of advanced manufacturing where Europe is most likely to achieve leadership. In autos, for example, Germany should focus on the next generation of electric vehicles rather than on the mass-market EVs that China churns out.

Another problem is that the EU as an institution is ill equipped to develop a bold new vision. Its founders thought economic union would ultimately produce political union. But that has not been realized. The EU acts more like a restraint on economic policy than an enabler: insufficiently integrated for its central institutions to act boldly but integrated enough for national leaders to feel held back.

The EU's founding logic needs to be inverted. Geopolitical challenges demand that it acts in unison on defence and security, while economic conditions require a relaxation of shackles to permit experimentation. Europe should focus on a common foreign and defence policy. But letting countries do their own thing in economics may help.

Consider the trade agreements that the EU has negotiated with India and South America's Mercosur bloc—seeming successes that nonetheless underscore the EU's inability to move beyond its past preoccupations. Deepening the EU's cooperation with other parts of the world is a necessity and a requirement of multipolarity. But it is better pursued through political agreements. Trade pacts consume political capital and divert attention from important economic-policy priorities: strengthening the middle class through good jobs, enhancing productivity in mostly non-tradable services and fostering an innovation ecosystem that is consistent with Europe's social model.

If Europe is to assert itself on the global stage, it needs to restore its self-confidence. The world needs an alternative to the US and Chinese models. And for that, European leaders must develop the courage to chart their own course. ©2025/PROJECT SYNDICATE

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

GUEST VIEW

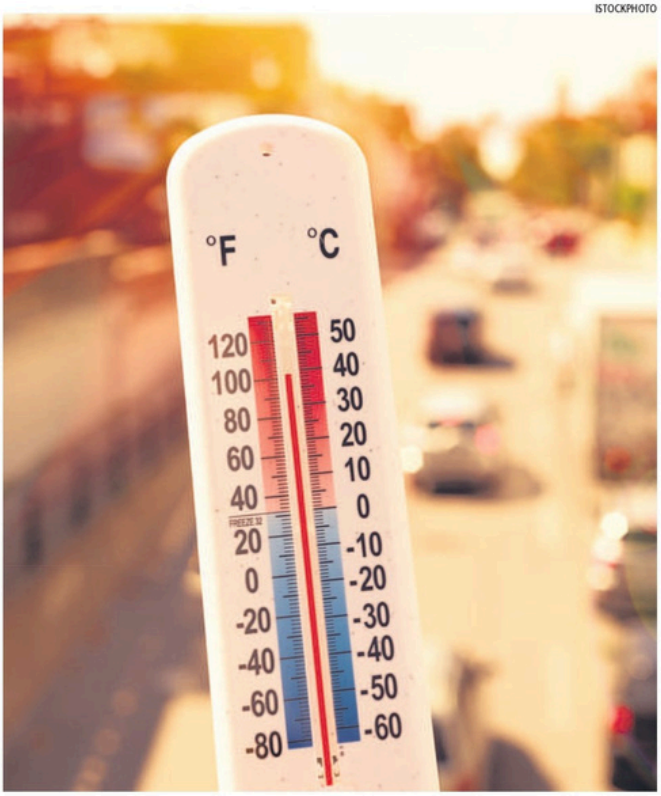
India's climate adaptation gap: Address it for the sake of growth

Let's start early: Our economic strategy must adapt the country to climate adversity well before warming reaches 2° Celsius



MEKALA KRISHNAN & KANMANI CHOCKALINGAM
are, respectively, partner, and senior fellow at McKinsey Global Institute.

ISTOCKPHOTO



Human societies have long found ingenious ways to cope with extreme weather; and India is no exception. The ancient Kallanai dam in southern India, for example, built to divert the Kaveri River for irrigation, sustained fertile delta farming for centuries. The stepwells of western India—subterranean reservoirs that stored water—offered relief from extreme heat and helped local communities endure long dry seasons.

The world today spends about $190 billion a year on climate adaptation through 20 proven cost-effective measures—ranging from sea dikes to air-conditioning—to protect against heat, drought, wildfire and flooding, finds a McKinsey Global Institute research study, 'Advancing Adaptation: Mapping Costs from Cooling to Coastal Defenses.'

Under current emissions trajectories, as the planet's warming reaches 2° Celsius above pre-industrial levels by roughly 2050, the cost of maintaining today's protection levels would be about 2.5 times current spending. Providing protection at standards typically established in developed economies would push annual adaptation costs to $1.2 trillion.

India, with its diverse climate, faces particularly high exposure. More than 80% of the country's land area is already exposed to climate hazards, affecting nearly 90% of its population. Our research estimates that the country currently spends about $13 billion a year on climate adaptation—just over 10% of what would be required today to protect all exposed people by developed-economy standards.

At 2° Celsius warming, India's annual adaptation costs could exceed $200 billion, or about $125 per person. These costs increase as hazards become more widespread—nearly all of India's population is projected to face at least one climate hazard by 2050—and more intense. For example, the average duration of debilitating heat stress in places already exposed could increase by more than a month, increasing demand for cooling. Nearly 80% of the spending would address heat stress and drought, through measures such as active and passive cooling and irrigation.

Climate adaptation, however, is not just a cost—it is a good buy. On average, adaptation delivers returns through avoided damages that are seven times its cost at 2° Celsius warming. But climate adaptation competes with other household and government priorities—its costs exceed a third of the per-capita allocation in the 2025-26 central government budget—and its benefits are often invisible, as prevention is hard to 'see.' Even if adaptation spending were to rise in line with anticipated economic growth—which is not guaranteed—our research suggests that at 2° Celsius warming, India would cover only one-quarter of the required amount.

Under-investment has real consequences. Heat stress can reduce worker productivity, climate change-induced flooding can disrupt supply chains and drought can undermine rural incomes and food security. Over time, these impacts can slow economic growth and broader development goals. In other words, the presence—or absence—of adaptation measures could shape India's future growth path.

The good news is that India is not starting from scratch. A National Adaptation Plan is now in development to align and scale resilience efforts. To date, the most visible progress has been local: Ahmedabad launched South Asia's first heat action plan in 2013, pairing early warning with practical steps to protect vulnerable residents. Reflective 'cool roof' programmes in informal settlements have demonstrated how low-cost interventions can be piloted and scaled.

With intensifying hazards and growing exposure, these efforts can be complemented by broader action across the economy. Households can reduce heat exposure through passive measures like reflective roofs, alongside active cooling where affordable. Businesses can manage direct and indirect climate exposures across their operations, supply chains and distribution channels, for example, by implementing site-level defences, embedding adaptation into forward-looking capital planning, and extending support to their employees, customers and even surrounding communities.

Indian policymakers too have a vital role. Given the disproportionate challenge posed by heat, early warning systems could help urban outdoor workers, agricultural labourers and other vulnerable populations anticipate and respond to heat episodes. Large-scale infrastructure—such as urban drainage systems and resilient power grids—likewise requires public leadership.

The country could embed adaptation early as it continues to invest in urbanization, transportation, energy and industrial upgradation. The integration of resilience measures at the design stage is often far more economical than retrofitting these after disasters strike. Building codes, land-use standards, worker protections and targeted support to improve affordability of adaptation measures for vulnerable populations could further enable this shift.

India has the tools, capital and institutional capacity to make climate adaptation work. Doing so is not just about managing risk, but also about safeguarding productivity, protecting vulnerable communities and critical assets, and sustaining long-term growth. As climate hazards intensify, investing in climate resilience may prove to be a defining growth strategy for the coming decades.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MINT CURATOR

A demographic crisis looms if the world fails in its response

We need jobs for the billion-plus who will soon enter the workforce



AJAY BANGA
is president of the World Bank Group.



By 2050, most of the world's population will live in developing countries. MINT

The world moves on different wavelengths. Some are high-frequency shocks—wars, emerging technologies, market panics—that spike quickly and dominate our attention. Others are low-frequency forces that move slowly but relentlessly: demographics, globalization, water and food scarcity.

The former feel urgent, but the latter reshape the system. That is not to say crises don't matter. But we cannot become casualties of the slow burn simply because the immediate crisis burns hotter or dominates more headlines. Ignore the slow burn long enough, and it becomes an inferno.

One of those forces is already in motion. Over the next 10 to 15 years, 1.2 billion people in developing countries will come of working age. On current trajectories, these economies are expected to generate only about 400 million jobs over that period—leaving a staggering gap. This is often framed as a development challenge and it is. It is also an economic challenge. And it is increasingly a national security challenge.

At this year's Davos conference, it was striking how easily this issue was brushed aside. It must not be ignored at other top-level forums such as the G-7 and G-20.

If we invest early in people and connect them to productive work, this vast new generation can build dignified lives and become a foundation for growth and stability. If we do not, the consequences are predictable: pressure on institutions, irregular migration, conflict and rising insecurity as young people reach for any path available to them.

The World Bank Group is pursuing the first path with urgency, bringing together public finance, knowledge, private capital and risk-management tools around a jobs strategy built on three pillars.

First, creating human and physical infrastructure. Without reliable physical infrastructure jobs never materialize. Investment in people is equally critical. For example, a skills centre in Bhubaneswar—in partnership with the government and private sector—trains thousands each year. Because the preparation is aligned with real market demand, nearly all graduates secure employment—or go on to create jobs themselves, supported by engineering, manufacturing and intellectual property training.

Second, creating a business-friendly environment. Clear rules and predictable regulation reduce uncertainty and improve the ease of doing business. Jobs are generated when entrepreneurs and firms have the confidence to invest and expand. Public resources can help unlock that process, but job creation at scale depends on the private sector—especially the small and medium businesses that generate most employment.

This leads to the *third* pillar: helping businesses scale. Through our private-sector arms, we provide equity, financing, guarantees and political risk insurance. We focus where job potential is greatest across the five sectors that consistently generate employment at scale: infrastructure and energy, agribusiness, primary healthcare, tourism and value-added manufacturing.

This is not a zero-sum proposition. By 2050, over 85% of the world's population will live in developing countries. That represents not only the largest expansion of the global labour force in history, but the largest growth in future consumers, producers and markets. Whatever the motivations are, there is a role and reward for putting energy and resources into this effort.

Developing countries benefit because jobs create income, stability and dignity. They strengthen domestic demand and give young people a reason to invest in their future at home rather than look elsewhere.

Developed countries gain too. As developing economies grow, they become stronger trade partners, more resilient supply-chain anchors and more stable neighbours. Growth in those markets expands global demand and reduces the pressures that drive irregular migration and insecurity—outcomes that carry real economic and political costs far beyond borders.

For the private sector, this represents one of the largest opportunities of the coming decades. Rapid population growth means sustained demand for energy, food systems, healthcare, infrastructure, housing and manufacturing. Development institutions can play a catalyzing role by financing infrastructure, supporting regulatory reform and reducing risk.

If we get this right, the low-frequency forces shaping the world—in this case demographics—become engines of growth and stability rather than sources of volatility and risk. If we get it wrong, we will continue to chase crises—reacting to outcomes that were visible years or even decades in advance. The choice is not whether these forces will shape the future. They will. The choice is whether we act early and bend them towards opportunity—or wait until they arrive as instability. ©BLOOMBERG

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

India needs strong institutional mechanisms for robust statistics

Institutionalize the regularity of statistical revisions so that long updation gaps don't occur again



HIMANSHU
is associate professor at Jawaharlal Nehru University and visiting fellow at the Centre de Sciences Humaines, New Delhi.

The first estimates of inflation based on the revised series of India's Consumer Price Index (CPI) were released last week. The new CPI series uses 2024 as the base year. Accordingly, inflation in January was 2.75% (the price index's increase, i.e., over the same month of 2025), with rural inflation at 2.73% and urban at 2.77%. The CPI revision is the first among multiple indicators undergoing a base revision. Estimates for GDP and other variables from the national accounts will be released soon.

This is an important exercise, given that the last revision for most of India's economic indicators was to 2011-12 as their base year. An outdated base year was a major part of the criticism levelled by the International Monetary Fund (IMF) that classified India in its 'C' category while ranking countries on the quality and reliability of their statistical systems. But the re-basing of economic indicators is not just necessary to satisfy the demands of users like multilateral institutions. Given the dynamic nature of our economy, it is important in itself. Ideally, such revisions should be carried out every five years or less, but the series in use for most indicators is more than a decade old. The delay was primarily due to the absence of data on household consumption expenditure from the National Statistical Office. The 2017-18 consumption expenditure survey was unfortunately withdrawn by the government, which cited problems of data quality. The new CPI series uses the Household Consumption Expenditure Survey (HCES) of 2023-24 for deriving the weights of various items of household spending in its basket.

That said, such revisions are not just a mechanical re-basing exercise, but also an opportunity to strengthen the underlying data base to better reflect what indicators convey. In keeping with this, the CPI revision also made several major changes. The *first* is its move to the 2018 international standard of 'Classification of Individual Consumption According to Purpose.' This provides more granular data. *Second*, it broadens the scope of data coverage at both the item and market levels. It also uses the current consumption basket, which implies that some items that have become obsolete or insignificant are no longer part of the series. Similarly, new items have been added reflecting current consumption trends. As a result, the total number of items used in the new CPI series has increased to 358 from 299. Similarly, there is a significant expansion in spatial coverage, with the number of markets covered rising to 1,465 rural and 1,395 urban across 434 towns from 1,181 rural and 1,114 urban across 310 towns. Further, it now includes 12 online markets across as many towns. Price data collection has also been streamlined by using administrative numbers along with information collected by investigators.

These revisions reflect the country's changing consumption patterns and market structures across geographies. The availability of HCES 2023-24 allows the series to use consumption weights that are recent. As a result, the 2024 CPI series has lower weights for food and beverages than the 2012 series. This change is consistent with a decline in the share of food in the typical household consumption basket as incomes rise over time. While this decline was marginal in urban areas (to 30.3% from 32.8%), it was sharper in rural areas (to 42% from 50.9%). A re-adjustment of rural-area weights to include housing, which was not in the 2012 series, also contributed to this fall.

The new series is better, up-to-date and with expanded coverage. A fuller analysis of inflation trends and their drivers will be possible once the back series is released. Similar revisions in other macroeconomic indicators will also likely reset the underlying statistical evidence on which policies are made. However, such exercises should not be a once-in-a-decade feature. With the statistical system facing flak for delayed surveys, their withdrawal and comparability issues, revisions help restore the credibility of our statistical system. Given rapid changes in India's social and economic structures, consumption patterns included, we need to institutionalize the regularity of such revisions. More granular data and survey updates should serve us well.

Robust statistical indicators are not just important from an academic perspective, but also for policymaking. Strengthening our statistical system and institutional mechanisms for timely revisions will go a long way in helping us understand the dynamics of change in the Indian economy. It will also enable quicker policy responses.

QUICK READ

The consumer price index has finally been updated after a wait of more than a decade. This gap arose because a consumption survey needed for its last update was rejected by the government.

Today, we need an institutional framework that can ensure statistical updates are carried out routinely. Policymakers must not be forced to rely on readings from outdated tools as inputs.

20 Feb 2026

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DEL TECH UNIVERSITY

THEIR VIEW

What India's EU pact says about the world trade order

PUJA MEHRA & ARPITA MUKHERJEE



are, respectively, senior fellow (consultant); and professor, Indian Council for Research on International Economic Relations.

The global trade order is in crisis as the White House seeks to rebuild the US economy and accomplish its foreign and geopolitical policy goals using tariffs with which it has been pressuring trade partners to accept one-sided deals. The basis of these deals is not mutual benefit; it's capitulation to the unrestrained use of economic heft, strategic leverage and bullying.

No country, apart from China and Canada, has so far offered meaningful resistance to this tearing down of the global trade order. Countries that don't have leverage are trying to deepen trade integration, though, by signing bilateral agreements. The idea is to diversify and protect trade, and thus insure against the twin uncertainties of America's tariff blitz and China's stranglehold over critical supply chains.

It is also to see if coalitions of like-minded partners can find a way to resurrect the crumbling rules-based trade order in preparation of the 14th Ministerial Conference (MC14) of the World Trade Organization (WTO) this March in Cameroon. Pushing plurilateral agreements through the WTO will help rebuild its relevance.

Within this big picture, India and the EU have thrashed out a trade pact that will now be taken up for ratification by the European Parliament and is being called 'the mother of all deals.' It stands out because it will be more or less rooted in the rules that governed the globalization era of trade. The India-EU Free Trade Agreement (FTA) is comprehensive and WTO-compliant, unlike any of America's trade deals that are presidential 'executive orders,' which makes them legally questionable both within and outside the US.

The extensive commitments that India and EU have offered to each other can be a base for future trade negotiations between them, and be used by India's other trade partners to gain better access to its markets. India, for instance, will most likely offer Australia the tariff cuts it has agreed to provide the EU, as the India-Australia mini deal has a Most Favoured Nation (MFN) clause.

India and the EU have agreed to de-tariff most of their trade—seemingly easy to do, given that the current average EU tariff rate on Indian imports is just 4%. However, on some exports, like of textiles and apparel (11-12%), marine products (4-26%) and leather and footwear (2.5-17%), EU tariffs are higher than the average rate; these falling to zero will give Indian companies a level playing field with competitors from other EU FTA partners such as Vietnam.

Both India and the EU need large markets outside the US and China. Europe's economy isn't growing all that much, but it's still an important market for India because our exporters have had a presence there for decades and know it well. Like with the UK, this deal secures a market with which India has a positive trade balance.

The agreement will not only secure market access for exports, it is also expected to draw investments. Apart from geopolitical tensions and India's large and growing domestic market, the security of a trade agreement becomes an added reason for European companies to move supply chains here.

The respect shown by each partner to the other's red lines in order to reach a win-win agreement affirms that for those that try, non-predatory trade deals are possible.

India had earlier regarded the EU's carbon border adjustment mechanism (CBAM) as protectionism rather than environmentalism. By agreeing to include it in the pact, India has not only recognized its legality but also relinquished the option of taking its concerns to the WTO. The EU, on its part, has shown sensitivity to India's non-negotiable terms on intellectual property rights and sanitary and phytosanitary (SPS) measures. The EU's SPS chapters are WTO-plus, but with India, this chapter is limited to transparency and predictability, and doesn't impose hard commitments. Both sides have retained enough flexibility to implement domestic policies.

The two sides didn't get sidetracked by geo-strategic differences like India's relationship with Russia despite the Kremlin's war on Ukraine. The signing of the India-EU security and defence partnership agreement along with the FTA is an example of how countries can smartly discuss security and trade simultaneously. Defence is generally excluded from trade agreements.

Concluding a deal that was in the works for more than 20 years has vastly improved India's bargaining position in negotiations with other trade partners. The danger always was that this FTA will complicate negotiations with the US. But the opposite seems to have happened.

The market access India has given European companies may well help them race past American competitors to capture market share. US companies would thus be keen to have Washington quickly formalize a trade deal with New Delhi.

The signal has gone out that while India remains protectionist in a few areas that are politically sensitive (chiefly dairy, cereals, poultry and soya milk), New Delhi will grant market access in sectors which were protected earlier but where it sees benefits now, such as wines and automobiles.

On the whole, it's not clear what the new world order will look like, but the India-EU agreement reaffirms that countries with little leverage would still like to rely on at least some of the globalization era's mechanisms and values.

QUICK READ

The India-EU trade agreement is more or less rooted in the rules that governed the globalization era. It is comprehensive and WTO-compliant, unlike the deals that America has been forging.

The FTA clinched by New Delhi with the EU reaffirms that countries with little leverage would still like to rely on at least some of the globalization era's mechanisms and values.

MY VIEW | PEN DRIVE

Data centres in space? Let's hope AI eases life on Earth

RAHUL JACOB



is a former Financial Times foreign correspondent.

Every week, the claims for artificial intelligence (AI) become more stratospheric. Earlier this month, Elon Musk told a podcast of his plans to put satellites housing giant data centres in space that would be run on solar power. "In 36 months, probably closer to 30 months, the most compelling place to put AI will be in space," he said. Jeff Bezos and Google are reportedly planning something similar.

This week, Silicon Valley venture capitalist Vinod Khosla made an even more bold prediction. Speaking to Prannoy Roy on DeKoder, he laid out a vision so utopian that it resembled India as a paradise. Khosla prophesized that by 2030, a poor child in rural India would, via AI, have tutors as good as those of wealthy children in big cities. A farmer, Khosla said, will have access to doctors via AI who will somehow know his entire medical history.

This space odyssey of starry-eyed scenarios confusingly played out against reports of chaos on the opening day at the India AI Impact Summit in New Delhi. The long queues caused by contradictory and complicated instructions from security personnel were recognizable to anyone who uses our otherwise glamorous airports. Even so, the shortage of drinking-water refill stations on site reported by many attendees and the instructions not to bring car keys to the venue must rank as an Olympian embarrassment. A 'tip sheet' for attending the AI Summit doing the rounds wittily suggested, "Hydrate like you're crossing a desert. Drink 2 litres of water before leaving so you don't have to hunt for water there. After parking, hide your car key under a random brick or stone. Bring enough cash because technology might take a day off."

I am a Luddite who prefers vinyl and compact discs to streaming and would be part of the Quit GPT movement but for the fact that I have never used ChatGPT. Yet, having lived in Delhi almost a decade and a half ago, the code I learnt early on was one our AI startups overlooked: Be wary of Delhi jamborees and summits. It is better to stay in office and work a 12-hour day than navigate the capital's VIP movements to attend such an event.

Indeed, what the AI Summit demonstrated is that the ground realities of dealing with the government, the blessings of UPI and online tax-filing aside, have not changed as much as they should have even as we have supposedly leapfrogged to the 21st century. The large language model that the Indian government needs is a digital interface with its 1.4 billion citizens where the technology and task execution proceed seamlessly. A friend in Bengaluru this week recounted his 85-year-old mother's travails trying to claim her pension via the Jeevan Pramaan life certificate scheme for seniors. The biometrics are a hindrance, no matter how often she blinks at the camera as instructed by the software. An Aadhaar interface has left her stressed and worse off: her pension is now three months in arrears.

This week, an aunt in Bengaluru sought to register a trust and a will, both intended to help manage finances for her schizophrenic sister. Weeks in advance, the three signatories committed to being in town on Wednesday. The sub-registrar's office server was malfunctioning, however, with no OTPs being generated. Aadhaar details for KYC could not be uploaded. Armed with mandatory self-attested paper copies of Aadhaar and PAN cards and the obligatory passport photos of yesteryear, the signatories had no way to present them.

Even as both the state and private sector struggle to give up their love for the eternal paper chase, the true test for AI is tools such as Sarlaben, which helps dairy farmers in Gujarat, and MahaVistaar, for farmers in Maharashtra. As *Mint*'s uplifting Long Story on Tuesday recounted, both are successes. The story quoted a sugarcane farmer who used an AI app to drastically reduce the chemical he was using as wrongly advised by a village shop. The red spots on his sugarcane disappeared. When a cow is sick, there is no need to wait for a vet. "My Sarlaben. Amul AI" is far more responsive. As these apps achieve scale—and the speed with which they are being created and used is impressive—the increase we will see in productivity will be far more dramatic than the occasional days lost waiting for government servers behaving whimsically.

Yet, buried amid the headlines this week about how AI will change the world was an alarming story about how bright orange water is flowing in rivers north of the Arctic Circle. This is a reminder that for all that AI can do in the present and future, we are not making much progress in arresting climate change. The culprit, *Financial Times* reports, is global warming: Thawing permafrost is resulting in "metals leaching into water systems." Another study linked air pollution to a higher incidence of Alzheimer's.

Still, there is some good news even on climate change. Overlooked in all the hype about data centres is how much energy and water they use to power and cool them. Placing gigantic data centres in space, which has the virtue of being very cold, will at least reduce their otherwise heavy contribution to climate change. At least that is what Perplexity assures me.

QUICK READ

According to Elon Musk, the most compelling place to install data centres within a few years will be in space. Since it's so cold up there, this would presumably save on cooling costs.

The 'large language model' that India's government needs is a digital interface with its 1.4 billion plus citizens that works smoothly without Aadhaar verification failures and other little surprises.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY


ISTOCKPHOTO

Our statistics must keep up with digital advances

Globally, as digital technology transforms economies, statistics struggle to reflect economic reality. While India has been updating its gauges, these might soon need to evolve further

On 27 February, India's statistics ministry is expected to release the second of the three major macro-economic variables—retail inflation, GDP and Index of Industrial Production—currently being revamped. As with last month's inflation number, the new GDP series will have a new base year (2022-23) and feature extensive changes in methodology and coverage to better reflect the state of our economy. Globally, decision-makers rely on economic statistics as a dashboard to frame policy. Being left in the dark is too risky. One needs a clear view of current conditions and future projections, for example, to make an apt call on when to fuel growth or step on the brakes to slow inflation. So, the ministry must be commended. Not only for the revamp, but for trying to bring macro data closer to the lives of ordinary citizens, an effort that includes its release of discussion papers for us to delve into. So far, so good. The sad reality, however, is that in today's fast-changing world, statistical systems all over the world are finding it hard to play catch-up as they strive to capture what's really going on. This need for clarity explains the value of a voluntary pledge made by AI majors at this year's AI Impact Summit—as part of the New Delhi Frontier AI Commitments—to publish statistical insights drawn from aggregate AI usage data (with privacy safeguards in place).

As a paper in the IMF's *F&D Magazine* (December 2025 edition) by Rebecca Riley, director of the Economic Statistics Centre of Excellence, London, points out, "The existing metrics for GDP, consumer prices, productivity and the like are struggling to match the rapid pace of change in technology, business models, and consumer behaviour in today's data-driven economy." As a result, "assessments of the world's economies may be off by trillions of dollars." This, she notes, "is more than a little bizarre in a digital world characterized by abundant new data that could help in monitoring the economy and in guiding action by central bankers, fiscal watchdogs and economic policymakers at large." Alas, harnessing new data sources is not easy—which the ministry will readily agree with. If trying to estimate the exact GDP contribution of, say, India's gig economy is one kind of challenge, using GST data to aid GDP estimation is another.

What's amply clear is the economy's digital transformation. The way we produce goods and services and how we consume them are in flux. Tech advances have rewired our economy in key ways, with AI racing to turbo-charge change, but we've been slow to rewire our statistics. This has left huge blind spots for policymakers. Much of the digital economy is data-driven, reliant on software and marketing databases. Companies have been investing big sums in intangibles, some of them even more than in buildings and factories. Yet, the extent to which all this gets reflected in GDP measures has been hazy. On the face of it, new sources, improved methodology, technology and greater use of surveys should help bridge gaps between the production (or income) approach and the expenditure tally, a perennial source of controversy in India. Given how fast economies are evolving, innovative gauges are the need of the hour. Only then can we address the "growing gap between what is measured and the new increasingly diverse economic reality we are living," in Professor Riley's words. The statistics ministry has much further work to do.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

China's Belt and Road plan has evolved: Critics are out of tune

Beijing's BRI isn't in retreat as 'debt trap' warnings are falling flat



KARISHMA VASWANI
is a Bloomberg Opinion columnist covering Asia politics with a special focus on China.



China is making progress on infrastructure support for the Global South. ISTOCKPHOTO

China's Belt and Road Initiative (BRI) is not in retreat, although many have been predicting its untimely demise for some time. Far from shrinking, President Xi Jinping's signature lending plan is adapting, and in doing so becoming harder to counter.

It's shifting from financing megaprojects to becoming a long-term development partner, particularly for fast-growing economies in the Global South. Washington and its partners cannot afford to be complacent if they want to stay relevant in countries that will drive growth in the future.

Fresh data shows China's new reach. Engagement last year was at its highest since the BRI began in 2013. It clocked up $128 billion in construction contracts and about $85 billion in investments. Energy related projects alone reached nearly $94 billion, more than double the year before.

Just as important as the headline number is where the money is going. Investment is increasingly concentrated in renewable energy, battery supply chains, mineral processing and industrial manufacturing. These sectors help strengthen the resiliency of supply chains, which are priorities for Beijing as it tries to gain the upper hand in its rivalry with Washington.

Africa, notably, emerged as a top destination, with Nigeria and the Republic of Congo among the major recipients. China is pairing that investment with expanded trade access. Recently, it announced zero-tariff treatment for imports from 53 African countries starting 1 May. For governments seeking growth and opportunities for their vast populations, that combination is difficult to ignore, especially when US trade policy is so unpredictable.

It was not long ago that many analysts and Western governments believed Beijing might scale back the initiative. Yet after slowing during the pandemic, activity has rebounded over the last few years. This new phase signals China's confidence at a time of trade friction with the US and mounting wariness over Beijing's ambitions.

Infrastructure and trade are never just about concrete or commerce. These relationships, when executed well, create interdependence. The BRI's refreshed version is helping China cushion against wider geopolitical uncertainty.

When Xi first outlined his idea for a "new Silk Road" in 2013, he presented it as a connectivity project. The ambition was to build roads, railways, ports and power plants that would link China to Eurasia, Africa and beyond. Eventually, the initiative expanded to more than 150 countries and exceeded $1 trillion in deals, according to several estimates. But those early years were defined as much by controversy as by scale. The plan faced criticism over debt sustainability and environmental damage—accusations Beijing rejects. Projects such as Sri Lanka's Hambantota Port became known as white elephants, even if the reality is more complex than that.

The BRI's latest incarnation is more closely targeted—and in many ways, more strategic. It needs to be. Despite the prospect of a rapprochement in coming months when Xi is expected to meet US President Trump, the pressures go beyond trade. China's military modernization and embrace of Russia have heightened suspicions, with Western officials saying Beijing increased support for Moscow's war in Ukraine last year. At home, growth is sluggish and demand remains subdued.

Against that backdrop, it is hardly surprising that Beijing is pushing for closer ties with the Global South. For Western governments, this presents a more complicated challenge than the BRI's first phase. Those who continue to frame it primarily as a debt trap may be fighting yesterday's battle. Beijing has adjusted its model. Nor should the objective be containment for its own sake. The more realistic goal is to prevent the programme from becoming the only game in town for the Global South.

That means doing two things at once: Offering a partnership to nations in the Global South, while concentrating on strategic sectors such as critical minerals, digital infrastructure and energy systems. That task becomes more urgent as Washington pulls development spending and reassesses its overseas commitments, creating openings that Beijing is quick to fill.

There are areas where China's strategy remains vulnerable and other governments would be smart to highlight those in order to stay relevant as Beijing forges ahead with its BRI. Transparency concerns persist, as Indonesia's Jakarta-Bandung high-speed rail project has demonstrated, with delays and cost overruns that have triggered scrutiny.

The BRI's recent resurgence does not demonstrate that China's economic model is unstoppable. But it does show that Beijing isn't retreating from global engagement. It is simply adapting. ©BLOOMBERG

23 Feb 2026

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MY VIEW | GENERAL DISEQUILIBRIUM

India needs a national migration policy, not rhetoric

RAJRISHI SINGHAL



is a senior journalist and author of 'Slip, Stitch and Stumble: The Untold Story of India's Financial Sector Reforms' @rajrishisinghal

Mumbai finally got itself a new mayor, Ritu Tawde from the Bharatiya Janata Party (BJP), after a long hiatus. The city's municipal corporation is the country's richest local body and expectations from the incoming mayor were quite high. It was therefore surprising when, in her maiden statement, she mentioned clearing encroachments by Bangladeshi migrants as her priority. There was nothing about the poor state of the city's roads, pollution from unregulated construction, endangered public transport systems, lack of pedestrian walkways, an inefficient garbage collection and treatment system or on how to avoid large flyover sections landing on unsuspecting citizens. There are two ways to explain this: either she expects her statements to please the party leadership or, to be charitable, she was involuntarily recycling what has become a seasonal flavour.

Jim Ratcliffe, billionaire businessman and part owner of football club Manchester United, recently made the extraordinary claim that the UK had been "colonized by immigrants" who were draining the state's resources. Apart from the fact that his statement was factually wrong and clearly racist, thereby inviting a swift rebuke from prime minister Keir Starmer, the fact that he has no *locus standi* on the issue seems to have escaped his notice: Ratcliffe lives in Monaco to avoid paying UK taxes. There was even a richer irony: his statement coincided with United fielding a team for a Premier League match in which only three players are eligible to play for the English national team, with the rest of the team members citizens of nations in Africa, South America and continental Europe.

Ratcliffe has been known to shift his opinions in anticipation of shifting political temperatures and his latest rant may have been influenced by the far-right Reform UK Party making unexpected gains during 2025 UK council elections and by polls. Reform UK has built its political identity around anti-migration. Many far-right politicians who have found it a convenient tool to divert attention from their policy shortcomings or leverage it as a promise for a better future, both of which require creative massaging of data and skimping on actual details. The political identities of the Alternative for Germany, PVV in The Netherlands, Fidesz in Hungary, National Rally in France, Vox in Spain and other European political parties seem to converge on the anti-migration issue.

A version of this is playing out in India, especially in relation to assembly elections in two border states—West Bengal and Assam—that are due in the next 4-5 months. The BJP has chosen migration from Bangladesh as the central issue in both states over the myriad economic and social issues that merit discussion and policy initiatives. A focus on international migration, especially when couched in religious identity, helps divert attention from the real issues.

Internal migration has soared and it's time for a policy framed on the basis of clear data analysis

The International Organisation for Migration, part of the multilateral United Nations, defines migration as "movement of people away from their usual place of residence to a new place of residence, either across an international border or within a State." In a February 2025 essay for *Foreign Affairs* magazine, the organization's director general Amy Pope wrote, "Anti-immigrant politicians and activists spread disinformation to suggest that countries are being invaded by waves of undocumented migrants...The fact that the phenomenon is so global also points to the problem with policy responses that aim to crack down on particular borders or in individual countries: today's unprecedented levels of migration make plain that a decrepit, outdated system, built in the wake of World War II, is incapable of contending with today's humanitarian needs, demographic trends, or labor-market demands."

Away from international migration, the BJP never talks about the two Indian states—Bihar and Uttar Pradesh—that provide the most number of internal migrants, a sign of economic stagnation in these states. There is, of course, a flip side to this: while the migrant's labour adds value to the host state's economy, remittances improve the home state's economy. But, politicians in many host states have often weaponized their presence. Masked gunmen in Punjab recently shot and injured a group of workers from both these states. Rhetoric in the absence of clearly defined policies is like a double-edged sword.

There is, thus, a serious case for introspection on migration. According to the 2011 census, India's last available official data-set, the country had 456 million migrants in 2011 (38% of the population), compared with 315 million (31%) migrants in 2001. And, so, while the national population grew 18% during this period, the number of migrants increased by 45%. What the census also shows, contrary to prevalent political narratives, is that international migrants accounted for only 1% of total migration, with internal migration accounting for the balance. It is unlikely that the trend would have reversed in the decade-and-half since.

The ministry of statistics and programme implementation, as part of its periodic labour force survey, studied migration patterns in 2020-21; however, given the repeated covid lockdowns during this period, the data is not representative. What India needs is a national labour migration policy, with updated data on its economic contribution. Rhetoric may win elections but does not make for good policy.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | MODERN TIMES

Addiction case: Your child's problem isn't social media

MANU JOSEPH



is a journalist, novelist, and the creator of the Netflix series, 'Decoupled'

A few months ago when the editor of Rahul Pandita's debut novel asked me for a blurb, I wrote that his book was "addictive". I thought I had found a way to say something meaningful about a book in a blurb, a form of praise that has become meaningless, filled with tired phrases like "*tour de force*." But then I realized that I had not been paying attention to book covers. 'Addictive' is the new 'unputownable.' Apparently, the world believes addiction is a good thing, as long as it is said of a book.

Mark Zuckerberg is unlikely to ever give a blurb saying, "It's addictive." Because the founder of Meta is accused of being one of the world's primary dealers of a drug. He is facing trial in Los Angeles, one that legal observers say might be a "landmark". At the heart of the trial is the charge that social media is actually a drug.

The trial centres around a 20-year-old woman identified as Kaley or KGM who accuses Big Tech companies of ruining her mental health from the time she was a child. It resulted in a host of ailments, she alleges, including suicidal thoughts. Tech companies have been so accused before but have been protected by a US law against being held responsible for user content. This time is different. They have been accused of a wilful "design" that harms people, especially minors, by making content consumption addictive. KGM's lawyers have compared social media to tobacco giants, which considered cigarettes "a delivery device for nicotine." Meta, which owns Instagram, and Google, which owns YouTube, are the primary defendants in the trial.

Zuckerberg testified last week and said that his company Meta shouldn't be blamed for the young woman's mental health, which may have been caused by a host of complex factors. I agree with him. I must confess that I believe he belongs to a forgotten era when tech guys were good guys. But this view is not why I agree with him, a position that today is as perilous as saying one agrees with anything Big Tobacco had to say.

Psychologists testified, using phrases like "dopamine release" and "reward system," that social media can be addictive. Even so, I feel social media is vastly different from drugs. Social media is not even as dangerous as sugar and junk food. People who say they have been harmed by social media are usually people who have had problems outside it, too, assuming they ever ventured there.

That social media is the cause of many modern ills is one of the world's worst arguments, something that ironically resembles zombie-like groupthink.

What's actually going on is that technology is reflecting human nature very accurately and we don't like what we see, just like many intellectuals don't like electoral democracy anymore. The human mind is restless and drifts from one distraction to another. Some companies have found a way to make money off that. And in doing so, they have upset the old media. Once, a different sort of people owned distraction, which was then called 'attention,' and they had the power to influence people, form governments, decide which book you will read, where you will eat and which film will fail. Now they have no influence. And they mostly blame social media for it, especially Facebook and all its avatars.

Social media is a reflection of our true selves. We may not like what we see but that is not proof of its villainy

It is not as though the world before social media was filled with focused ascetics. It was a distracted world with no less noise. The newspaper screamed for your attention; the page-turner novel was designed to make you turn pages; the TV episode ended in something called a 'cliffhanger.' Even an alarmist documentary called *The Social Dilemma* led by a good guy who called himself an 'ethicist' that was meant to instil fear in us about social media tried to keep us hooked through ominous music and a sense of imminent danger. Funnily, this hyperbolic documentary played on Netflix, which is probably more addictive than social media.

Social media, of course, is designed to keep you glued as long as possible. It is just that it is the goal of all media, including the most revered newspapers and books. Most of them have failed and Instagram has figured it out. To compare this immersion to physical addiction is stretching a metaphor too far.

Social media is not an addiction as much as a new way for the mind to drift. It is so easy to get humans to drift that we don't need to imagine a villainous outfit. We can see this in a demographic group that wastes vast quantities of time in visual stimulation and gets away with it because no one cares enough about them—the elderly. Millions of old people spend their waking day watching TV, switching channels, and there is no secret scheme behind it. This is the generation that once watched static, waiting for Doordarshan's programming to begin.

Still, isn't it good that the world is making a moral fight of it? That we are using the mental health of teenagers to challenge big companies? No. I feel nothing good can come out of a poor analysis, even if it means well. For instance, blaming social media for the mental health of the young will ensure we never understand the root of the problem, or whether it is a problem at all. We can see this in the defamation of artificial intelligence (AI). The stupidest AI stories I have seen are about people who date AI bots. Such stories tend to blame AI for this and never speak of the mental history of their subjects, overlooking the fact that the sort of people who date AI are likely to have had issues long before AI cleared the Turing test. As we get to know the true nature of the world, it appears that sanity is a minority condition.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

GUEST VIEW

Three SAT rulings that reshape the grammar of accountability

Recent orders by the Securities Appellate Tribunal mark an inflection point that all boards and investors must take note of



M. DAMODARAN & SUMIT AGRAWAL
are, respectively, chairperson, Excellence Enablers, and former chairman, Sebi, UTI and IDBI; and managing partner, Regstreet Law Advisors and a former Sebi officer.

ISTOCKPHOTO



Three recent orders of the Securities Appellate Tribunal (SAT) mark an inflection point in Indian securities law. Individually, they address disclosure lapses, alleged accounting manipulation, fraud under Sebi's Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market (PFUTP) Regulations, initial public offering (IPO) fund utilization and interim relief. Collectively, they pose a larger question: What model of corporate governance enforcement is India converging towards—the letter of the law, substantive transparency or calibrated market pragmatism?

The first ruling, in the *Varun Beverages* case, sharpens the meaning of disclosure. The company had prominently announced board approval of a share purchase agreement to acquire SBC Tanzania. When the transaction collapsed because the conditions precedent were not met, no standalone disclosure followed. Instead, the termination was mentioned in the notes to its quarterly results. SAT rejected that as adequate compliance. Its message: material information buried in fine print is no disclosure at all.

This is not a technical reprimand: it is a doctrinal clarification. Regulation 30 of the Listing Obligations and Disclosure Requirements (LODR) framework is intended to ensure that material events reach the market in a timely and intelligible manner. An acquisition signals strategic direction and capital-allocation intent. Its failure is equally price-sensitive. To headline the deal's approval and footnote its collapse distorts market understanding. By insisting that prominence and clarity are integral to compliance, SAT has elevated disclosure requirements from a mechanical inclusion to substantive communication.

The underlying principle is symmetry. Markets operate on full narratives, not curated optimism. If companies seek visibility when news is favourable, they must also accept equal visibility when developments reverse. Continuous disclosure cannot be reduced to textual inclusion in dense financial notes: it must be meaningful in presentation. With this ruling, SAT has made it clear that drafting ingenuity cannot defeat regulatory purpose.

Second, the *Bombay Dyeing* ruling drew a hard line around enforcement limits. The Securities and Exchange Board of India (Sebi) alleged revenue inflation through arrangements with Scal Services and argued that effective control over it triggered consolidation and related-party disclosure obligations, with non-compliance amounting to fraud under PFUTP regulations. The tribunal's majority disagreed. With a 19% holding, below the 20% statutory threshold, Scal was not an associate company of Bombay Dyeing. The numerical line was decisive.

This was a clear endorsement of form over function. Despite indicators of economic integration—funding support, operational overlap, an eventual merger—the tribunal held that statutory benchmarks prevail. This approach promotes certainty, but also risks creating safe harbours for structures calibrated to sit just below bright-line thresholds.

Modern governance focuses on effective control, not equity arithmetic. Influence often flows through contractual leverage, financial dependence or operational alignment. But if substance is to override form, the statute must say so. Sebi, as both drafter and enforcer of the regulatory framework, cannot reinterpret thresholds to suit enforcement needs. If the law draws the line at 20%, it cannot be redrawn at 19%.

Equally significant was the tribunal's restraint under PFUTP rules. Accounting treatment alone, absent a demonstrable securities nexus or inducement, does not automatically constitute fraud. Fraud demands clear linkage and rigorous proof: commercially suspect intra-group arrangements are not, by default, sham transactions. While this safeguards due process, it narrows PFUTP's reach against aggressive financial reporting untethered to a specific trading event. Also, liability cannot rest on designation alone—culpability must be individually established.

Third, the *DroneAcharya* ruling reveals another balancing exercise—between deterrence and economic continuity. Sebi had barred the company and its promoters for alleged mis-utilization of IPO proceeds and misleading disclosures. Pending appeal, the company sought permission to pledge shares, liquidate investments and raise fresh capital. SAT permitted capital raising through a preferential issue subject to prominent disclosure of Sebi's findings and the pendency of appeal.

The tribunal's approach reflects faith in informed investor choice. Rather than impose a blanket exclusion pending final adjudication, it opted for conditional access, relying on disclosure to mitigate asymmetry. This signals an informational model of investor protection: ensuring transparency and allowing capital to flow where investors are willing to assume risk.

Yet, this raises legitimate concerns. When serious allegations of IPO fund diversion are under challenge, should market access resume before appellate scrutiny concludes? Does disclosure sufficiently offset reputational advantages or informational gaps? Or does it transfer regulatory uncertainty squarely onto investors?

Taken together, these three decisions outline a discernible trajectory. Disclosure has been elevated from procedural compliance to substantive duty. Camouflage will not suffice; prominence matters. At the same time, PFUTP compliance ought to be confined within definitional and evidentiary limits: accounting controversies will not automatically translate to fraud. And in interim contexts, tribunals may favour calibrated access over categorical prohibition, provided transparency is robust. The common thread is reliance on disclosure as the central regulatory currency.

For boards, the message is clear. Materiality must be assessed symmetrically. Structural arrangements that merely avoid statutory thresholds may survive formal scrutiny but invite deeper examination. Independent directors cannot assume insulation, although liability will hinge on their demonstrable role and oversight failure. Transparency is no longer defensive choreography; it is the foundation of governance credibility.

Capital markets survive on credibility—of disclosure, enforcement and adjudication. The *Varun Beverages* decision demands honest transparency; *Bombay Dyeing* draws a firm boundary to prevent regulatory overreach; and *DroneAcharya* signals conditional faith in market choice.

As the appellate authority across India's financial sector, SAT is not merely reviewing orders but shaping the grammar of financial accountability. Whether this jurisprudence improves governance or reduces it to technical compliance will be determined by how firmly these principles hold when the stakes are high.

These are the authors' personal views.

23 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | THE INTERSECTION

Europe's defence market could be opened up to Indian industry

New Delhi should engage Brussels to clear the decks for a strategic defence partnership to that end



NITIN PAI
is co-founder and director of The Takshashila Institution, an independent centre for research and education in public policy.

While the transatlantic relationship made the headlines at this month's Munich Security Conference, many of the European analysts I hung out with were more concerned about whether, how and how quickly Europe could build adequate military capacity to achieve meaningful strategic autonomy. The twin fears of a potential Russian invasion and an American divorce have compelled Europe's leaders to invest in military capacity, but it presents the EU and its member states with unprecedented structural challenges.

Europe sees a threat to the Union itself, but has to rely on the military establishments of its member-states to respond to it. Like the Pope, Brussels has practically no divisions under its command. Europe's armed forces are maintained by individual nation-states and operate under Nato (read American) command. So defence policy, strategy, command, equipment, capacity and procurement are fragmented across the 27 EU states and the UK.

What Europe's effective rearmament demands—fiscal capacity, a military-industrial base, an innovation ecosystem and a demographic base—is also geographically distributed. Countries that have the money don't have enough people willing to fight and those with big industries don't have enough startups. Moreover, Europe's commitments to social spending and its climate transition work both as budgetary and cultural constraints to rapid rearmament.

Europe's leaders got their first wake-up call during Donald Trump's first term and the Russian invasion of Ukraine. In addition to supporting Kyiv with arms and money, they began thinking of European defence. It was in 2025, after Trump's return to power, that they got serious. Brussels fast-tracked a ReArm Europe package that would make €800 billion available for defence spending over the next five years and encouraged the European Investment Bank to expand lending to defence and security projects. The ReArm package has two fiscal levers. The first is a National Escape Clause (NEC) that allows each member state to increase defence spending by 1.5% of GDP without violating fiscal rules, generating €650 billion for defence. The second, Security Action for Europe (SAFE), is essentially a debt instrument: Brussels uses its better credit rating to allow member-states to borrow up to €150 billion from capital markets for rapid procurement.

To discourage the favouring of national champions, SAFE rules require common procurement across two or more countries. To promote strategic autonomy, 65% of the procurement costs must flow to manufacturers in Europe. Partner countries like the UK, Canada, Norway, Japan—and potentially India after the recent signing of the Security and Defence Partnership (SDP) Agreement—can be suppliers. That said, purchase decisions remain in the hands of member-states.

Critics, foremost Bruegel, a European think-tank, point out that these initiatives are inadequate. It has proposed a more ambitious European Defence Mechanism (EDM), a treaty-based instrument that would create a single defence market among members, centralized procurement and collective ownership of defence assets, effectively setting the stage for a unified European military command. It is unclear when European politics will be ready for it.

For now, the NEC and SAFE initiatives are in focus. Even if they don't offer Europe the desired strategic coherence, they have galvanized Europe's defence industries. As I wrote in a previous column, this opens up a window of opportunity for India.

Today, India is actually rearming Europe's best path to innovation, cost-reduction and economies of scale. At the margin, India's startup ecosystem can provide Europe's defence industries an additional route to innovation, partly making up for what it has lost in the US. Using global capability centres in India lets European firms focus resources on core military industrial activities. Unit costs of everything from ammunition to aircraft can fall if the Indian armed forces buy the same gear. The SDP, signed alongside the India-EU FTA last month, is a key to unlocking deeper defence industry ties.

New Delhi and Brussels should prioritize additional pacts that enable Indian firms to participate in Europe's rearmament. The early harvest can come when, under SAFE, up to 35% of the procurement can be fulfilled by Indian subsidiaries or sub-contractors.

Europeans have legitimate concerns over India's relations with Russia (just as Indians do over Europe's relations with China). Geopolitical realities are what they are, but practical solutions can be found. One way out would be for New Delhi and Brussels to agree to an intellectual property, supply chain transparency and certification arrangement where Indian firms servicing European defence contracts are firewalled from the few that do business with Russia.

The defence partnership between India and the EU has become a two-way street and its traffic profile will change over time. Amid today's tumult in world affairs, the potential opening of Europe's defence market to Indian firms could serve both European and Indian quests for strategic autonomy.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

OUR VIEW

AFP



US tariffs got turfed out but keep the deal in play

The US Supreme Court's rejection of Trump's reciprocal tariffs may change his strategy but not India's need for trade liberalization. Easing imports will do our economy a good turn

Does the US Supreme Court verdict that scotched President Donald Trump's tariffs under the International Economic Emergency Powers Act (IEEPA)—for overstepping his authority to 'regulate' trade—offer India a chance to wriggle out of commitments under an Indo-US trade deal in the works? Did New Delhi act in haste on this bilateral pact, given that his IEEPA barriers were still under legal scrutiny? Will last week's ruling end a wild reign of tariffs fired from the hip? The answer to all these questions is 'no.' Nor does the 6-3 majority decision change India's twin needs to forge closer economic ties with the US and expose India's economy to greater foreign competition—except in hard-up fields devoid of market dynamism, like large parts of farming. To meet our global ambitions, we need a sharper competitive edge anyway.

What's likely to change is Trump's toolkit of trade barriers. The top US court has struck down his reciprocal tariffs levied against most trade partners, but he has laws other than the IEEPA at his disposal. He has already invoked Section 122 of the US Trade Act of 1974 for a fresh 15% levy. These can stay in place for 150 days, after which they will need the approval of Congress. Section 232 of the 1962 Trade Expansion Act lets him retain his metal and auto tariffs in purported defence of US national security. If Trump obtains probe reports of other countries treating America unfairly, he could resort to Section 301 of the US Trade Act; Section 338 of the Tariff Act of 1930 may come in handy too, should a myopic view of trade prevail, one that casts surplus-running partners as villains out to rip America off. Whatever tools Trump picks, the world can expect further bouts of trade instability. Penal tariffs based on probes that prove hollow in court, for example, could also get turfed out at some point. For now, what's good for America's institutional backbone is bad for the US economy's momentum of investment and growth. If it must refund reciprocal tariff charges, its fiscal deficit would widen and put upward pressure on its bond yields. As for America's trade gap, its 2025 figure has turned out almost the same as 2024's, which points to inelastic import demand. If Trump's actual aim is just to reshuffle ports of origin, then his web of bilateral deals could yet play a role.

Trade is not a zero-sum game. In theory, barrier reduction aids all sides through efficiency in resource allocation across borders. In practice, tilts cause friction and talks involve give-and-take. India has struck deals with the EU, European Free Trade Association, Oman and New Zealand after Trump began his tariff onslaught last April, before moving to seal one with the US. By principle, if we let any items enter duty-free, we must let American stuff enter on equal terms. The common policy theme here is trade openness. It speaks of export optimism on the logic that lowering import barriers will cheapen inputs for many factories and pressure various domestic sectors to get into better competitive shape. The goal should be to lower our industrial cost base; for this, we do not need tariff-rate symmetry with every partner. A trade deal with the US remains a worthy pursuit even if it looks lopsided—to reap the benefits of trade liberalization. To open up is to bet on India's future. As 'China plus one' plans get drafted amid all this trade flux, we must globalize our economy for its own sake. Capital inflows will need to support this project. This reality doesn't change either.

24 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

Why ONDC has not got very far and how it can still change that

This open e-com network needs a clearer focus and better customer orientation to meet its objectives



LLOYD MATHIAS
is an investor and an independent director. He's on X as @LloydMathias

India's digital public infrastructure story has been remarkable. The Unified Payments Interface (UPI) made digital payments a habit. CoWin demonstrated population-scale tech execution during a crisis. Aadhaar, DigiLocker and Fastag showed how digital rails can drive inclusion and efficiency.

Naturally, this success would inspire ambition beyond payments and identity. The Open Network for Digital Commerce (ONDC) was born from this confidence to do for e-commerce what UPI did for payments: break platform silos and create an open, interoperable network where buyers and sellers could transact freely. Big private platforms would not be the only options.

Nearly four years on, ONDC has not lived up to its promise. It remains niche, confusing to many users and largely invisible to the typical e-shopper. India's online commerce market remains dominated by a few large integrated platforms. They control product discovery, listings, payments, logistics and data. They are efficient and convenient, but they are also closed systems.

ONDC's proposition was to separate the network from the platform. It aimed to create a shared digital network where any buyer app could connect with any seller app. In theory, a small *kirana* store could be discovered just as easily as a large brand. In practice, that shift has proven harder than anticipated.

So, where did ONDC go wrong?

First, the consumer experience is weak. UPI is simple: scan, pay, and you're done. ONDC, by contrast, feels fragmented. Search results vary. Returns, refunds and customer support are inconsistent. This can frustrate users. E-commerce today is not just about prices, but about trust, reliably speedy deliveries and easy returns. ONDC may have underestimated high market expectations.

Second, sellers don't see clear value yet. Small sellers were supposed to be ONDC's biggest beneficiaries. But onboarding can be complex. Managing catalogues, pricing, fulfilment and logistics across multiple participants demands digital capability many small businesses lack. Sellers also find that demand on ONDC is still low. Estimates suggest ONDC accounted for less than 0.1% of India's roughly $100-billion online retail market in 2025. Without customers, there is little incentive to invest time and effort.

Third, logistics and fulfilment remain weak links. UPI was built on existing bank infrastructure, but ONDC relies heavily on external logistics: delivery partners, warehousing and last-mile service. Private platforms invested in these. ONDC does not yet offer the same reliability or speed, which directly affects customer satisfaction.

Fourth, network effects favour incumbents. Marketplaces thrive on scale. More buyers attract more sellers and vice-versa. Large platforms already have this advantage. ONDC entered a mature market, not a greenfield one. Without strong incentives or differentiated value, getting switchovers was always going to be difficult.

Finally, its narrative is unclear. UPI had a clear message: free instant payments. ONDC's value proposition is harder to explain. 'Open network,' 'interoperability' and being a 'protocol' rather than a platform constitute policy jargon, while consumers are focused on price, convenience and certainty.

However, ONDC can still be revived.

One, focus sharply on a few categories instead of trying to be everything to everyone. It should double down on areas where openness offers a clear advantage—hyperlocal commerce, ride hailing, groceries, medicines or select financial products.

Two, standardize the experience. Set minimum standards for search, returns, refunds and customer support across all buyer apps. Most e-com consumers have come to expect this as table stakes. Using ONDC must feel as smooth as any leading platform.

Three, support small sellers firmly. ONDC needs hands-on seller enablement, including easy on-boarding tools and catalogue support. It must become the go-to for smaller sellers who struggle to get discovered on big platforms, not an experimental add-on.

Four, use incentives strategically. Early UPI adoption was driven by incentives and strong bank participation. ONDC needs similar nudges—for buyers, sellers and logistics partners—to kick-start network effects.

Five, communicate in simple language. ONDC's story must shift from protocol design to tangible benefits, be it better prices, more choice or local discovery.

The success of ONDC matters. This is because the future of India's digital economy should not be owned by a few closed platforms alone. Open networks are harder to build, but they are essential for long-term competition, innovation and inclusion.

India has shown the world that it can build digital systems at scale. ONDC is a harder challenge than UPI, but not an impossible one. With a clearer focus, better execution and a consumer-first mindset, ONDC can still become what it was meant to be: a truly open marketplace for India's next billion digital users.

The idea behind this open network was right. Now it's for its execution to catch up.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | MUSING MACRO

What does India's cash-in-circulation spike portend?

AJIT RANADE



is senior fellow with Pune International Centre

India is currently running two payment systems in parallel. On one side is its gleaming showcase, UPI, with 21.7 billion transactions in January 2026 worth ₹28.33 trillion in value. On the other side is the system of physical cash. Currency in circulation (CiC) hit ₹40 trillion, rising 11% year-on-year.

At first glance, it looks like a contradiction: How can India be 'digitizing' and 'recashing' at the same time? It isn't, though, because while the digital payments revolution is real, India's cash-loving political economy is also part of the stark reality. The apparent paradox of the usage of both rising is a warning that we are settling into a hybrid equilibrium: digital for convenience, cash for avoidance or for those excluded from UPI's digital infrastructure. UPI is for the honest and cash usage is for the anxious and those who want to hide. And when the cash stock expands faster than nominal GDP, it usually means something deeper is happening than "people like cash."

First, a bit of caution. Remember that UPI is a flow, while CiC is a stock. Hence even in a fast digitizing economy, the cash stock can rise as the economy grows. But why is it rising so fast now? There are many explanations, some of them uncomfortable.

There are many factors pushing CiC up. For instance, as interest rates go down, the opportunity cost of holding cash goes down, so more cash lies outside banks. Also, if inflation is expected to rise, the transaction demand for cash goes up. There are four other troubling factors that may be contributing to higher cash usage.

The *first* is a fear of UPI as a trap for small traders. Its digital trail exposes them to be caught in the taxman's net. Research from State Bank of India confirmed this causality: ATM cash withdrawals rose after income tax notices to small traders in Karnataka based on their UPI transaction volume. The remedy is to remove this fear that UPI is a ploy to entrap sellers in the informal sector.

A *second* driver could be the explosive growth of unconditional cash transfers, estimated at around 2% of GDP across 15 states. These schemes are large enough to impact household liquidity behaviour and state budgets. Some of this transferred money will stay digital. But some will inevitably leak into currency because of local cash markets, because recipients budget in cash, connectivity is unreliable and cash payments are behind a big part of consumption in rural and informal India. The more states expand transfers without building complementary supply-side capacity—skills, jobs, local services—the more we should expect cash demand to rise. When the welfare state expands in a low-formality economy, cash is often the medium through which that expansion is monetized.

It's not a cash to QR story. UPI is reshaping the flow of money but its stock is shaped by deepset factors

The *third* driver is the rising use of money power in elections. The Election Commission routinely seizes cash during the campaigning phase of state and national polls. What is seized is just a tiny fraction of the actual cash being distributed, as estimated by observers and the press. The accumulation of cash for illegitimate disbursal can now precede elections by several months. There is little conclusive, legally tenable evidence of vote buying, leave aside rule enforcement. But this is an open secret and is not likely to decline in the foreseeable future. This has a concomitant demand for cash generation by the black-money economy.

A *fourth* driver is the rise of ₹500 notes. UPI replaces small-ticket cash usage very well and solves a problem of small-change. But if households and businesses treat cash as a privacy-preserving store of value, then UPI does not automatically shrink the cash stock. This is the part of the story that most techno-optimists miss: digital rails replace transaction cash faster than they replace hoarding cash.

As if to illustrate the current cash spike, a video went viral of a wedding where the couple was showered with crores of cash. It shows that cash is not just a payment method. It is a social custom, for celebration at best and ostentation at worst. Nobody questions the origin of this stash. In India, weddings, real estate, local contracts and informal labour markets are not just 'cash-heavy,' but cash-shaped.

The success of UPI should not blind us to a fact corroborated by RBI data. UPI has taken market share away from NEFT, cards and wallets, not just cash. The overall share of the value of 'paperless' transactions has not risen as sharply as headline UPI numbers suggest. India is not sprinting to cashlessness. Cash remains entrenched.

This January's cash spike is much above normal. It means many things. First, digitalization without trust will eventually plateau. Second, UPI faces a potential compliance backlash. Surprise tax notices and ambiguous thresholds push micro-enterprises back into informality. Third, increased cash-transfer welfarism will show up as a higher stock. Fourth, opacity around election use is an unending headache.

Our CiC now is about 2.2 times what it was pre-demonetization in 2016. Nominal GDP is that much larger too. As a share of nominal GDP, CiC has kept pace, although this year's spike is abnormal. We should forget the fantasy of a 'cashless' India. Even developed economies with deep banking systems have large cash stocks. The goal should be more realistic: a less-cash, cleaner-cash India.

India's payments story is often narrated as a triumphal march from cash to QR code. The truth is subtler. UPI is remaking the *flow* of transactions, but the *stock* of cash is shaped by informality, trust, enforcement, welfare design and electoral politics.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

GUEST VIEW

Europe's China anxiety: Why we must track how it might respond

Policy ideas are being discussed that would have been unthinkable till recently and India must stay attuned to developments



SHISHIR PRIYADARSHI
is president, Chintan Research Foundation and former director, World Trade Organization.

ISTOCKPHOTO



A recent report by the Haut-Commissariat à la Stratégie et au Plan that urged the EU to consider either steep tariffs on Chinese imports or a deliberate weakening of the euro against the renminbi has triggered reactions well beyond Paris and Brussels. What began as a domestic French strategic recommendation has evolved into a wider debate about Europe's economic direction and its role in an increasingly fragmented global trading system.

The proposal, suggesting tariffs of up to 30% or a 20–30% euro depreciation, reflects mounting anxiety over Europe's widening trade imbalance with China and its erosion of industrial competitiveness. But the strong international responses underline how consequential such steps would be.

Within Europe, reactions have been mixed. Export-oriented economies such as Germany and the Netherlands have signalled caution amid worries about retaliation and supply chain disruptions. European Central Bank (ECB) officials, while not commenting directly on the proposal, have reiterated that exchange-rate targeting is not part of their mandate, thereby reinforcing institutional limits on currency engineering. Meanwhile, southern European voices more exposed to industrial pressures have shown greater openness to robust defensive measures.

Beijing's response has been firm too, warning against protectionism and signalling that sweeping tariffs would invite counter-measures. Given China's demonstrated willingness to target politically sensitive sectors—from agriculture to luxury goods—the risk of escalation is real.

The attraction of tariffs lies in their clarity. They are visible, direct and politically communicable. A significant tariff wall could provide breathing space to European industries under pressure from what many policymakers describe as subsidized Chinese overcapacity. It could also serve as leverage in negotiations on market access, industrial subsidies and regulatory reciprocity. For sectors such as electric vehicles, batteries and green technologies—where Europe sees strategic stakes—temporary protection may be framed as necessary to preserve critical industrial capabilities. However, the costs are substantial.

Tariffs are taxes and are rarely absorbed entirely by exporters. European consumers and firms reliant on Chinese intermediate goods would bear part of the burden. In an environment where inflation is politically sensitive, raising import costs could complicate macroeconomic management.

Retaliation is a serious concern. China has signalled that it would respond proportionately. A tariff spiral would disproportionately hurt export-driven European economies and deepen global trade fragmentation. Perhaps most consequentially, sweeping tariffs would challenge Europe's commitment to the multilateral trading system at a time when it has sought to position itself as a defender of rules-based trade.

The alternative, engineering a weaker euro—is less overtly protectionist but potentially just as disruptive. Currency depreciation works as a broad-based competitiveness tool. A 20–30% depreciation would make Chinese imports more expensive while boosting the competitiveness of European exports, supporting manufacturing-linked employment and narrowing the trade deficit.

Unlike tariffs, currency adjustment would have an impact across sectors, avoiding the complexity of product-by-product trade remedies. But the trade-offs are equally stark. A weaker euro would increase the cost of all imports, particularly energy and raw materials. For a region structurally dependent on imported energy, this poses inflationary risks. Imported inflation would erode real incomes and test political tolerance.

Institutionally, deliberate depreciation would also raise profound questions. The eurozone's monetary policy is set by the ECB with a price-stability mandate. Any perception of exchange-rate manipulation could undermine central bank credibility, unsettle financial markets and invite retaliatory responses from other major economies.

The intensity of global reactions underscores a deeper truth: this is not merely about tariffs or exchange rates. It is about structural competitiveness in an era of Chinese scale and state-backed industrial dynamism. China's export strength reflects not only pricing advantages but ecosystem efficiencies—integrated supply chains, rapid scaling, coordinated industrial policy and sustained state support for strategic sectors.

Europe's deeper challenges lie in productivity gaps, fragmented capital markets, regulatory complexity and high energy costs. Defensive macro tools may offer temporary relief, but they cannot substitute structural reform. A credible strategy would involve targeted, World Trade Organization-consistent trade defence instruments combined with accelerated innovation, investment in green and digital infrastructure, and deeper capital markets integration.

For India, this holds three lessons. *First*, it reflects a shift in trade thinking. Even the EU—historically a champion of open markets—is contemplating tools once associated with economic nationalism. Globalization is not what it was. *Second*, if Europe restricts Chinese imports, trade diversion could intensify competitive pressures in third markets, including India. Chinese exports may seek alternative destinations. *Third*, exchange-rate adjustments in the eurozone, should they happen, would influence global capital flows and currency alignments. A much weaker euro could alter the rupee's effective competitiveness against European and Chinese exporters.

The French advisory proposal should be seen less as imminent policy and more a signal of frustration. It reflects Europe's struggle to reconcile industrial preservation with its commitment to open markets and monetary orthodoxy. The prudent path likely lies between the extremes: calibrated trade remedies within multilateral norms, reinforced domestic competitiveness and continued engagement with China, even if difficult.

Whether Europe opts for tariffs, currency adjustment or structural reform, its choice will reverberate across supply chains, capital markets and diplomatic alignments. For India and other emerging economies, the message is clear—prepare for a world where trade, currency and geopolitics are increasingly intertwined. One where strategic foresight is no longer optional.

MY VIEW | A VISIBLE HAND

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MINT CURATOR

Trump tariffs: Congress must do the job it was created to do

The legislative wing's negligence violates the spirit of democracy



MARY ELLEN KLAS
is a politics and policy columnist for Bloomberg Opinion.



The US Constitution envisions a highly empowered Congress. AP

The US Supreme Court's decision to strike down President Donald Trump's sweeping global tariffs is a wake-up call for Congress. If the legislative branch had been doing its job last year and hadn't ceded its taxing power when the White House embarked on this unprecedented protectionist journey, perhaps we wouldn't be in the mess we're now in.

But with its 6-3 ruling on 20 February, America's top court not only reaffirmed the separation of powers but invited Congress to reassert itself as the branch with the power of the purse. Congress should get its act together and tell the president if he wants to keep his tariffs, he'll need to work with them to do it.

It could take a lot of persuasion. Within hours of the ruling, Trump delivered a rambling press conference where he dismissed both lawmakers and the court. He noted that some tariffs he had already declared under different laws had not been struck down by the courts and announced plans to expand others using Section 122 of the US Trade Act of 1974. That provision allows the president to declare import surcharges of up to 15%, but only for 150 days, not indefinitely.

Of course, if Trump wanted the tariffs to last for more than a few months, he could work with Congress on a longer-term solution. But that would require him to agree that laws are things to be followed and Congress is a branch of government to be respected. Neither will happen. When a reporter asked Trump why he doesn't try to get congressional approval, he replied: "I don't have to." Then, he stubbornly insisted: "I have the right to do tariffs. I've always had the right to do tariffs." Congress has demonstrated that most of its members aren't tariff fans, but Republican party leaders don't seem ready to find the votes to do much about it.

Throughout the majority opinion, judges seemed to be reminding Congress that while the president cannot unilaterally impose unlimited emergency tariffs, he's not out of options as long as he works with lawmakers. Justice Neil Gorsuch, a conservative whom Trump appointed to the bench in 2017, seemed to be speaking directly to the president and the MAGA wing of the Republican party in his concurring opinion. "For those who think it important for the Nation to impose more tariffs, I understand that today's decision will be disappointing," Gorsuch wrote. "All I can offer them is that most major decisions affecting the rights and responsibilities of the American people (including the duty to pay taxes and tariffs) are funnelled through the legislative process for a reason." Gorsuch acknowledged that "Legislating can be hard and take time." He acknowledged that "It can be tempting to bypass Congress when some pressing problem arises."

Underscoring his reputation as a constitutional originalist, Gorsuch also said something the framers would have liked. He noted that "the deliberative nature of the legislative process was the whole point of its design. Through that process, the Nation can tap the combined wisdom of the people's elected representatives, not just that of one faction or man." He then wisely pointed to the fact that when legislation must "earn broad support," it is more likely "to endure, allowing ordinary people to plan their lives in ways they cannot when the rules shift from day to day."

Unfortunately, few in the party's leadership echoed it. There are two reasons for this. First, Trump and Congress leaders know that 60% of Americans disapprove of the president's tariff policies. And second, Trump has run the table on Congress for so long that Republicans are terrified to push back. For the past 13 months, Congress has abdicated its role as a check on the executive. Lawmakers remained silent as the president cut billions of dollars in congressionally mandated funds, renamed the congressionally established Kennedy Center after himself and dismantled agencies he doesn't like. Congress not only allowed Trump to illegally use emergency declarations to impose global tariffs but has done nothing as he's spent money on things that were never authorized—like transferring $10 billion from the US government to his personally controlled 'Board of Peace.' And Congress has been AWOL on oversight, allowing the president to dismiss congressional appointees from independent commissions, accept questionable gifts from foreign countries, engage in conflict-ridden business deals and gut the federal watchdog system.

The US Constitution's framers didn't intend for Congress to be a coequal branch of the executive. They wanted it to be the first branch because it's closest to the people and can better reflect the public's values and interests. It's time for the US Congress to tell Trump: We've got this. ©BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | A VISIBLE HAND

Gold: Investors must weigh each price driver carefully

NARAYAN RAMACHANDRAN



is chairman, InKlude Labs. Read Narayan's Mint columns at www.livemint.com/avisiblehand

The intraday price of gold hit an all-time high of $5,595 per troy ounce in late January, having nearly doubled within the span of a little over a year. On the same day, in rupee terms, gold of 24-Karat purity recorded a price of ₹183,000 per 10 grams, having risen 134% over the same period thanks to the combined effect of its price gain and the rupee's depreciation. Silver, the metal's younger sibling, sparkled almost as much during the same period.

The sharp rise of gold and its moderate correction since has every investor asking what is going on. What next for this metal? Should one have had gold as a chunky part of one's investment portfolio? Have we missed the bus? These questions are from investors everywhere, but particularly in India where we think we have an edge of familiarity since we grew up with gold in our households.

New York University professor Aswath Damodaran has a nice framework to think about what investments should go into an asset-allocation portfolio. In an excellent Substack blog on the topic of gold, he says that investments may be classified into four categories. One, assets like equities and bonds that generate cash flows. Two, commodities like copper that are useful in industrial production. Three, currencies that are a medium of exchange or a store of value. Four, collectibles like art or wine, which as the name implies, is for emotional or aesthetic value. Gold is an interesting combination with features of a commodity, currency and collectible. However, its longstanding appeal for investors, households and central banks has been as a collectible. Gold does not have a 'yield' or cash flow associated with it. There is also a small cost of warehousing physical gold. Gold has retained its lustre as a collectible over centuries because it is durable, its supply is finite and it has provided a safe haven during geopolitical shifts.

Analysts cite a few drivers for the price of gold. Most of these drivers do not hold up under close scrutiny. For instance, an often-quoted idea is that gold is driven by inflation. The correlation of gold prices (in dollars) with US inflation has been quite moderate in the last 40 years. Look closer and you will see that gold does respond to large and unexpected bouts of inflation, but it is not correlated at other times with inflation movement. Similarly, gold is not much driven by indices of volatility or crises like credit spreads. During the past year's rally, gold prices were driven by two factors. One, continued buying by central banks to the tune of 2,000 tonnes over the last two years; and two, as a hedge against geopolitical uncertainty emerging from US President Donald Trump's economic policies and wars in multiple locations.

Its price zoom has had multiple factors behind it and investing in it without close analysis is inadvisable

Is gold overvalued? For an investment that is either a currency or a collectible, any notion of absolute value is moot. The best one can do is make some relative valuation observations. On historical trends, it does appear that the price of gold relative to that of silver is high, with a price ratio of 65 times versus an average of about 57. Gold, relative to dollar inflation, is at about 18 times against a median value of three times. The correlation between gold and Bitcoin (sometimes called 'digital gold') over the past 10 years has been zero. Most major investment banks say they expect gold to resume its rise in 2026, sustain it in 2027 and head towards $6,000 an ounce. Most relative value indicators, however, do not back these predictions.

It is still possible that gold defies relative value considerations and continues to rise. One reason for that could be that central banks continue to buy it. At about 20% of reserves, gold surpassed the euro recently to become the second-largest reserve asset for all central banks combined. The central banks of Italy, China, Russia, Japan and India hold 9,000 tonnes of gold among them.

The Reserve Bank of India (RBI) dramatically slowed down its gold purchases in 2025, buying only 4 tonnes versus 73 tonnes in the prior year. Its total of about 880 tonnes of reserve gold makes up about 17% of its total reserves. Over the last few years, RBI has brought home 274 tonnes of gold. The apparent aim of this is to secure these assets onshore as a hedge against geopolitical uncertainty. India's central bank could continue to gradually increase its gold reserves and bring more of it home.

Should India, China, South Korea and Brazil decide to increase their central bank gold allocation to 30% of reserves, that would imply a significant increase in gold demand. The US manages its bullion stacks in a peculiar way. Its reserves of 8,000 tonnes (worth well over $1 trillion) are managed by the Treasury department. The Federal Reserve, its central bank, was issued 'gold certificates' when these were transferred at $42 an ounce. The US Federal Reserve could conceivably 'mark to market' these gold certificates and return the excess to the US Treasury through a special dividend. If this were to happen in whole or part, there could be a massive spike in the price of gold (driven by front-running) and a strong inflationary impact within the US.

Gold is a collectible that has some diversification value for investor portfolios. However, adding it to one's portfolio at a time when its relative valuation is out of alignment with historical trends seems imprudent. For long-term growth in the value of assets, it is advisable to stick to those that generate or deliver cash flows.

P.S: "The desire of gold is not for gold. It is for the means of freedom and benefit," said Ralph Waldo Emerson

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

MY VIEW | EX MACHINA

India's role in AI diffusion was in the summit's spotlight

RAHUL MATTHAN



is a partner at Trilegal and the author of 'The Third Way: India's Revolutionary Approach to Data Governance'. His X handle is @matthan.

In November 2023, a few governments and technologists gathered at Bletchley Park to discuss artificial intelligence (AI), seeking to come to terms with the technology they were developing. The mood was sombre and fear was the dominant register. This was the first of a series of AI Summits, the most recent of which was held in New Delhi last week. Unlike Bletchley Park, Bharat Mandapam was not only much larger and more crowded, the mood was also markedly more upbeat. With over 500,000 visitors from 118 countries and over 3,250 speakers, the AI Impact Summit held in New Delhi was far and away the largest AI summit to date. But what distinguished this conference was not its size or spectacle, but a growing recognition that the real challenge is not building intelligence, but spreading it.

Any event of this scale is bound to have its fair share of mishaps and the AI Impact Summit was no exception. While many on social media and in the domestic press spent last week fixating on these fumbles—from a misbegotten robot dog to traffic jams and long walks ordinary citizens had to endure to get home—anyone who has been inside the halls of Bharat Mandapam will testify that the corridors were buzzing.

In terms of tangible outcomes, 80 countries and international organizations adopted the 'New Delhi Declaration on AI Impact,' a document that underscored the urgent need to realize AI's potential to drive economic transformation. The Declaration anchored national commitments across three broad ambitions: widening access, embedding accountability and using AI to drive inclusive growth—through reskilling, research and sustainable infrastructure.

There were also other specific deliverables, such as the Charter for the Democratic Diffusion of AI, Global AI Impact Commons, International Network of AI for Science Institutions and the AI for Social Empowerment Platform. Various ministries and regulators used the Summit to announce new policy initiatives, including the health ministry, which launched Sahi. India's national framework for AI in healthcare. Many of these documents will serve as signposts for further action after the summit.

I hope to engage in some of this work myself through the Expert Engagement Group on 'A New Deal for Data' that I chair.

The Summit also served as an occasion to announce India's entry into the LLM race. Three Indian foundational models were launched last week—Gnani's text-to-speech model Vachana, BharatGen's Param2, a 17-billion-parameter multilingual model, and Sarvam's 30- and 105-billion-parameter models. The latter were especially impressive for their performance on various benchmarks, achieving state-of-the-art results on several criteria relevant to India. Above all, these launches signalled that India intends not merely to adopt global models, but to compete successfully at the foundational layer of AI itself.

Democratizing the use of AI is both a science and an art. What we achieve will determine AI's mass adoption

For me, the real value of the Summit came from all the many conversations we had. With the who's who of AI—heads of big AI labs, semiconductor companies and data centre providers, as well as 20 heads of state and 60 ministers—in attendance, the quality of discussions on the big stage as well as along the sidelines of scheduled events was superlative. During the week, over 500 sessions were held on subjects as wide and varied as they were deep and substantive. While the keynotes on the main stage served as an opportunity to make announcements and investment commitments, it was the panel discussions that really offered an opportunity for debate, discussion and healthy disagreement.

Of the tiny fraction of sessions I was personally a part of, we discussed issues as diverse as the governance of data-sharing networks for AI, how AI could benefit countries and the planet, and the importance of keeping the internet open to truly democratize AI access.

But the highlight of the week was a conversation between Nandan Nilekani and Dario Amodei that I moderated. In those 20 minutes, these two titans of technology managed to perfectly sum up the zeitgeist of the Summit and complexity of the problem before us. Dario Amodei started by conceding that, even though AI models are fast approaching the "end of the exponential," producing what he calls a "country of geniuses in a data centre" very soon, its real societal impact will take a lot longer. Even if we were to freeze AI development at today's level of capability, adoption would inevitably be slow, friction-filled and unpredictable.

This lined up perfectly with Nandan Nilekani's own thesis that diffusion is hard and that it will take countries like India, with its scale of population, diversity of challenges and experience with technology diffusion, to show the world how the pace of AI adoption can be accelerated. Because technology diffusion is both an art and a science, we will need to formulate multiple diffusion pathways if we are to have any hope of ensuring that AI actually delivers on its full potential.

The AI Impact Summit was many things—among them, a diplomatic milestone, an investment forum and a demonstration of India's institutional confidence. But its true success will be measured not in declarations made, commitments announced or foundational models launched, but in whether it will force the world to confront the hard task that lies ahead of us all: actually getting this miraculous technology into the hands of those who need it most.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

MINT CURATOR

It's time to give up the illusion of Bitcoin: Tokenize real assets

Digital versions of traditional financial products show potential



ANDY MUKHERJEE
is a Bloomberg Opinion columnist covering industrial companies and financial services in Asia.



There is ample demand for tokenized bonds, equities and the like. AFP

An unintended consequence of the brutal bear market in Bitcoin has been to focus the blockchain industry's attention where it is most needed: real-world assets.

Both institutional and individual investors want to progress beyond holding speculative cryptocurrencies or stable digital dollars with limited upside. They have ample demand for tokenized bonds, equities, funds, structured products and sovereign assets like the carbon sink in the mangroves and seagrasses of Seychelles.

By distributing risks over small parcels, tokens can bring big-ticket investments like private equity, credit and expensive artwork to ordinary people. The rich can exploit the technology for estate planning. But for demand to be met, supply has to keep pace. To be successful financial products, these digital representations must have robust trading liquidity.

And for that, they must convince market makers of the inherent time- and cost-saving advantages of distributed-ledger technologies, such as instantaneous settlement and embedded 'smart contracts,' or software that automatically executes action like crediting a coupon or dividend payment into a crypto wallet.

This is yet to take place. What's currently getting marketed as digital assets is mostly synthetic stuff—traditional products wrapped inside a coin. While the tokens change hands on a public blockchain, the settlement, accounting and reconciliation of the underlying asset ownership is still done manually. The promised efficiency gains of blockchain continue to elude, damping interest.

"Today the decision to buy a money market fund on-chain versus off-chain is a marginal one," says Andrew Scott, head of digital assets at Marketnode. "The next big catalyst for adoption will be meaningful product improvement, like when you start thinking about air-dropping corporate dividend payments or issuing on-chain equity to raise capital."

Marketnode, a joint venture of Singapore's stock exchange and its state investor, Temasek, began with the mandate to put funds sold to investors in the city on the blockchain. The idea was to eliminate the back-and-forth of faxes and emails between asset managers and their distributors, fund administrators, trustees and registrars, and cut down the week or longer it took for purchases to conclude. Having met its goal of squeezing the timeline, Marketnode wants to do something similar with wealth products.

A typical private bank in Singapore processes hundreds of structured products, such as equity-linked or fixed-coupon notes, every day. These are standardized enough for high-volume execution but tailored to a client's specific strike price or stock preference. If the underlying asset stays above a set barrier, the client nets a high coupon. However, the high fees don't eliminate the risk of human error. If a relationship manager inputs a wrong strike price or an incorrect valuation date during the trade entry, the product's entire lifecycle is compromised from day one. "It's the perfect product to disrupt with blockchain," Scott says. "If you can halve the 1% fee for investors, then you're talking about real efficiency gains."

While stock and bond prices are easily verifiable, making tradeable tokens out of sovereign real-world assets is far more complex. Still, it's a worthwhile project. Take the carbon-capture ability of forests and seas. Nations want to benefit from their green and blue economies, but investors need to know what they're paying for. They want assurances that the woodlands in Indonesia's Kalimantan or the meadows on the ocean bed around the Seychelles islands aren't being degraded. Capturing the reality using satellite imagery and AI tools can enable real-time reserve verification on the blockchain. That's what Edena Capital Partners is trying to do—founder Wook Lee has put together a $20 billion-plus pipeline of sovereign assets across Asia, Africa and the Middle East that he aims to take to Wall Street.

US investors aren't currently in a mood for more crypto exposure. The 46% slump in Bitcoin prices since October is leading to a capital flight out of Bitcoin exchange-traded funds. Publicly traded digital-asset treasuries, or DATs, are under pressure to sell assets. But the promise of blockchain as the 21st-century's financial architecture will survive speculative booms and busts. Last year, Ripple and Boston Consulting Group predicted in a joint report that on-chain real-world assets would, in their baseline scenario, swell 30 times to $19 trillion by 2033.

It will take time to get traditional financial instruments ready for the promised benefits of tokenization. But that's exactly where the bigger prize lies. ©BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

MY VIEW | CAFE ECONOMICS

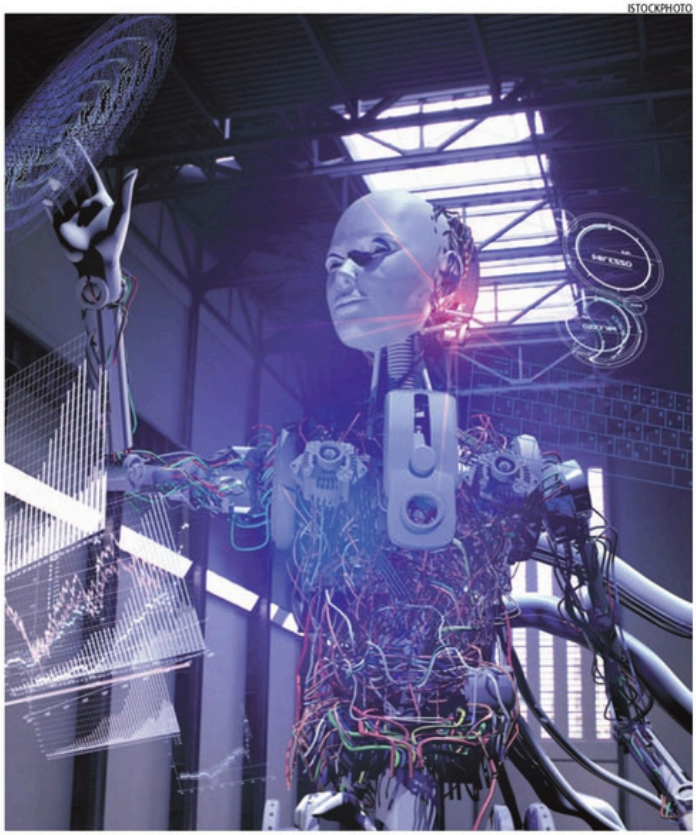
Will AI kill office jobs? It depends on the nature of tasks involved

Technology rarely eliminates all tasks demanded of a human role but those amenable to automation may soon be taken over



NIRANJAN RAJADHYAKSHA
is executive director at Artha India Research Advisors.

ISTOCKPHOTO



The AI Impact Summit held last week brought many members of the global technology royalty to New Delhi. It also featured the launch of India's first multi-billion parameter large language model, saw announcements of big investments in artificial intelligence (AI) infrastructure and ended with an international declaration on the need for democratic diffusion of AI. Venture capitalist Vinod Khosla set the cat among the pigeons by saying that AI may destroy the software services and business processing outsourcing businesses that are so important to the Indian economy. Elsewhere, shares of major software service companies lost ground as investors sold them after the launch of Claude Cowork by Anthropic fanned fears that several industries would be disrupted.

Will the machine render the worker obsolete? This question is as old as the history of industrial civilization. This particular species of dread has quite understandably re-emerged with the rise of AI, a revolutionary technology by any measure. The debate is mostly framed in terms of jobs. The temptation to do so is understandable—a robot takes a job, a software programme eliminates a job and a large language model destroys a job. This makes intuitive sense. However, economists such as David Autor and Daron Acemoglu have over the past decade provided a more nuanced way to think through this very important question.

The two economists from the Massachusetts Institute of Technology have tried to shift the focus of discussion away from jobs to tasks. ('Skills, Tasks and Technologies: Implications For Employment and Earnings,' by Daron Acemoglu and David Autor, 2011). Their core point is that jobs are nothing but bundles of tasks. Humans use skills to perform tasks that constitute their jobs. A lawyer drafts contracts, counsels clients, researches precedent, appears in court and manages relationships. An accountant reconciles ledgers, interprets tax law, advises on financial strategy and communicates findings to non-specialists. A doctor reviews the results of medical tests, understands medical histories, diagnoses the problem and treats it.

Technology rarely eliminates all of such tasks simultaneously. What it does, with great efficiency, is target specific tasks within a job—typically those that are routine, codifiable and repetitive—while leaving others relatively untouched.

This distinction between the job and the task is not merely semantic. It shapes how we should evaluate the disruption that AI is now bringing to office work, professional services and creative industries. When the unit of analysis is a task rather than a job, it is worth asking whether AI taking over some that will continue to be done by human professionals. Much of the currently inconclusive debate about whether AI will make humans redundant or actually increase labour productivity hinges on the issue of tasks.

There is also a distributional nuance. The standard trope is that technology helps skilled workers but hurts unskilled workers. But Acemoglu and Autor argue that what actually matters is which jobs are dominated by routine tasks that can be automated. It is quite likely that workers with sophisticated skills as well as those with more basic skills will be able to adapt to a new technology such as AI, but those in the middle, with a high proportion of routine tasks, will be hit hard. These displaced workers then try to get work one level below where they were. The increased competition for work at the lower end of the labour market may freeze wage growth. The result is likely to be growing income inequality.

"The distinction between 'labour tasks' and 'capital tasks' in production is permeable and shifting," Autor wrote in another essay in 2013. There are some tasks that can be easily replaced by new technology while there are others which can be complemented by the same technology. "This evolving division of labour has a clear economic logic: novel tasks—those demanded by new products, techniques, or services—are often assigned first to As these tasks are formalised and codified, they become fallow for automation since machinery typically has a cost advantage over human labour in rote execution of repetitive tasks".

The demand for labour will thus be sensitive to the nature of tasks that combine to define a job. Some will be replaced by new technology such as AI. Others will be able to use the technology to increase their productivity—displacement versus augmentation. What the balance between these two categories looks like in the age of AI is still unclear. A lot also depends on how companies eventually use AI in their operations. In other words, the technology becomes endogenous to business decisions as use cases multiply. Policy choices will also have a big role to play.

Anyone who has watched Billy Wilder's 1960 film *The Apartment* will recall the opening sequence: a vast, open-plan floor at a Manhattan insurance company, populated by hundreds of clerks as far as the eye can see. It is a monument to a particular kind of business organisation. In adjacent rooms were typist pools—rows of women whose professional purpose was to transform handwritten notes and dictated memos into clean, typed documents.

Those clerks and typists are gone. New types of work emerged. The question is whether something similar will happen in the case of artificial

25 Feb 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

THEIR VIEW

Reject this devolution proposal of the 16th Finance Commission

Its recommendation to delink devolution from state commission reports seems too flawed to accept



ADITYA SINHA
is a public policy professional.

In his book *Increasing Returns and Path Dependence in the Economy*, economist W. Brian Arthur explains how institutional outcomes often persist not because they are efficient, but because early deviations alter the payoff structure of future choices. Once a suboptimal equilibrium is reached, coordination effects and adaptive expectations lock it in. Fiscal federalism exhibits similar dynamics. When a constitutionally sequenced mechanism is repeatedly bypassed, actors internalize the bypass as the new norm. Procedural deviation then becomes institutional practice.

India's 73rd and 74th constitutional amendments inserted Articles 243-I and 243-Y, mandating quinquennial state finance commissions (SFCs) to recommend the vertical distribution of state revenues to panchayats and municipalities. Simultaneously, Article 280(3)(bb) and (c) oblige the Union finance commission (FC) to recommend "measures needed to augment the Consolidated Fund of a State to supplement the resources of panchayats and municipalities on the basis of the recommendations made by the SFCs." The phrase establishes a conditional chain starting with SFC assessment followed by state legislative action and then FCs augmentation. The FC's role is supplementary and derivative. It is not a primary allocator to local bodies. Constitutionally, in the absence of SFC reports, the informational predicate for Article 280(3)(bb) and (c) is formally incomplete.

Successive FCs have acknowledged this. SFCs fail first on timing and cycle design, which breaks the constitutional chain under Articles 280(3)(bb)/(c) that Union augmentation must be "on the basis of" SFC recommendations. In practice, SFC award periods rarely align with the Union FC award window. So, even where SFCs submit reports, they are often temporally unusable. A study done by Indian Institute of Public Administration for the 16th FC found that for its award period, only Chhattisgarh's 4th SFC and Sikkim's 6th SFC cover the period. This is compounded by pipeline delays: this includes late constitution, late submission and late action taken reports. Exactly the sort of slippage that renders "basis of SFC recommendations" a legal formality rather than an operational input.

Second, SFCs fail on methodology, standardization and analytical comparability, which prevents aggregation across states and creates an informational vacuum that the Union FC then fills with its own *ad hoc* conditionalities. Even where standardization has been attempted, compliance is partial and non-persistent—the adoption of the 13th FC template has been uneven and discontinuous across commission rounds. Definitions, fiscal heads and estimation techniques shift across time and states. The deeper technical deficit is that many SFCs are unable to do normative assessment of local revenues and expenditures, forcing reliance on historical trend projections.

Third, the system fails on implementation discipline and state capacity, which is why SFCs remain advisory rather than binding fiscal instruments. Even when recommendations are submitted, states often don't operationalize them through predictable devolution formulas, tax assignments or rule-based grant systems.

The net effect is constitutional drift. Because SFC outputs are late, non-comparable and weakly implemented, FC 'supplementation' risks becoming *de facto* substitution, and the gaze stays on the Union FC while the state-level fiscal compact, the real decentralization bottleneck, escapes scrutiny.

Unfortunately, instead of treating the underlying institutional pathology, the constitutional safeguard itself has been cast as a problem. The 16th FC has recommended a constitutional amendment to delete the phrase requiring dependence on SFC reports. It states: "In Articles 280(3)(bb) and 280(3)(c), the Constitution directs the FC to make its recommendations on [rural and urban local bodies] on the basis of the recommendations made by the [SFC]. However, as successive commissions have noted... serious obstacles remain in the way of meaningfully basing our recommendations on those provided by SFCs... we recommend that the above-quoted expression be dropped from the relevant articles through a Constitutional amendment."

This approach is flawed. *First*, it weakens the constitutional sequencing embedded in the 73rd and 74th amendments by collapsing supplementation into *de facto* substitution. *Second*, it generates perverse incentives. Once Union transfers are no longer formally linked to SFC functioning, states will face even more diminished pressure to constitute timely, analytically credible SFCs or deepen fiscal decentralization. *Third*, it centralizes informational authority over local public finance at the Union level, diluting the subsidiarity principle that the fiscal needs of panchayats and municipalities are best assessed within state-specific institutional and functional contexts. *Finally*, it ossifies path dependence. Instead of penalizing non-compliance, it would constitutionalize a workaround.

Tighter enforcement and fiscal conditionality is the right answer. Whatever else may merit review in the 73rd and 74th amendments, the SFC linkage clause must not be abandoned.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

OUR VIEW



MINT

Asset monetization 2.0: Execution holds the key

The Centre's plan to monetize public assets by turning control over to private operators can boost our infrastructure build-up. Let's keep this process even-handed and well-regulated

The monetization of state-owned assets is a good idea in principle. It could trigger fresh capital formation that accelerates economic growth if implemented right. This week, the government announced the second phase of its National Monetisation Pipeline (NMP), having garnered 90% of the ₹6 trillion targeted under the first. The target for NMP 2.0 is ₹16.72 trillion—over the next five years, if one goes by the official press release, or longer if one looks up the Niti Aayog report that it references. Estimate precision is not at a premium: the press release ends with the following caveat: "The monetisation potential values assessed under NMP 2.0 are indicative and are subject to variation at the time of the actual transaction." In any case, that sum is not the net present value of all streams of receipts over the next five years or more, but simply the aggregate of expected revenues without any discounting for the time value of money. Nor is it what state-owned assets put to work under private management are expected to yield. It includes ₹5.8 trillion of private investment expected to materialize during the process of asset monetization.

If an asset created under public ownership has been performing its function and also generating income for the government, what is the net benefit to society of placing it under private control? Asset cycling of the kind India has adopted, with asset ownership kept public but operating rights awarded to private operators for fixed terms, offers four types of benefits. *One*, the state might be running an operation sub-optimally and at higher cost, so efficiency gains could be made by letting a private entity take charge. *Two*, state ownership often gets in the way of realizing user charges that not only cover all costs—such as maintenance and depreciation—but also obtain a return, while private managers would be able to revise user charges with lower public resistance. *Three*, if an asset is monetized in a way that gets the government the capitalized value upfront of several years of future revenues, it would give it the fiscal leeway needed to undertake fresh investments in sectors that have gestation periods too long for private investors and call for patient capital. And *four*, state ownership mitigates certain kinds of risk by its very nature, making it cheaper for the state than private players to finance new infrastructure, which in turn allows projects to charge less for their services.

However, this model is not without its share of risks. While the government's asset monetization plan that falls short of privatization shields it from political charges of selling the 'family silver,' the exercise must maintain transparency to shield it from charges of favouritism. The terms on which private firms are chosen to run monetized assets must be crafted carefully. This is critical where private operators get space for monopoly pricing. In the past, airport privatization erred by fixing bid parameters to maximize the revenue accruing to the government without a thought to minimizing the cost of running an airport, so winners outbid the rest of the field by huge margins, confident that the extra money promised to the Centre could be recouped from user development fees payable by passengers. The award of public assets must be through fair and competitive processes and what winners charge for their use should be properly regulated. Subject to such safeguards, NMP 2.0 could well give India's economy the added investment momentum it needs.

mint



mint



mint



mint



mint



27 Feb 2026


mint
2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

27 Feb 2026


mint
2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

27 Feb 2026


mint
2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

27 Feb 2026


mint
2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a "literary" great is to

CHANGE AGENT Against a backdrop of Trump tariffs, FM has opted, not for big reforms, but for a de-risked approach by focusing on 'deep over wide' investments in manufacturing and pushing states to compete for growth with stability as the ultimate strategy

CALM, COLLECTED



SUMAN BERY
VICE CHAIRPERSON, NITI AAYOG



SANJIV GOENKA
CHAIRMAN, RPSG GROUP

Align Priorities At Home With Rest of World

By strengthening India's integration into GVCs, the budget complements efforts to deepen trade partnerships

In the journey to Viksit Bharat, faster growth for a labour-abundant country such as India can be achieved by having more workers operating at higher levels of productivity. Seen in this light, this budget reflects a balanced and forward-looking approach.

It aligns immediate fiscal choices with a longer-term development vision while strengthening India's position in the global economy. Above all, it reflects confidence in India's capacity to sustain high growth, deliver opportunity across regions, and continue its journey towards a more prosperous and inclusive future, guided by the spirit of the budget speech's third kartavya: 'Sabka saath, sabka vikas.'

With a young and expanding workforce, India stands at a rare moment of opportunity. From 2017-18 to 2023-24, nearly 17 cr jobs have been added, reflecting robust employment generation. And yet, as Periodic Labour Force Survey (PLFS) data reveal, there is a vast scope for expanding the labour force by raising India's female labour force participation rate (FLFPR).

Challenges remain. In 2020, ILO data showed that an American worker was nearly 9x more productive than an Indian worker while China had doubled its productivity in the preceding decade. So, the challenge is to add more workers while raising their average levels of productivity. This is an important challenge for the economy, as exemplified by the budget's variety of initiatives.

Public investment remains a key driver of growth. Capex has been raised from around ₹11 lakh cr to over ₹12 lakh cr. This sustained emphasis on infra strengthens productive capacity, improves connectivity and attracts private investment over time. At the same time, continuation of essential welfare programmes supports social resilience and ensures that growth remains broad-based and inclusive.

Fiscal management and good governance remain cornerstones of GoI's approach. The fiscal framework continues to evolve towards a comprehensive focus on debt sustainability while maintaining discipline in annual balances. The debt-to-GDP ratio is estimated at 55.6% in BE 2026-27, compared to 56.1% in RE 2025-26. Fiscal deficit is estimated at 4.4% of GDP in RE FY2025-26 and is budgeted to decline further to 4.3% in BE FY 2026-27.

The challenge is to add more workers while raising their average levels of productivity. This is an important challenge for the economy

Narendra Modi has emphasised that India, as a growing economy with expanding trade and capital needs, must remain integrated with global markets: exporting more and attracting stable, long-term investment. This budget, accordingly, aligns domestic policy priorities with India's expanding engagement through major trade and investment agreements.

By strengthening India's integration into global value chains in areas of strategic importance, the budget complements efforts to deepen trade partnerships, particularly with the EU. A focused push for pharma, rare earths and India Semiconductor Mission 2.0 enhances India's position as a reliable and trusted partner in critical international supply chains, including active pharmaceutical ingredients, EVs and data centres for AI.

A renewed emphasis on the textile sector further reinforces this outward-looking growth strategy and aligns closely with India's EU trade engagement. It also advances the second kartavya of fulfilling aspirations and building capacity by expanding female labour force participation through employment opportunities closer to home, thereby unlocking a large and underutilised source of growth.

The budget documents — and Economic Survey — have pegged India's potential growth rate at around 7%. Yet, we know that growth needs to be faster than this to meet India's 'Viksit Bharat' goals of becoming an advanced economy by 2047. This will require higher investment, including from abroad. It is for this reason that the attention given to the financial sector is so important and prescient. All in all, it is a coherent, responsible package at a crucial time.



ASHOK MALIK
PARTNER, THE ASIA GROUP

It's a Timely, Textbook Case of Policy Sagacity

Budget internalises 2026-27 will be a tough year for the economy, and a somewhat holding operation

Any budget needs to be judged within its macroeconomic and geopolitical context. Nirmala Sitharaman's 9th successive budget was presented amid a very challenging and unclear external policy environment. It internalised that 2026-27 would be a difficult year for the economy, and something of a holding operation.

Full impact of the Trump tariff war, tepidity in global demand, as well as investment wariness will be felt in the coming year. These are merely the known unknowns. In the Trumpian era, there are inevitably unknown unknowns. Benefits of trade deals India has finalised — particularly with the EU — will begin to show only in 2027, and then later. As such, 2026-27 is a precariously placed interregnum through which the economy has to be shepherded.

That aside, Sitharaman herself is no stranger to a mid-year reassessment of budgetary assumptions and economic strategy. The pandemic, China conflict and Russia-Ukraine war all triggered similar moments. At the back of her mind, she must have accounted for potential uncertainties and retained fiscal and policy room for any medium-term exigency.

The context described above is not an enviable one. Few Indian FMs have had to encounter it in recent decades. To Sitharaman and the Narendra Modi government's credit, they have proved equal to this task through multiple crises in the post-2019 period. This explains the calibrated and orthodox budget. It is about as reassuring as a government policy statement can be in the current tumult.

Indian budget speeches sometimes suffer from a plethora of schemes and incentives for a variety of sectors and economic stakeholders. Superficially, the 2026 budget speech has these features as well. Yet, a deeper reading will detail how multiple announcements coalesce around clearly delineated strategic themes.

▸ Making 'Make in India' GoI continues on the multi-year — even multi-decade — path of making India a manufacturing economy, with a focus on green, and critical and emerging tech-related manufacturing. Wisely, taxpayer money is invested deeper rather than wider.

There is doubling down on the semiconductor mission. This has already shown appreciable success, but has a long journey if India is to build the full ecosystem, from a fab to equipment and materials. There is a thrust on electronic components and key construction equipment, including notably tunnel boring machines. The hidden signature here is derisking from China. The tax holiday (till 2047) for global companies that provide cloud services using data centres in India will surely propel investment thinking.

The push for making India a bigger biopharmaceutical innovator and manufacturer, with emphasis on emerging disease patterns, as well as support for the beleaguered textiles industry are part of the 'Make in India' architecture. From toys and limited sporting equipment — Walmart now sources sports bicycles from India — the budget shows ambition to incubate a modern sports manufacturing industry.

▸ Nudging the states From medical tourism hubs to rejuvenating legacy industrial townships, from a dispersal of apex-level national skills and vocational institutions for which states will have to compete to a tourism outlay that elevates specific cultural and archaeological sites to world-class experiential tourism locations: Sitharaman has promised a lot of resources for states that show enterprise.



TAREEF, NOT TARIFFS

Even the rare earths corridors to 'promote mining, processing, research and manufacturing' in four mineral-rich east coast states will require a seamless partnership. For Kerala — where, it must be said, BJP is unlikely to come to office, and Modi and Sitharaman have placed an offer before whichever rival party wins the coming assembly election — this could be a game-changer.

There is a thrust on electronic components and key construction equipment. The hidden signature here is derisking from China

Kerala has impressive social indices but no industrial story. Its mineral wealth is juxtaposed with high population density. Even so, for Kerala to harness its rare earths — and do so with ecological sensitivity — is a national imperative.

▸ Urban axle The infrastructure revolution that has marked GoI's post-2014 endeavours is now intersecting much more closely with urbanisation. Consider a set of budget pointers:

- The CER (city economic region) programme for smaller, emerging cities
- Upgrade and augmentation of legacy industrial townships
- Higher incentives for municipal bonds
- Supporting states in 'establishing five regional medical hubs, in partnership with the private sector… [to] serve as integrated healthcare complexes that combine medical, educational and research facilities'

Helping states, 'through challenge route, in creating five university townships in the vicinity of major industrial and logistic corridors. These… will host multiple universities, colleges, research institutions, skill centres and residential complexes'.

If such seemingly disparate, but intelligently designed initiatives are harmonised, they could throw up a clutch of modern clusters and change India's industrial geography. Apart from giving the national economy regional balance — there is much here and separately for eastern and northeastern states — they could also provide impetus to viable and sustainable job creation. Construction, tourism, healthcare services: all of these require people.

Sitharaman has clearly done her homework. Her budget is a textbook case of policy sagacity.

Kartavya Path For a Stronger, Viksit India

Dichotomy between growth and welfare has been dismantled by blending fiscal discipline and capex

India's stride towards Viksit Bharat by 2047 has gathered momentum with Nirmala Sitharaman's budget proposals. The FM has harmonised multiple — and often competing — demands on scarce public resources with her characteristic thoroughness. The high ideal of kartavya informs the blending of growth-boosting initiatives with welfare measures, an approach for which the Modi government has been well known.

Kartavya #1 Growth In a volatile global environment, India must focus on strengthening self-reliance and accelerating domestic growth while remaining open to trade, investment and business. First duty on hand emphasises this balance. Robust economic growth remains GoI's guiding principle.

Accordingly, outlays have been committed to strategic and future-facing sectors. Investments under the semiconductor mission, proposal for a rare earth corridor and plans for development of chemical parks are noteworthy. These initiatives will help mitigate supply-side vulnerabilities while positioning India firmly at the frontier of tech-led growth.

Kartavya #2 Urban expansion Cities are indeed engines of modern economic growth. Continued emphasis on tier-2 and -3 cities, home to a large pool of skilled and ambitious people, is both necessary and welcome. However, inadequate infrastructure and weak urban planning often constrain their potential.

Proposal to fund City Economic Regions (CERs) represents a forward-looking solution. Urban governance faces unique difficulties from administrative complexities and shortages of financing. By allocating ₹5,000 cr per CER over 5 years, the budget provides a boost to urban infra, planning and economic integration. This initiative can unlock productivity, generate employment and improve quality of life.

Kartavya #3 Economic inclusiveness Ensuring that every family, community, region and sector can realise its full potential has also been addressed. Inclusiveness remains a defining feature of GoI's economic vision, ensuring that growth is broad-based rather than concentrated.

Meeting all three kartavyas is no small task. Each of these duties, taken individually, could absorb fiscal resources. Yet, Budget 2026 addresses all three with confidence and skill. Several achievements stand out:

Meeting all 3 kartavyas is no small task. Each of these duties could absorb available fiscal resources

▸ Capex spike For 2026-27, GoI's capex has been pegged at ₹12.2 lakh cr. When combined with grants-in-aid for capex, this amounts to 4.4% of GDP — the highest-ever allocation for this critical exercise. This accomplishment is significant given gov's commitment to fiscal consolidation. Fiscal deficit for 2026-27 has been estimated at 4.3% of GDP, marking a further reduction from the previous year.

This fiscal alchemy speaks volumes about GoI's determination to place India in the front row of the comity of nations. Achieving sustained fiscal consolidation requires political will and economic prudence. The stated objective of reducing GoI's debt to 50% (+/-1 percentage point) of GDP by 2030-31 is far-sighted. It is commendable that this consolidation is being pursued while keeping inflation under control. Macroeconomic stability is a critical factor underpinning India's global credibility.

▸ Banking sector reforms This initiative builds upon earlier structural reforms, such as the 4 labour codes and measures like rationalisation of QCOs. Further rationalisation of GST rates and related reforms are likely to spur economic activity and support achievement of other key priorities outlined in the budget.

While the budget will be debated, allocation of resources for welfare schemes has been handled in a responsible manner. The oft-cited false dichotomy between growth and welfare has once again been dismantled.

At a time when both growth and stability continue to elude much of the world, this budget demonstrates that these twin goals are achievable — provided national interest is kept above all other considerations.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a "literary" great is to

DELHI TECHNOLOGICAL UNIVERSITY

Strong on Intent, But Whatever Happened to Reform Express?



SONAL VARMA
CHIEF ECONOMIST, INDIA AND ASIA EX JAPAN, NOMURA

While the budget remains largely growth and inflation neutral in the near term, its medium-term impact will critically depend on GoI's ability to execute announced policy measures and deliver substantial policy action outside the budget framework

The budget required GoI to address 5 strategic imperatives

① Boost domestic demand to offset an increasingly protectionist external environment

② Enhance export competitiveness and integrate into global value chains

③ Build supply chain resilience by reducing critical import dependencies

④ Accelerate reforms for competitiveness

⑤ Ensure fiscal discipline

How has the budget performed against these parameters?

▶ **Investment focus** To boost domestic demand, this budget prioritises investment over consumption, marking a shift from last year's approach, when both personal I-T and GST rates were reduced to stimulate consumption. Public capex will be maintained at 3.1% of GDP, demonstrating a continued commitment to growth. The infrastructure push includes new dedicated freight corridors, an infrastructure risk guarantee fund to boost private developer confidence and 7 high-speed rail corridors as 'growth connectors' between major cities.

Significantly, it provides tax holidays until 2047 for foreign companies offering cloud services through Indian data centres, positioning India as a global digital infrastructure hub while attracting substantial foreign investment in this critical sector.

▶ **Export integration** The budget aims to position India as a competitive manufacturing hub. The electronics components manufacturing scheme will help deepen value addition in the sector while capital goods manufacturing will receive support through hi-tech tool rooms, construction infrastructure equipment and container manufacturing schemes.

Labour-intensive manufacturing remains a focus through a dedicated scheme for mega textile parks, sports goods manufacturing, and enhanced equity and liquidity support for MSMEs. Customs duty rationalisation addresses inverted duty structures while trust-based systems facilitate smoother trade flows, positioning India competitively in global value chains.

▶ **Building resilience** The budget aims to build critical minerals security through the establishment of rare earth corridors for integrated mining, processing and research. Energy resilience will receive support through extended nuclear power project exemptions until 2035 while there is greater focus on self-reliance through dedicated chemical parks to reduce import dependence, increased domestic biologics production and domestic container manufacturing for logistics.

The notable rise in defence-related capital outlay by nearly 18% is strategically aimed at modernising military hardware while reducing dependence on foreign suppliers, contributing to both national security and economic resilience objectives.

▶ **Procedural reforms** The budget's reforms for competitiveness are limited in scope. Customs duty rationalisation and trust-based systems represent procedural improvements, not a major tariff overhaul. The Finance Bill mentions restructuring of Power Finance Corporation and Rural Electrification Corporation,



Ticket to ride

and establishes a high-level committee for the banking sector. But implementation timelines remain unclear.

While the budget provides foundational support for competitiveness through infrastructure spending and procedural reforms, heavy lifting on structural reforms will require separate policy initiatives, legislative changes, and inter-ministerial coordination that typically occur outside the budget cycle.

▶ **Weak fiscal signals** Fiscal signals are underwhelming. Fiscal deficit target of 4.3% of GDP in FY27, down from 4.4% in FY26, indicates less aggressive fiscal tightening than anticipated. Debt target of 55.6% of GDP in FY27, down from 56.1% in FY26, suggests that GoI will need a much faster consolidation pace in the final four years to achieve the 50% (+/-1%) debt-to-GDP goal by FY31.

While revised GDP series at end-February could alter these ratios, the slower-than-expected consolidation trajectory is disappointing. Higher gross borrowing requirements of the Centre, combined with substantial state government financing needs, suggest persistent concerns around the bond market's ability to absorb supply.

Overall, the budget reflects thoughtful policy design, though it errs on the side of incremental progress over transformative change. It shows strategic clarity in its pivot back to investment over consumption. This is a well-calibrated approach for the current global environment that recognises that sustainable demand requires a buildout of productive capacity rather than mere consumption stimulus.

Its dual focus on labour-intensive sectors alongside high-tech manufacturing maps well with India's evolving comparative advantages while its resilience-building initiatives take crucial first steps toward addressing critical vulnerabilities exposed by recent supply chain disruptions and geopolitical tensions.

But the budget's reform agenda appears more procedural than transformational, and the slower-than-expected fiscal consolidation raises legitimate concerns about supply pressure in bond markets and potential crowding-out effects.

While the budget remains largely growth- and inflation-neutral in the near term, its medium-term impact will critically depend on GoI's ability to execute announced policy measures and, more importantly, deliver substantial policy action outside the budget framework.

The real test lies not in the budget's immediate provisions, but in GoI's capacity to follow through with implementation excellence.

A Straight and Narrow Pathway, With Heavy Lifting Still Ahead



JAHANGIR AZIZ
CHIEF EM ECONOMIST, JP MORGAN

With temporary supports fading, deep structural weaknesses persist. Private investment and consumption remain depressed, excess capacity endures and reforms appear insufficient

The budget was presented against a macro backdrop shaped by several opposing forces. Supportive measures in 2025 — including GST and I-T cuts, monetary and regulatory easing, lower crude prices, and a strong monsoon — have driven a cyclical recovery. However, as these temporary boosts fade, demand will need to shift more sustainably toward GoI infrastructure spending and real estate, both of which are now slowing after several years of rapid growth.

And herein lies the rub. Corporate investment has flatlined at around 12% GDP since FY13. Over these years, a series of cyclical headwinds from demonetisation, GST rollout problems to bad debt in banks have been proffered as underlying causes. After 15-odd yrs, it is time to acknowledge that the culprits behind the malaise are structural and not cyclical.

The pop up in private consumption after GST rate cuts is a good sign. But the level of consumption still lies well below that implied by its pre-pandemic trend, and it is mirrored by a similar-sized gap in real household earnings. As some of us warned in 2020, the pandemic — without sufficient fiscal support — would leave lasting scars on household balance sheets and consumption. It has.

Anachronistic statistical methods continue to obscure estimates of real GDP growth, while slowing nominal growth and 25 mths of falling core inflation (excluding gold) signal persistent, and possibly widening, excess capacity. Policymakers have responded by rationalising GST, implementing new labour codes and creating the framework for deregulation. While these reforms mark progress, their scale seems modest when set against the entrenched challenges faced by private consumption and investment.

India also faces significant trade and technology-related uncertainty on the external front. The country has managed to soften the blow from steep 50% US tariffs by tapping into alternative markets. Now, all eyes are on the US Supreme Court, which is expected to rule soon on the legality of IEEPA (International Emergency Economic Powers Act) tariffs — the mechanism used by the US administration to impose 'reciprocal' duties on India and other nations. If the court strikes down these tariffs, as suggested by the tenor of recent hearings, the administration is likely to pivot to other Congressional tools, such as Sections 122, 301 and 232 of existing trade legislation.

Because current trade deals have not been formalised as permanent agreements, they are likely to be renegotiated under these new provisions, a process that will take time and add to the prevailing uncertainty. In the interim, Indian exports may see a brief uptick as US importers rush to front-load shipments. However, with tariffs likely to be reimposed, any lasting resolution to the US-India trade standoff will be further delayed.

While the US and several Asian economies are capitalising on a surge in AI-driven investment and growth, India is struggling to keep pace. The country lags in every segment of the AI value chain — from upstream chip manufacturing to midstream large language models and data centres, to downstream AI applications.



Eye on the job now

Compounding these challenges, India's software services exports face not only the threat of AI-led job displacement but also new restrictions on H-1B visas to the US. The FY27 budget's proposed tax incentives for data centres may help over time lower costs and spur investment in homegrown AI applications. Still, the prevailing sentiment is that India remains behind in the global AI race.

Combination of these concerns has prompted foreign investors to rethink their exposure to India, triggering a sharp reversal in capital flows. This shift has made it challenging to finance even a modest CAD of 1% of GDP and has put downward pressure on the currency. In response, RBI has intervened heavily in the forex market, but these actions have drained domestic liquidity. As a result, lending rates have climbed, despite a recent 75 bps cut in policy rates.

Against such a cloudy back ground, the FY27 budget chose to tread the path of the straight and narrow. Continuing the fiscal consolidation of the past 3 yrs, GoI set a fiscal deficit target of 4.3% of GDP, a slight reduction from this year's 4.4%. Achieving this goal, however, hinges on whether nominal GDP growth rebounds to the projected 10% — a key driver of tax revenue. If growth falls short, meeting the deficit target could prove challenging. The budget also introduced a smorgasbord of tax and regulatory changes, whose overall macroeconomic impact is hard to assess.

With the budget over, attention will shift to whether the government follows through on the deregulation and reform agenda outlined in Economic Survey, and if it can deliver on the hopes it has raised.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a "literary" great is to

IN CRUISE MODE A 50-basis-point increase in capital expenditure as a share of GDP to 4.4% will power huge investments. Alongside, a renewed focus on services, skills development, biopharma manufacturing and clinical research will drive growth

OPERATION NO TURBULENCE



KM BIRLA
CHAIRPERSON, ADITYA BIRLA GROUP

Gung-Ho on Investments, Tight on Deficit

Blueprint to release creative energies, now onus on businesses to scale up

In a year marked by trade wars, geopolitical tensions and a continued rewiring of global supply chains, the easiest path for any government would have been to loosen fiscal discipline for short-term stimulus. But the budget delivers a calibrated strategy of maintaining consolidation while pushing investment higher.

The fiscal deficit estimate tightens to 4.3% of GDP for FY27, down from 4.4% in FY26 RE. At the same time, capex allocation rises by 11.9%, and effective capex allocation (including grants to states) rises by 22%. Holding this course reflects good governance in keeping macroeconomic fundamentals intact, when external pressures create incentives to do otherwise. GoI's message: India will invest aggressively, but without reckless borrowing.

The budget underscores GoI's belief that infra is the bedrock of growth. Telecom leads with 97% capex growth, defence at 18%, railways at 10%, roads and highways at 8%, followed by housing and urban affairs at 6%. This is deliberate prioritisation. Every rupee invested generates demand for cement, steel, labour and logistics services. This public investment push is a concerted strategy of crowding in private capital and ensuring long-term economic resilience.

Effective capex as a share of GDP is estimated to rise to 4.4% in FY27, up from 3.9% in FY26 RE — a 50 bp increase that translates into several lakh crore rupees of additional productive investment. Effective capex allocation stands at ₹17.1 lakh cr.

The budget manages to deliver significant growth stimulus through targeted expenditure. Revenue expenditure growth is budgeted at 6.7% in FY27, moderating from 7.2% in FY26 revised estimates. By holding revenue expenditure growth down, GoI creates the fiscal headroom to push capex higher without breaching deficit targets. This approach of maintaining high capex while reducing the fiscal deficit demonstrates GoI's strategy of maximising growth multiplier effect of public spending.

Effective capex as a share of GDP is estimated to rise to 4.4% in FY27, up from 3.9% in FY26 RE, leading to several lakh crore rupees of additional investment

On the revenue side, the budget navigates a genuine headwind. GST rate reductions are estimated to result in a decline in indirect tax collections. Yet, the deficit estimate still tightens. Non-tax revenue sources — dividends, profits from public enterprises and interest receipts — are expected to partially offset this shortfall. Revenue receipts are projected to grow by 6% in FY27, following double-digit growth in FY26. With net market borrowings estimated at ₹11.7 lakh cr, the fiscal roadmap remains credible. Crucially, GoI's debt as a percentage of GDP is estimated to decline to 55.6%, reinforcing India's financial stability.

On the investment front, Infrastructure Risk Guarantee Fund derisks the construction phase for private developers, while municipal bond incentives enable cities to raise their capital. Together, these mechanisms amplify the impact of public spending by crowding in private investment. They reflect a recognition that India's infra ambitions can't rest on public balance sheets alone, making derisking and co-investment a more sustainable path to long-term asset creation.

GoI has laid the foundations for an investment-led expansion anchored in credible fiscal consolidation. The focus on roads, railways, defence and digital infrastructure, alongside a declining fiscal deficit and debt-to-GDP ratio, positions India for growth with macroeconomic stability. The onus now shifts to entrepreneurs and businesses to scale up and invest.

India's path to becoming a developed economy will not be dictated by fiscal measures alone. It will depend on how we do our duty.



RATHIN ROY
FORMER MEMBER, EAC-PM

Budget Shrink Helps Secure Fiscal Prudence

GoI ticks future tech priorities, despite having strategically little to show

Size of a government in fiscal terms is measured by total expenditure as a percentage of GDP. This ratio has been shrinking consistently. It was 12.8% in FY17 and 12.2% in FY19. It rose due to Covid to 17.7% in FY21. It then began falling again to 15% in FY24, 13.9% in FY26, and now to 13.6% in FY27. So, GoI is only slightly larger now than it was in 2016.

When a government is unable to raise expenditure, it resorts to rhetoric or, if merciful, brevity. Pre-pandemic shrinking was marked by rhetorical flourishes and boasting in budget speeches. Post-pandemic, speeches are less boastful and far more brief, as there is nothing much to say.

GoI's expenditure compression is driven by stagnating revenue receipts. They were 8.93% in FY17, and are projected at 8.99% in FY27. Disinvestment receipts, never large, have collapsed from 0.6% of GDP in FY18 to 0.2% in FY27. In FY26, GoI aimed to raise a modest ₹47,000 cr through disinvestment. It secured only ₹34,000 cr. Non-tax revenue was 1.77% of GDP in FY17. In FY27, it's 1.7%. So, all three sources of revenue are either stagnant, or have collapsed over the last 10 yrs.

But it's worse when one looks at composition of revenue mobilisation. In FY17, corporate taxes were 3.2% of GDP and personal I-T was 2.3% of GDP. In FY27, they are 3.1% and 3.7%, respectively. Thus, individuals now bear a greater tax burden than corporates, despite corporate profits rising sharply post-Covid.

With non-tax revenue, the situation is worse. Profits and dividend payouts of a central bank are a trivial source of government revenue in any serious country. In India, RBI dividends were 23% of non-tax revenue in FY17. This has risen to 47% in FY27. This means RBI contributes more revenue than any PSU, including highly-profitable oil companies and financial institutions. This sadly reflects the revenue function of GoI is broken.

Given long-term stagnant revenues, and consistent failure to leverage resource mobilisation through sale or income generation of public assets, a government could max out on borrowing to finance just about everything. It's to the credit of GoI that it hasn't sought to fill a busted flush with borrowed water. Instead, it has sought to moderate borrowing quite consistently. In FY17, fiscal deficit was 3.5% to GDP. This rose sharply to 9.2% in FY21 (Covid). GoI has since reduced it to 4.4% in FY26, and 4.3% in FY27.

Because all components of revenue receipts have been stagnant, expenditure compression has been the only way GoI has reduced deficit. Total expenditure in FY27 is 0.8% of GDP higher than in FY17. Fiscal deficit correspondingly is exactly 0.8% of GDP higher in FY27 compared to FY17. The sad reality is masked partly by marketing, and partly by selling fiscal prudence as a virtuous choice, rather than a consequence of necessary abstinence.

Since GoI is powerless to do much about things that cost money, one can look at its performance where things do not. These are of two sorts: improving plumbing and efficiency of government revenue mobilisation and expenditure, and presenting a coherent macroeconomic strategy.

On the first count, there are some encouraging signs. The political executive in India is unable to reform an outdated and needlessly litigious set of tax rules and procedures, because the more power and pelf of the revenue bureaucracy increases, the more litigious and discretion based the tax system is. The revenue secretary, nominally not from a taxation cadre, can do very little to change this as the office lacks both domain knowledge and policy intent.

RBI contributes more revenue than any PSU, including highly-profitable oil companies and financial institutions

It is, therefore, very credible that Nirmala Sitharaman has embarked on a consistent journey to simplify taxation processes and reduce coercive compliance measures like fines, and criminal and usurious financial penalties. The budget has announced successful implementation of the new I-T Act from this financial year, and has further announced measures to alleviate exploitative extraction and bureaucratic discretion.

On indirect taxes, too, GoI has sought to ensure that tax policy complements long-term investment strategy. In a remarkable move, the budget proposes to provide long-term tax holidays to hi-tech electronics manufacturing up to 2032, and to India-based data centres providing cloud services up to 2047.

On the strategic side, alas, this budget has nothing to offer. The budget speech presented no coherent strategy to accelerate growth transformation, or to address the three pressing problems of the time: stagnating real wages, skilled and unskilled youth unemployment, and low productivity across most sectors.

The macro statement and mid-term fiscal policy provide no estimate or forecast of medium-term macro fiscal aggregates. Thus, no official Indian agency provides credible estimates or forecasts of these important indicators through 2032. But everyone mouths off on the size and development status of the Indian economy in 2047 and after.

This is, yet again, a shrinking budget that has secured fiscal prudence, but little else. It provides no coherent mid-term fiscal or macroeconomic strategy. It shows glimmers of recognition of future priorities, and tries to respond modestly, given the stagnant resources at its disposal. Perhaps this is what happens when aspirations are so low that economic prosperity is no longer electorally relevant.





SUNEETA REDDY
MANAGING DIRECTOR, APOLLO HOSPITALS

Putting Money Where Human Capability Is

Creation of skilled workforce will require coordination across states, institutions and markets

For much of India's economic journey, policy has focused on the immediate: how to stimulate demand or reduce inequality. While these objectives remain valid, the budget suggests that the centre of gravity is shifting. Nirmala Sitharaman advances the proposition that India's long-term growth will depend less on periodic fiscal relief, and more on sustained investment in human capability.

This shift is visible in the budget's underlying architecture, which focuses on services with a renewed emphasis on the sector as a core growth driver. The creation of a High-Powered Education to Employment and Enterprise Standing Committee, with an ambition of achieving a 10% share of global services exports by 2047, is sensible.

An emphasis on skills, institutional depth, education-to-employment pathways and service readiness reflects realism in a world shaped by tech. It also shows a growing recognition that productivity, rather than consumption alone, must anchor India's next phase of growth.

The proposal to add 1 lakh allied health professionals over the next 5 yrs, alongside the training of 1.5 lakh caregivers, will drive employability and remain relevant across economic cycles. These roles sit at the intersection of services, demographics, and productivity in a population that is ageing.

Long-term investments in human capital yield returns because they expand the economy's productive base

Emphasis on domestic biopharma manufacturing and innovation further extends this capability-driven approach. By supporting biosimilars and strengthening the regulatory and manufacturing ecosystem around them, the budget recognises India's potential to emerge as a global supplier of affordable, high-quality biologic therapies.

Importantly, the budget also strengthens India's position as a global hub for clinical research. The Biopharma SHAKTI (Strategy for Healthcare Advancement Through Knowledge, Technology and Innovation) initiative, envisaging the creation of a network of over 1,000 accredited Indian clinical trial sites, will promote high-value services exports, and lead to skills development, knowledge transfer and early access to innovative therapies.

From a macroeconomic perspective, growth anchored in capability is more resilient. A skilled workforce supports higher productivity, deeper formalisation and more stable consumption over time. Investing in people is not an alternative to fiscal discipline, but one of its most reliable allies.

The budget's commitment to fiscal prudence reinforces this logic. With the fiscal deficit estimated at 4.3% of GDP, the budget demonstrates that capability creation and macroeconomic stability are not competing objectives. Long-term investments in human capital yield returns because they expand the economy's productive base without inflating recurring expenditure.

A renewed push for medical value travel will allow India to leverage its clinical excellence. The budget also seeks to empower, treating citizens not as beneficiaries to be compensated but as contributors to be enabled. By prioritising capability over immediate consumption, it signals confidence in people's ability to generate value when given the right tools and pathways.

Capability creation is a long-term investment requiring coordination across states, institutions and markets. The budget has set a direction that is intellectually coherent and economically sound, a direction that will anchor India's growth narrative to the productivity of its people.

For our economy, which aspires to durable and inclusive prosperity, that is a bet worth making.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

Trump Gets Modi, And 18% Works

Not just a trade deal, but globalisation redux

Staring, especially staring down, is an art. And it has finally helped India and the US to blink into an agreement in the much-awaited trade agreement. Without getting into cornea-politik, let's just say, a day after the Union budget, the numbers coming from Washington look all right. To quote Trump: 'Out of friendship and respect for prime minister Modi and, as per his request, effective immediately, [the US and India] agreed to a trade deal between the US and India, whereby the US will charge a reduced reciprocal tariff, lowering it from 25% to 18%.' This is worth breaking open a bottle.

The message comes from Washington in the wake of the just-concluded India-EU FTA. India may be getting returns of not just its 'strategic autonomy' stance — the India-US trade deal happening at a time when Europe-US is as solid as a wobbly panna cotta — but also by keeping its cool. Without bending its back over into supra-yogic postures, it has held its nerves. Trump tariffs have been quite vertiginous. And, yet, Narendra Modi did stand his ground. Logic helped: the Indian market's vastness, if nothing else, would have allowed the US to understand how to use the tariff spigot smartly. Trump has finally seen the opportunities that a 'China Plus One' actually hold for none other than 'America First'. And there, India figures at the front of the line. US manufacturing prowess is, indeed, 'über alles'. But the EU-India jugalbandi has provided India with what Archimedes would call a lever — and geopolitics would call lever-age. For which, one needs to doubly appreciate the trade deal stitched up Prada-like by India and the EU.



Locking the US-India trade deal is the cause of merriment, not just for both parties, but for the world at large worried of globalisation evaporating. Of course, the US-India trade deal is about cars, software, bourbon, tech, meds.... But more than that, it's about lines that had got broken, or about to break, reformatting into unbroken, thicker ones. Trump's got it right. Now for India to go and get it.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it... Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a



Budget's real achievement is not in its announcements, but the public goods it strengthens

Another Kind of Achhe Din



Tarun Khanna & Aditya Sinha



Hang on, let's now wait for execution

In the 1986 budget, V P Singh introduced Modified Value-Added Tax (Modvat) to correct a well-known distortion in excise taxation arising from cascading input duties. The measure was presented in technical terms rather than as a headline reform. Its significance lay in eliminating taxes on taxes, thereby strengthening a system-wide public good: efficiency and neutrality of production tax regime.

That is a useful way to read Budget 2026. There are no dramatic announcements on R&D, health spending remains modest, and climate-related allocations appear incremental. All this is true. But budgets matter less for what they proclaim than for the following public goods they build, which often happen slowly, sometimes invisibly:



▸ **Macro credibility** Fiscal deficit is projected to decline from 4.4% to 4.3% of GDP, with public debt projected to fall to 55.6%. Credibility lowers risk premia, stabilises expectations and preserves room for manoeuvre in an uncertain global environment.

▸ **Coordination** Capex rises to ₹12.2 lakh cr, continuing the emphasis on logistics, transport corridors and risk-sharing instruments. Empirical evidence suggests that multiplier effect of capex (2.45) is significantly higher than that of revenue expenditure (0.99). Apart from this, initiatives such as ISM 2.0 and efforts to strengthen domestic ₹10,000 cr national biopharma mission also fit this logic.

▸ **Enforcing quality of rules** Incremental reforms (simplified tax structures, decriminalisation of minor offences and customs facilitation) reduce transaction costs and improve predictability. These are unglamorous changes, but they matter disproportionately for firms operating close to the technological frontier.

▸ **Climate preparedness** This has long occupied an ambiguous place in India's economic policy. While it is acknowledged as a necessity, it has been treated as merely supporting growth. Budget 2026 signals a meaningful shift. Sustainability has been embedded within policy itself.

This shift is most visible in capital allocation and customs policy. A ₹20,000 cr, 5-yr commitment to carbon capture, utilisation and storage (CCUS) recognises that India's hard-to-abate industries cannot decarbonise through renewables alone. Treating CCUS as public infrastructure rather than experimental technology allows for better climate-preparedness.

Yet, the budget's omissions remain significant. There is still no clear pathway for carbon pricing or a domestic carbon credit trading system, despite earlier announcements. Equally concerning is the absence of a green finance architecture capable of mobilising funding required for net-zero pathways. Stronger measures linking climate action to public health, particularly through faster EV adoption and air-quality interventions, are also missing.

▸ **Capability formation** This will determine whether the state or society will be able to translate resources into outcomes under uncertainty or not. Unlike physical infrastructure or transfers, capabilities are non-rival, cumulative and economy-wide in their effects. Skilled workers, functioning institutions, interoperable systems and adaptive governance raise productivity across sectors simultaneously.

Nirmala Sitharaman's emphasis on 'Kartavya No. 2' — building people's capacity as partners in growth — signals a recognition that resilience, competitiveness and inclusion ultimately depend on human capital, institutional throughput and execution quality.

The January 2026 'Lancet Commission on a citizen-centred health system for India' report makes this diagnosis even sharper. The commission identified fragmented delivery, rigid financing and weak learning capacity the biggest constraints of India's healthcare system.



Budgets matter less for what they proclaim than for the public goods they build, which often happen slowly, sometimes invisibly

Its prescription is explicitly capability-first. Integrated primary care, strategic purchasing and the use of India Stack-style digital public infrastructure (interoperable health records, unique patient identifiers, telemedicine and real-time data) to enable coordination, accountability and adaptation at scale.

In this sense, the budget's stated shift from transfers to capacity is analytically correct. Where the gap remains is execution. Outcomes are still weakly specified and weakly enforced. That gap is also the lowest-hanging fruit.

The Lancet analysis shows that a great deal of capability formation can occur outside budgetary line items. Digital platforms, common standards, information flows and incentive-compatible governance can dramatically raise system performance without large increases in fiscal outlays.

The question, therefore, is as much whether allocations rise at the margin, as it is whether programmes are redesigned to reward outcomes, enable feedback and support decentralised problem-solving.

At the state level, however, capability formation encounters a harder constraint — capital. In fiscally weaker states such as Bihar and Jharkhand, administrative ambition is often bounded by limited fiscal headroom and inflexible transfers.

While the budget maintains Finance Commission devolution and scheme-based flows, it does not materially relax conditionalities or tilt resources toward states with the largest capability deficits. This matters because experimentation is essential to capability formation, particularly in health, where uncertainty is high and optimal spending mixes are non-contractable ex ante.

Line-item budgeting, by fixing inputs in advance, constrains adaptation and learning. Relaxing these constraints, through flexible block grants, outcome-linked financing and permissionless experimentation with strong audit trails can solve for this.

The substantive achievement of the budget lies not in its announcements, but in the public goods it incrementally strengthens.

It repositions fiscal policy around execution rather than expenditure. Its legacy will be determined by whether these enabling conditions translate into durable improvements in state capacity and outcomes. Kudos to the FM for putting a thrust on capabilities.

Khanna is Jorge Paulo Lemann Professor, Harvard Business School, and Sinha is a public policy professional

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

Data Centre Right Bet, Now, Build Capacity

The budget has presented a clear vision for India's emergence as a global data centre hub, using tax policy as a lever for competitiveness. The combination of a tax holiday and rationalisation of the international taxation and transfer pricing framework provides much-needed certainty in an uncertain global environment. Nomenclature changes, clubbing various IT services, should propel India's ambition of leveraging AI-led productivity gains to speed up economic growth. A predictable policy environment is a necessary first step in drawing in the massive investments needed to build AI infrastructure. The country will have to offer matching improvements in energy supply and semiconductor manufacturing capability to drive a successful AI revolution. This budget signals the intent, specifically offering investors a vision in decades, not years. Work on the other elements to establish the ecosystem is also becoming visible.



Investment in Indian data centres is gaining momentum, but a quantum jump is needed for India to become a low-cost, large-scale destination for cloud services. Removing friction over transfer pricing through simplified safe harbour conditions was a pending demand from the industry, which operates through global capability centres.

Bureaucratic classification of IT services was another sticking point that has been addressed. The speed at which AI is spreading requires prompt policy responses, which have been articulated in the budget. The ease of doing business for the IT industry has improved substantially with these measures, and will reinforce India's attractiveness as a global delivery and engineering base.


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY
दिल्ली प्रौद्योगिकी विश्वविद्यालय

Budget as Politics of Anticipation



Gilles Verniers

Paris: Budgets are never just about numbers. They're political documents that reflect not only fiscal priorities but also political calculations. Budget 2026, presented against the backdrop of elections in West Bengal, Tamil Nadu, Kerala, Assam and Puducherry, is no exception. While GoI has carefully avoided conspicuous election-oriented largesse, distribution and nature of its promises reveal a subtler strategy: using infrastructure, connectivity and symbolic development to talk to voters in electorally-sensitive states.

At first glance, the budget appears to be an exercise in continuity. There are no dramatic shifts in welfare giveaways, and infra spending gets a boost. This posture allows GoI to claim fiscal responsibility while investing in critical domains. A closer look at state-specific announcements suggests that, as usual, electoral considerations have shaped not the size of spending but its geography.

▶ **West Bengal** The budget promises a dedicated freight corridor linking Dankuni to Surat, an industrial node at Durgapur under East Coast Industrial Corridor, and a high-speed rail link touching northern Bengal. These are not marginal interventions. They are large, headline-friendly projects with clear territorial footprints. Their long-term economic rationale is defensible. But their political utility is immediate. Freight corridors and high-speed rail lines are easy to showcase, easier to politicise, and harder for state governments to ignore or reframe.

▶ **Tamil Nadu** The state figures prominently in announcements on high-speed rail connectivity and in creation of rare earth corridors intended to support EVs and electronics manufacturing. These initiatives align neatly with Tamil Nadu's industrial profile and its aspirations to remain a manufacturing hub. Yet, they are also long-gestation projects whose benefits will materialise well after ballots are cast. As in West Bengal, GoI appears to be betting that the promise of future growth, rather than immediate redistribution, will shape political perceptions.

▶ **Kerala** The state presents a contrast. Included in the rare earth corridor initiative and recipient of eco-tourism and environmental projects, it still appears conspicuously absent from the budget's big-ticket infra announcements. There is no equivalent high-speed rail push, no major logistics corridor, no large urban investment. Emphasis on symbolic and ecological projects may appeal to niche constituencies. But it's unlikely to offset Kerala's deeper grievances over fiscal stress and shrinking state autonomy.

▶ **Assam** The state's allocations are more ambivalent. Tourism circuits, cultural heritage initiatives and a new mental health institute signal attention to the northeast, but avoid large employment-generating infrastructure. These investments may improve regional integration down the line. But their immediate impact is limited.

▶ **Puducherry** By virtue of its size, it barely registers. Its inclusion in blue-economy measures and coastal initiatives is meaningful, but politically marginal in a budget otherwise attentive to geography.

What ties these cases together is not generosity but selectivity. GoI has largely avoided direct fiscal transfers or welfare expansions that would strengthen states' capacity to deliver services in the short term. Instead, it has favoured centrally branded capex — railways, corridors, industrial clusters — implemented through central ministries and PSUs. This approach allows GoI to claim credit, retain control and showcase development, while limiting states' discretion.

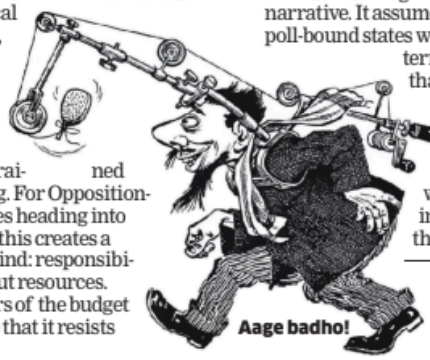
Decision to retain the 41% tax devolution ratio reinforces this pattern. While technically consistent with the Finance Commission's recommendations, it does little to ease states' fiscal pressures, especially amid rising welfare demands and constrained borrowing. For Opposition-ruled states heading into elections, this creates a familiar bind: responsibility without resources.

Defenders of the budget will argue that it resists the temptations of election-year profligacy and remains mindful of an unpredictable international environment. That may be so. But the question is how many of these announcements will see light of day in a timely fashion. A quick review of past budget announcements shows that many infrastructure announcements are still in early stages of implementation.

Execution also remains marked by a persistent gap between budgeted allocations and actual expenditure. By privileging visible, long-term projects in select states, the budget performs a kind of politics that relies on anticipation rather than immediate relief, on symbolism rather than redistribution.

What is striking is not what states receive, but what they *don't*: little in the way of direct employment relief, urban welfare or social spending that might address everyday economic hardship. Similarly, education and health allocations remain flat as a share of GDP.

Ultimately, the budget reflects BJP's confidence in a growth-first electoral narrative. It assumes that voters in poll-bound states will reward long-term promises rather than short-term economic comfort. Whether that wager pays off will be decided not in Parliament but at the ballot box.



The writer is researcher, CERI, Sciences Po Paris


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

STT Hike Shouldn't Bury Price Discovery

Measures to curb runaway trading activity

Markets are internalising the hike in securities transaction tax (STT) rates on futures and options intended to reduce the frequency of trading. At their current levels, high-frequency trading will be affected by higher transaction costs. This will have an impact on F&O volumes and, by extension, lower the exposure of retail traders in the segment. To the extent that this effects a clutch of FIIs — arbitrage funds, algo traders and proprietary desks, etc — there will be some impact on capital flows. Hike in STT rates in F&O is part of a series of measures to curb runaway trading activity that are yielding results, and GoI is pulling on more regulatory levers to improve market resilience. Any, and all, success in this endeavour will have to be measured against rise in speculation in other market segments.



It's unlikely that the measures initiated to curb inflated options trading will affect price discovery. Better balance between cash and derivatives segments should ensure market depth while deterring speculation. This becomes critical due to the activity of retail traders who are pitted against vastly superior institutional desks. The average individual doesn't have access to formidable tools available to institutions that run successful derivatives trading operations. The uneven contest could cause behavioural changes among the generation of Indian investors that's widening the country's cult of equity. This justifies government intervention through tax to dissipate froth in derivatives, in line with India's conservative approach to regulating financial markets.

The immediate market reaction will make way for a more reasoned risk reward trade-off. The longer-term impact will depend on the size of contraction in derivatives volumes the enhanced STT engineers. Budget 2026 may not have delivered anticipated triggers to increase FII inflows. But GoI has been prompt in its policy reactions to heightened global uncertainty, with tax cuts to prop domestic consumption and trade deals to push exports. These should serve as market signals.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 + 4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



DELHI TECHNOLOGICAL UNIVERSITY

With everyone signing up with everyone else, Donald Trump relents on India trade deal

Silent Treatment Pays Off



Seema Sirohi



Sooner or Lecter

Exhale! India and the US have finally agreed to a trade deal, removing the biggest hurdle in bilateral relations. The punishing 50% tariff on India — including the additional 25% tariff placed in August to persuade India to stop purchasing Russian oil — is expected to come down to 18%. This is a welcome development — provided no wrinkles appear as they have in other trade deals. With that caveat in mind, the relief is unmistakable after months of uncertainty and rancour.

The good news came without a nomination for a certain peace prize. Or, Delhi showing up with a briefcase filled with goodies. Or, going officially ballistic. (Surrogates were let loose to do that.) Strategic patience was key, as was silence in the face of provocation. US ambassador Sergio Gor proved to be a catalyst. He seemed to understand that a reset with India was a necessary, if not sufficient, condition for rebuilding relations.

The Monday Trump-Modi phone call, apparently initiated by the White House, produced an outcome that friends of both countries had been waiting for. The US agreed to reduce reciprocal tariffs on India from 25% to 18% 'effective immediately', and India has apparently agreed to bring down its tariff and non-tariff barriers to zero. In addition, India has agreed to spend more than $500 bn on US goods, according to Trump's social media post.



The US looked increasingly lonely. The writing on the wall was clear: allies/partners were moving on

LETTER FROM WASHINGTON

While he didn't mention the punitive 25% oil tariff, Trump did say that Modi had 'agreed to stop buying Russian oil' and buy much more from the US, and potentially Venezuela. Modi said nothing on the subject in his message and, instead, described Trump's leadership as 'vital for global peace, stability and prosperity'. It was high praise given the pain gone by.

The 18% rate puts India in a slightly better position vis-à-vis other South Asian countries (Bangladesh at 20%, Pakistan at 19%) and those in Southeast Asia (China at 47%, Malaysia and Indonesia at 19%, and Vietnam at 20%). While that's welcome, it's unclear whether 18% is the final figure, or whether it'll come on top of existing tariffs on certain products — meaning: 18% be 'stacked' or stacked'?

Tariff-stacking means multiple tariffs, such as anti-dumping duties, sectoral tariff, and Sections 301 and 232 tariffs under the two trade Acts, being levied on the same product. It can be onerous. India's competitors for the US market are all under stacked tariffs. Unstacked tariffs would mean 18% is the final effective figure for India. Only Europe, Japan, South Korea and Taiwan have been given the luxury of unstacked tariffs.

There's also some ambiguity around when the 25% oil tariff would go. Gor said on Indian TV channels that a few technical details remained to be sorted out, meaning nirvana won't be immediate. But he stressed the oil tariff would be removed in due course. A White House official said the oil tariff '*will be* dropped' as part of India's agreement to end oil purchases from Russia.

Use of future tense is significant. The understanding appears to be that moving forward, India won't buy Russian oil. Data has to reflect the tapering before the sword dangling overhead is removed. As baseball legend Yogi Berra famously said: It ain't over till it's over. Also, the 'deal-maker' prez will keep leverage alive, possibly change his mind, and remain focused on his rate of success. Best to wait for the executive order and notice in the Federal Register to see the dates, times and applicable tariff codes.

According to Trump, Modi 'committed to BUY AMERICAN', including energy, coal, agricultural products and tech worth more than $500 bn. How and what would add up to that huge figure is unclear. Fortunately, there's no timeframe, even if the maths is dramatically in America's favour — India must buy more US goods, pay 18% tariff on exports, *and* give up Russian oil. A White House official told me the tariffs were levied 'by design to rectify the trade deficit in our favour'. In 2024, the US had a trade deficit of $45.7 bn with India.

Finally, what changed Trump's mind after a year of acrimony? How did a 'dead economy' come alive to merit a trade deal? A few possible reasons:

▸ In the trade deal rush, where everyone was signing up with everyone else, the US looked increasingly lonely. The writing on the wall was clear: allies/partners were moving on. India signed several trade deals over the past few months, most recently with the EU.

▸ Trump understood that GoI wouldn't do what others had done to earn his goodwill. The message from Delhi: India can wait. It was a Mark Carney move without the Davos speech.



It's unclear whether 18% is the final figure, or whether it'll come on top of existing tariffs on certain products. So, will 18% be 'stacked' or 'unstacked'?

▸ Trump was losing goodwill in India just as fast as he had earned it. 'America First' was starting to backfire and feeling more like 'America Alone'.

▸ China was clearly the beneficiary, a trigger for Trump as he struggled to come up with an effective strategy to deal with Beijing.

Despite the long and torturous road, the announcement of a trade deal signals the US-India relationship can survive a political earthquake, especially a manufactured and needless one. But survival is not enough, if the two countries want to work on the big picture — a dangerously fragmented world in need of repair and order.


WWW.ECONOMICTIMES.COM
THE ECONOMIC TIMES
BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 + 4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016
The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel
"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."
"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"
"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."
SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR
AROUND THE WORLD ▸▸ 17
Let Him Be
To see Dylan as a

Rare Earths Provide A Rare Opportunity

The budget announcement on dedicated rare earth corridors in 4 states — Tamil Nadu, Kerala, Odisha and Andhra Pradesh — to promote mining, processing, research and manufacturing of rare earth elements (REE) and critical minerals ticks all the right boxes: it reduces dependence on China, drives economic growth through clean industrial manufacturing, decarbonises the economy, and creates jobs. Alongside this new initiative, recovery and recycling of REE and critical minerals from e-waste, mine tailings and industrial waste can also boost supply. Estimates suggest that e-waste alone could generate 1,300 t of REE. Last year's ₹1,500 cr scheme to build capacity to extract and produce critical minerals from waste streams was a start, but it remains insufficient.



The regulatory framework must be fit for purpose — e-waste management rules should classify critical minerals as high-value materials, Extended Producer Responsibility (EPR) rules must incentivise recycling and recovery. The informal recycling sector must be formalised through capacity building, technology transfer, know-how and financial support with incentives for transition.

A mechanism to match supply with demand, including a national stockpile, is crucial to accelerate domestic consumption, while mandates for using recycled critical minerals will strengthen the ecosystem. This approach will boost supply, support clean industrial manufacturing, enhance self-reliance and competitiveness, generate jobs, improve resource efficiency, and reduce the economy's waste and emissions footprint. Most importantly, it will create secure, well-supported jobs with benefits, providing workers the social safety nets essential for a modern, resilient economy — turning resources into opportunity.


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Push Promotion, Not Protection



Dhiraj Nayyar

Whatever else Trump tariffs — now ostensibly down to 18% — may have succeeded in, they have failed to slow the Chinese export juggernaut. For the year gone by, China put up yet another record trade surplus of $1.2 tn. It has found alternate markets, mostly in Europe, or alternate routes to markets in the US.

India isn't spared. Its trade deficit with China has hit a record $116 bn. Countries that count China as their largest trading partner account for most of the world map. This is a challenge for the world, and particularly for India. What should India do?

Breakthrough trade deals with the US and EU have opened two doors of huge opportunity. These are the two biggest consumer markets where India has traditionally run trade surpluses. But to truly capitalise, focus on reasons behind China's dominance in manufacturing:

▶ **3S plan** Once upon a time, it was cheap labour. Now, it's a combination of scale, subsidies and skills. China's ambition has always been to capture world markets, not simply its own or those in the region. That has made scale and economies it brings non-negotiable.

▶ **Industrial policy** Beijing provides free or subsidised land and power, two of the most critical inputs into manufacturing. It also provides other support, including R&D and sector-specific financial incentives. Many of these do not comply with either letter or spirit of the WTO-centred international trading regime. But that's been on life support post-Trump.

▶ **Skilled workforce** Tim Cook said his company was invested in China not because labour was cheap but because it was skilled. No other country had the number of tooling engineers that China did, he pointed out. Now, that skilled workforce is being rapidly supplemented by robotics, which are cementing China's efficiency and cost advantage.

Cheap and abundant labour is in India's favour. But, philosophically, India's law and its political economy are geared towards protection of labour, rather than promotion of employment. The recent reforms were a good first step in reducing some rules and bureaucracy. But genuine liberalisation is needed before labour becomes a decisive advantage for India. Otherwise, India's industrial growth will continue to be defined by capital intensity. That may be okay for growth. But it's inadequate for jobs.



We can pull it off

What about its 3S plan? To achieve scale and use subsidies effectively, a mindset shift is required in policy, like in labour, from protection to promotion.

India has always romanced the MSME sector, and in the past, incentivised firms to remain small. But to be a successful economy, India needs MSMEs to grow into large companies, or, at least, MEs. Right now, a big majority are micro, not even small. These firms can never be competitive globally. But scale is somehow feared in India. It shouldn't be, as long as business is subject to competition. In manufacturing, that should be import competition.

Unfortunately, industrial policy in India has usually been about tariffs, again, a device for protection. In the last 10 yrs, the average-weighted tariffs have doubled. But share of manufacturing in GDP is mostly unchanged. The one sector that has been an exception is electronics. One reason behind its success has been the nature of industrial policy — PLI and subsidies — which focus on scale and promotion, not protection. That must be the future of all industrial policy.

Of course, democratic India may never be able to subsidise power or land to the extent China does. But GoI can at least create ecosystems that provide a cheap price for power and enable land acquisition at fair prices. Also, GoI can help cut unnecessary cost escalation that manufacturing faces on account of delayed mandatory clearances. Faster clearances, including deemed approval or self-certification, are urgently required.

Finally, on skills. India's societal preference favours white-collar jobs. But these will never be enough. GoI must consider not just upskilling the population but also helping generate societal approval for skills. Skills qualifications can be made equivalent to granted university degrees, if it helps.

India wants to be a player on the world stage. For that, its manufacturing must become global.

The writer is chief economist, Vedanta

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

PEAS IN A PODCAST

Why Economic Models Fail

Chicago Booth's Stigler Center's podcast Capitalisn't is devoted to analysing capitalism, how it functions in contemporary society and how it is subverted. In **Nobel Economist Reveals Why Economic Models Keep Failing Us**, hosts economist Luigi Zingales and journalist Bethany McLean talk to Richard H Thaler, a Chicago Booth professor and Nobel Prize-winning economist, about his new book, The Winner's Curse: Behavioral Economics Anomalies, Then and Now, coauthored with Alex Imas.

In the discussion, Thaler reflects on three decades of research showing how real human behaviour systematically departs from the rational, self-interested agents assumed in traditional models. He connects enduring behavioural 'anomalies' — such as overconfidence and limited self-control — to contemporary problems, including financial crises and social media addiction.



Thaler traces how behavioural economics moved from the margins to the mainstream, discusses practical policy implications, and candidly rejects the idea of a single grand theory of human irrationality. The result is a thoughtful, engaging episode that underscores why economics must grapple seriously with how people actually behave — not how models wish they would.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a



A Mega AI Shot of Star Bucks



Subimal Bhattacharjee

SpaceX's acquisition of xAI's on Monday, forming a $1.25 tn behemoth ahead of SpaceX's IPO expected later this year, marks more than corporate manoeuvring. It's a blueprint for technology's orbital future. By merging rocket launches with AI, Elon Musk is placing an audacious wager: the next frontier for computing lies not in Silicon Valley server farms but among the stars.

The logic is straightforward, yet revolutionary. AI development devours electricity and cooling infrastructure at staggering rates. Terrestrial data centres struggle with both constraints. Space offers an elegant solution: abundant solar energy and natural cooling. Musk claims orbital computing will become cost-competitive within 3 yrs — a timeline that seemed fantastical until SpaceX requested authorisation for 1 mn satellites. With 9,000 Starlink satellites already operational and 9 mn customers, the infrastructure foundation exists.

This merger addresses xAI's immediate crisis while serving SpaceX's long-term ambitions. Burning $1 bn monthly competing against OpenAI and Google, xAI needed a financial anchor. SpaceX gains a perpetual customer for satellite launches, transforming its rocket business into the backbone of AI infrastructure. The synergy is undeniable, but so is the concentration of power.

The combined entity now controls rocket launches, satellite internet, social media (X) and frontier AI development. This vertical integration could accelerate innovation or create concerning bottlenecks in critical infrastructure. When a single corporation spans orbit, algorithms and public discourse platforms, implications extend beyond business into geopolitics and digital sovereignty.

For India, this merger arrives at a pivotal moment. Starlink's 2026 launch here promises connectivity to underserved regions, with gateways planned across Mumbai, Delhi and Bengaluru. Yet, India's cautious approach — emphasising security clearances and data localisation — reflects deeper anxieties about tech dependence.



Houston, we surely don't have a problem

India's space ambitions, however, collide directly with this new reality. Isro's transformation from government agency to private sector catalyst represents a trillion-dollar bet on indigenous capabilities. The SpaceX-xAI combo offers both collaboration opportunities and competitive threats. Should India embrace partnership, risking dependency, or double down on self-reliance, potentially falling behind in the orbital computing race?

The strategic calculus is complicated. India has deliberately cultivated homegrown expertise in both space tech and AI to avoid reliance on foreign infrastructure. This merger consolidates American dominance precisely when India seeks to establish itself as a third pole between US and Chinese technological spheres.

Also, this year's budget granting a tax holiday until 2047 for foreign cloud providers using Indian data centres could generate less enthusiasm if tech giants shift focus towards space platforms. Orbital computing platforms could become as strategically significant as submarine cables or semiconductor fabs — critical infra that shapes geopolitical leverage for decades.

Indian companies now face formidable competition. JioSpaceFiber's partnership with Luxembourg-based satellite operator SES and Bharti's with Eutelsat OneWeb must contend with a vertically integrated giant controlling everything from launch vehicles to AI models. The challenge is daunting. But, historically, competitive pressure has catalysed India's most impressive innovations. Cost-effective engineering and a robust AI ecosystem provide a foundation for carving out distinctive niches.

The merger also establishes new benchmarks for tech sector integration. The IPO, potentially exceeding $1.25 tn, will be historic, offering public investors access to both space tech and AI development through a single vehicle. This could reshape how markets value and fund moonshot technologies.

Whether orbital data centres become reality or remain expensive experiments, the SpaceX-xAI merger has transformed expectations about technological integration and infrastructure. For India, the path forward requires threading a needle: leveraging this development to accelerate domestic capabilities without sacrificing strategic autonomy.

This balancing act — embracing global innovation while building self-reliance — will determine India's position in technology's next chapter. As computing infra migrates skyward, nations that secure orbital positions early may enjoy advantages as significant as those who dominated undersea cables or satellite positioning systems. India cannot afford to be a mere customer in this future. It must be an architect, and an early one.

The writer is a commentator on tech and digital policy issues


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

प्रौद्योगिकी विश्वविद्यालय
दिल्ली
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Chat Room

Stagnation Stop To Viksit Station

Apropos 'Another Kind of Achhe Din' by Tarun Khanna and Aditya Sinha (Feb 3), Budget 2026 signals a looming growth recession through a shift from expansion to austerity. Four factors highlight this risk: (1) Slowing capex: Capex growth will fall to 8.8% from previous double-digits, risking an infrastructure and employment bottleneck. (2) Consumption slump: Lack of tax relief and cuts to rural schemes like MGNREGS will erode the purchasing power of the masses. (3) Aggressive consolidation: Targeting a 4.4% fiscal deficit during a slowdown is contractionary, draining essential market liquidity. (4) Export neglect: Minimal incentives for a struggling export sector, amid global instability, threaten industrial output. Collectively, these indicate a cooling economy heading toward stagnation.

P D Sankaranarayanan
Palakkad

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Government borrowing will be the decider factor in whether MPC calls right tomorrow

Kitna Fiscal Deficit, Kalia?



Mythili Bhusnurmath



Are you holding back info on the re-based GDP and inflation numbers?

On Sunday, Nirmala Sitharaman had her moment in the sun when, as the longest continuously-serving FM, she presented her 9th consecutive budget. It's now RBI governor Sanjay Malhotra's turn.

But this time round, keepers of the country's fiscal and monetary policies are in a bit of a pickle. Budget estimates, especially revenue estimates, are based on GDP and retail inflation projections. But unlike in normal years, these will undergo considerable change, courtesy the new GDP series (base 2022-23 against the present 2011-12) and new inflation series (base 2024). The net result is that the FM's budget arithmetic is likely to go for a toss once the re-based GDP and inflation numbers come in later this month.



Central banks are meant to be lenders of last resort. When RBI becomes the lender of first resort, as has been the case during the past few months, warning bells must ring

Likewise, MPC's carefully-crafted decisions due tomorrow may come apart at the seams. Reason being that a key input into MPC's decision-making is government's fiscal deficit figure and, hence, the amount of estimated gross market borrowing. But this will change, post-GDP revision.

In previous years, RBI got a fair idea of market borrowings needed to finance government's budgeted fiscal deficit. This time round, everything is up in the air. Not just because revenues might be off estimates and expenditures, and may overshoot (par for the course for BE), but because the very basis for those estimates, GDP numbers, will change.

Central bank independence might seem to be the zeitgeist of the times, especially after US Federal Reserve chair Jerome Powell's outburst, and the outpouring of support for him from other central bank heads. The reality, however, is more nuanced. When it comes to central banks, there is no such thing as complete independence. Only *operational* independence.

In truth, fiscal and monetary policy are joined at the hip. The monetary policy stance affects government's capacity to finance its deficit, and influences its cost. At the same time, size of government deficit and funding strategy place constraints on the operational independence of the monetary authority — say, by preventing it from raising interest rates even though its inflation mandate might require it to do so.

Fiscal and monetary policy are like two levers of state policy. But it's the fisc that leads, while monetary policy's role is generally supportive. Except where it sees the fisc acting against long-term interests of the country.

When it comes to central banks, there's no such thing as complete independence. Only operational independence. In truth, fiscal and monetary policy are joined at the hip



In India, RBI isn't just the monetary authority but also GoI's debt manager. So, apart from ensuring price stability, it must also ensure GoI's borrowing programme goes through successfully.

To its credit, RBI has juggled these two, sometimes conflicting, roles reasonably well in the past. But now, there's a new blind spot: government borrowing. Apart from the usual mix of external sector vulnerabilities, geopolitical uncertainties, rupee depreciation et al, review of the Flexible Inflation Targeting (FIT) framework is due before the April MPC meet.

Then there's the issue of that whimsical man in the White House, and appointment of hawk-turned-dove Kevin Warsh as US Fed chair, to contend with. Should MPC look through the US-India trade deal? Remember, we still don't have the details and the latest ostensible tariff — 18% — is still higher than what it was pre-Trump.

In this scenario, MPC's usual dilemma over 'growth-inflation' trade-off is multiplied — manifold. Will it go by Economic Survey? Inflation, says the survey, is 'tamed and anchored', even as it warns against complacency, since decline in inflation last year was mostly because of base effects.

And that's not all. Monetary policy, it adds, is not 'restrictive at all'. Reserve money growth is 52% higher than a year ago. Liquidity was also in surplus. Against an average of just ₹1,605 cr in FY25, it was about ₹1.89 lakh cr for the period up to January 8, 2026. That's — hold your breath — about 117× in FY26 than in FY25.

Central banks are meant to be lenders of last resort. When RBI becomes the lender of first resort, as has been the case during the past few months, warning bells must ring. Add strong GDP growth, and MPC has every reason to mark time.

For now, of course, the biggest googly is government borrowing. Monetary policy doesn't operate in a vacuum. Last fiscal, gross market borrowing was estimated at ₹14.82 lakh cr. The budget estimates it 16% higher at ₹17.2 lakh cr for FY27. That's going to be a challenge with yields having already risen sharply.

But the bigger problem is uncertainty about the final borrowing number, due to revisions in underlying macro numbers. To give a cricketing analogy, if the presence of Jasprit Bumrah was the deciding factor in India's victory in the 2024 T20 World Cup, government borrowing will be the decider in whether the MPC calls right on Friday. Unfortunately, unlike cricket, we'll know the scorecard only some months down the line.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 + 4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

The Name's Bond, Municipal Bond

Indian cities, as Economic Survey notes, are 'aspirational but exhausting'. A key reason is the poor state of infrastructure, itself rooted in weak municipal finances. To address this, the budget has proposed a ₹100 cr incentive for any municipal bond issuance above ₹1,000 cr by a city corporation, while continuing AMRUT (Atal Mission for Rejuvenation and Urban Transformation) support for smaller issuances up to ₹200 cr. This incentive encourages large cities to tap bond markets rather than rely solely on grants or bank borrowing. By lowering perceived risk and improving viability, the aim is to deepen the municipal bond market and strengthen transparency and fiscal discipline in urban financing.

While not new to India — the first bond was issued by Bengaluru in 1997 — the market remained dormant for years. Momentum has picked up of late. As of June 2025, 23 municipal bond issuances under Sebi's framework have mobilised almost ₹3,359 cr. Globally, municipal bonds — from East Asian transit systems to US water and sewer networks — have enabled resilient urban transitions. India's now shaping its own model. Nashik Clean Godavari bonds highlight how civic pride and environmental goals can align with market participation. Green and ESG-linked municipal bonds are emerging as the next frontier, with cities like Indore, Ghaziabad and Pimpri-Chinchwad seeing strong, often oversubscribed, demand under Sebi's green debt framework.



Basic challenges remain. Many ULBs are unrated or below investment grade, revenue autonomy is limited, and financial reporting is uneven. Addressing these gaps through better accounting standards, tailored credit ratings and possible tax incentives will be crucial to creating financially self-reliant, future-ready cities.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY
दिल्ली प्रौद्योगिकी विश्वविद्यालय

Senior Care, It's Economic



KumKum Dasgupta

India's demographic shift is happening. By 2030, the country's expected to have about 190 mn senior citizens. By 2050, that number could touch 350 mn. This rapid ageing will raise the dependency ratio and place mounting pressure on families, healthcare systems and urban infra — or, the citizenry will feel the mounting pressure of it. Yet, it also represents a significant economic opportunity, one that sits at the intersection of employment generation, skilling and human capital development.

In her budget announcement on Sunday, Nirmala Sitharaman outlined three kartavyas, the second focusing on building people's capacity as partners in growth. By positioning care within this growth framework, the budget moves the conversation from merely acknowledging demographic change to actively preparing the workforce and systems needed to respond at scale. This approach aligns with the Economic Survey's observation that population ageing is shaping India's emerging 'longevity economy'.

The senior-care sector — senior residences, assisted living, transition care, curated products, mental-wellness services and community-engagement models — is expanding steadily though unevenly. Estimated at $10-15 bn, it could potentially cross $30-50 bn over the next decade. Within this, organised senior-living is projected to grow nearly 300%, from about $2 bn today to about $8 bn by 2030.

Unlocking this growth, however, is not simply a matter of adding facilities. It requires coordination across healthcare providers, real-estate developers, policymakers, financial institutions and technology innovators. Conversation around ageing is evolving — from building retirement housing to engineering care ecosystems.

Seniors are not a monolith. Their needs vary widely depending on mobility, medical conditions, financial independence and social preferences. 'With life expectancy now around 73 years, nearly 70% of seniors living with at least one comorbidity, and an estimated 12-15% living alone, demand is increasingly shifting toward senior-living formats that integrate services and care, rather than real estate alone,' according to Tara Singh Vachani, executive chairperson, Antara Senior Care, and vice-chairperson, Max India.

The budget's announcement to train 1.5 lakh caregivers in a single year — through National Skills Qualifications Framework programmes — acknowledges that care infrastructure depends as much on people and skills as on buildings. Emphasis is on multi-skilled caregivers — trained not only in core care but also in wellness, allied health and assistive-device operations — recognises the service gap that continues to constrain the sector.

Policy momentum has been building over years. National Policy for Senior Citizens and National Programme for Health Care of the Elderly signal that senior care is now national priority. Some states like Maharashtra and Haryana have introduced guidelines and minimum standards for senior-living facilities, while building codes reference universal accessibility, barrier-free design and age-friendly infrastructure.

But structural challenges persist. While caregivers remain in short supply, the senior-living sector itself is highly fragmented. Regulations are largely state-driven, resulting in wide variations in approval processes, medical-integration norms and grievance mechanisms. For families, this creates uncertainty. For investors and operators, it makes scaling high-quality models nationally costly and unpredictable.

More critically, senior care is still not formally recognised as a standalone sector. Without such recognition, access to dedicated funding, specialised workforce development and structured PPPs remains limited. The result is a market with strong potential but uneven credibility.

Compounding this is India's continued tendency to view senior-living primarily through a real-estate lens, even as global models regulate it as a services-led ecosystem. Building codes alone cannot guarantee safety or dignity. Dementia-friendly design, on-site clinical care, trained geriatric staff, emergency protocols and transparent grievance-redressal mechanisms are equally critical, but rarely mandated in a uniform manner.

BUDG SECT



Get them

Targeted policy incentives could accelerate both scale and inclusivity. Integrating WHO's Age-Friendly Cities framework into National Building Code, offering higher FSI (floor space index) allowances, stamp duty waivers and concessional priority lending for compliant projects would shift developer interest. Linking incentives to recognised accreditations — such as NABH (National Accreditation Board for Hospitals & Healthcare Providers) for care standards and IGBC (Indian Green Building Council) or GRIHA (Green Rating for Integrated Habitat Assessment) for age-friendly design — could also introduce measurable quality benchmarks.

Equally important is enabling ageing in place. Telehealth, remote-monitoring devices and assistive technologies can help seniors remain independent for longer, while reducing pressure on hospitals and families. Community-based wellness programmes, peer networks and recreational centres can further support physical and mental well-being, often at a fraction of the cost of institutional care.

India needs a unified, services-oriented regulatory architecture, not a rigid, centralised regime, that standardises licensing, safety norms, staffing ratios, care protocols, quality audits and grievance redressal, while allowing states flexibility in execution.

Senior care should be viewed not only as a welfare concern but also as a structural component of the economy.

kumkum.dasgupta@timesofindia.com



Tacit Trade Meets Thrusting Tirade

Apropos 'Silent Treatment Pays Off' by Seema Sirohi (Feb 4), the US trade deal shows America's keenness to compete with the EU to retain a foothold in India, one of the world's biggest and fastest-growing consumer markets. The US will also have to compete for a slice of the market pie in other emerging economies in Latin America and East Asia where the EU has signed FTAs. This will also put the dollar under pressure as a currency of international trade vis-à-vis the growing stature of the euro. The biggest beneficiaries of India's two major trade deals are likely to be MSMEs, key players in supply chains of India's labour-intensive exports and showing acumen for innovations in hi-tech sectors. They can be valuable partners with American and European counterparts in space exploration, renewable energy and nuclear research.

Chander Shekhar Dogra
Jalandhar

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +6 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

Make Sharing Crypto Data Less Cryptic

Market could split, beware shadow players

GoI is reportedly putting final touches to the reporting mechanism for crypto transactions, and should be ready for cross-border data-sharing by next year. India has been at the forefront of efforts that have shaped up as the crypto asset reporting framework designed to improve international tax transparency. Swelling crypto market capitalisation will provide an avalanche of information to the global anti-tax evasion endeavour. The framework is an information-sharing arrangement among tax authorities expected to provide visibility on assets, intermediaries, users and transactions. Guidelines are designed to replicate the success of information exchange about financial transactions. But unlike the tightly regulated financial market, distributed ledger transactions present a challenge to regulators implementing reporting standards. Special effort needs to go into sensitising the ecosystem about compliance through a combination of hand-holding and penalties.



Common reporting standards for cryptos work when a large enough number of countries sign up. Holdouts could be breeding grounds for dark pools of capital the global alliance is seeking to squeeze out. It also requires consistency in reporting efforts by member states. International pressure is mounting to bring more countries into the fold and help those that need to bring their tax administration up to speed. There's a strong likelihood of cryptos emerging as a transparent asset class by end of the decade.

The process will be helped along by emergence of fiat digital currencies, which provide authorities with greater visibility into transactions and holdings. These provide an alternative mechanism for digital commerce without risks inherent in cryptos. Tax transparency will be served by improved international cooperation and increased acceptance of cryptos by everyday users. But a risk remains that the crypto market could split into a regulated mainstream branch and another that operates in the shadows, leveraging the technology's decentralising tendency to protect privacy.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it... Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU
DELTECH UNIVERSITY

Cities, Want Pvt Funds?



Rajeev Gopal

In India, urban climate resilience has largely been financed through public budgets. State transfers, centrally sponsored schemes and direct budgetary allocations account for 85-90% of municipal capex, including climate-related investments.

Own-source revenues primarily fund O&M, while borrowing remains limited to a small number of larger cities and usually requires state approvals. World Bank estimates suggest that resilient and low-carbon urbanisation in low- and middle-income countries will require between $256 bn and $847 bn annually.

Global urban climate finance has grown, reaching about $831 bn annually in 2021-22, more than double 2017 levels. Yet, these flows remain uneven, concentrated in advanced economies and heavily skewed toward mitigation rather than adaptation. As a result, overall finance would still need to expand several-fold over the coming decade, especially in emerging economies.

Climate resilience is not a one-time investment but a continuous process because cities require repeated infra upgrades. At the same time, public finances are under pressure from competing priorities. A greater share of long-term capital will have to come from private sources. But that requires changes in the regulatory and financial frameworks governing municipal finance.

The challenge is not a shortage of global capital, but the difficulty of investing in cities where revenues are uncertain, risks are poorly allocated and governance lacks predictability. Making cities investable requires governments to empower municipalities, ease borrowing restrictions and simplify PPP frameworks.

Yet, many cities face structural barriers: limited capacity to design and deliver multi-year programmes, weak or incomplete audited accounts and fiscal frameworks, and a lack of bankable investment pipelines. Restrictive borrowing rules, slow approvals and shallow capital markets further deter investors, explaining why private finance remains cautious despite rising climate ambition.

Policy signals suggest a gradual shift in India. Urban Challenge Fund, announced in Budget 2025, signalled an intention to mobilise private capital for urban projects, while introduction of an Infrastructure Risk Guarantee Fund (IRGF) in this year's budget reflects movement toward risk-sharing mechanisms that could make infrastructure investments more bankable. The challenge, however, lies in implementation at the city level.

- Mumbai Climate Action Plan 2021 identified climate investments and integrated them into the capital programme. Yet, financing has largely followed individual projects rather than a system-wide resilience framework, leaving progress vulnerable to political and institutional shifts.
- Cape Town adopted a different model, anchored in a 120 bn South African rands (about $7.4 bn) 10-year infrastructure programme. Climate was embedded across all sectors, and financing was raised against the city's balance sheet rather than individual projects. This mainstreamed approach created continuity, reduced reliance on episodic approvals and proved more attractive to long-term investors.
- National-level reforms in South Africa aimed at streamlining PPP frameworks further illustrate how regulatory change can support municipal financing. System-wide resilience embedded in routine capital planning is more durable — and financeable — than project-driven approaches.



Let go of public finances

Private investors do not finance policy announcements. They finance balance sheets that demonstrate sound governance and fiscal discipline. Cities seeking private capital must:

- Show predictable revenues, expenditure discipline and credible debt-service capacity, while separating regulatory and operational roles.
- Move beyond isolated projects to present multi-year investment pipelines. Cities such as Copenhagen have embedded flood protection into their broader capital programmes. In India, Pune and Ahmedabad demonstrate that improved financial management and clearer capital planning can open access to debt markets, even if climate-specific financing remains nascent.
- Multilateral development banks (MDBs) can provide long-tenor capital, technical assistance and risk-mitigation tools that help cities prepare bankable projects and attract private co-financing. Cape Town's climate-resilient infrastructure programme illustrates how MDB engagement can strengthen financial management and improve access to capital markets.

World Bank's new Country Partnership Framework with India reflects a shift toward enabling reforms and investment frameworks for rapidly urbanising economies. MDBs cannot substitute for municipal financial readiness, but they can help bridge the gap between public intent and private capital allocation.

If the first challenge of urban climate resilience is recognising risk, the second is financing the response. Over the coming decade, resilience will increasingly become a test of municipal creditworthiness. Cities that strengthen their balance sheets and embed climate resilience into mainstream investment decisions will be better positioned to mobilise long-term capital. Those that do not will remain dependent on constrained public budgets — and increasingly exposed to climate shocks.

The writer is former senior country officer, IFC, World Bank Group

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

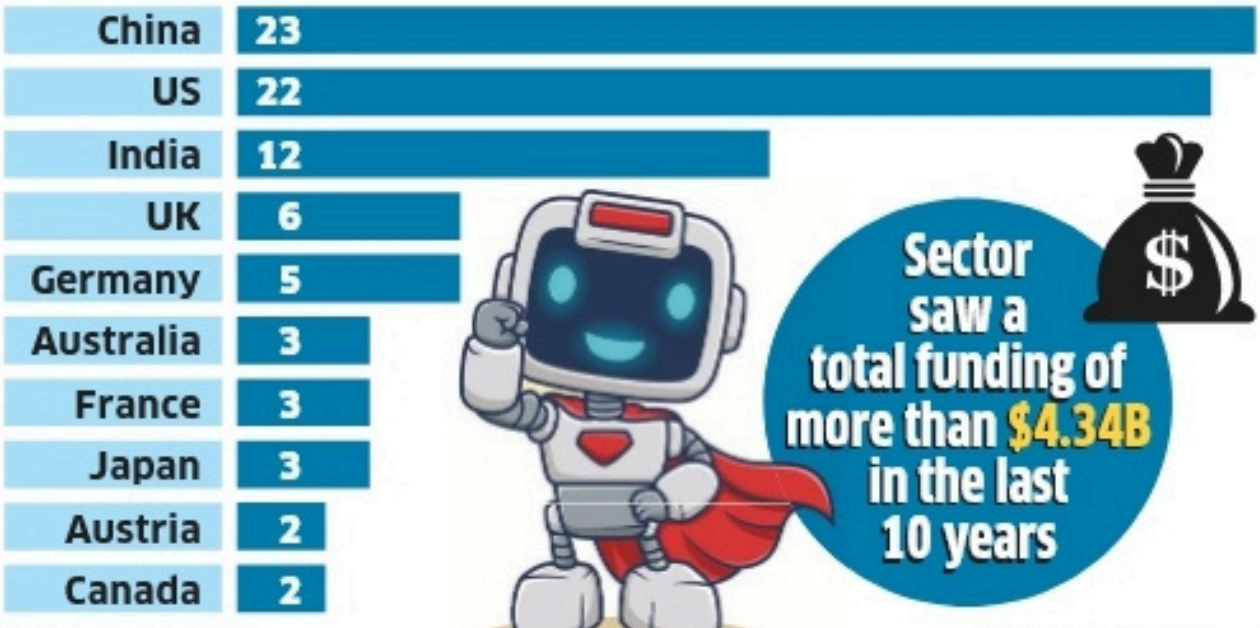
Let Him Be

To see Dylan as a

HUMANOID ROBOTS

The market for humanoid robots has been growing significantly recently. In 2025, $2.65 billion was invested in humanoid robotics startups, more than in the years 2018 to 2024 combined, according to Tracxn data, indicating that investors now view humanoid robotics as a more mature and commercially attractive technology. China currently leads the startup count in the field...

Number of startups listed in the field of humanoid robotics, by country



Sector saw a total funding of more than $4.34B in the last 10 years

As of Jan 2026

Source: Statista

SANJEEV RAJ JAIN

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

CURSOR GoI missed the bus on AI and semiconductors, and curbing mindless subsidies

What the Budget Didn't Do



T K Arun



The missing link

Budget 2026 is a business-as-usual exercise that increases some outlays, announces some new schemes, corrects some duty perversions, contains the fiscal deficit, and undertakes to devolve resources recommended by the Finance Commission to states. It gets a thumbs up by normal standards.

But these are not normal times. We are experiencing what Mark Carney at Davos called a rupture in the global order. Trump has demolished old certainties about geopolitical alliances and enmities. No erstwhile US ally — European, West Asian or Asian — can count on Marines rushing to their rescue in the event of hostilities that, just a year ago, would have triggered intervention by the world's most powerful military. Every nation is scrambling to enhance its capacity to defend itself.

While never an ally of the US, India had grown accustomed to considering itself a partner, not just formally in a grouping like Quad but in a comprehensive campaign, in general, to preempt any military adventurism by China in the Indo-Pacific. India's rise as an economic and military power is widely understood as a necessary condition to keep China's rise peaceful. Trump has ploughed such assumptions deep underground.

Russia has been a reliable source of support. But Russia is beholden to China, for supplying critical inputs to its war against Ukraine. China has consistently dragged its feet over settling the border dispute with India, builds up and arms Pakistan as a convenient force multiplier, and engages with India's other neighbours in South Asia to neutralise them, if not turn them against India.

India has to build up its strategic capacity, double-quick: buy and build arms, rid its communications and weapons systems of dependence on Chinese electronics, create a satellite constellation in low-Earth orbit to monitor developments on the ground, spot and lock in on targets, and supply vital battlefield communications, including to drones used by individual soldiers or patrol units.



Simultaneously, there is strategic and economic challenge from AI. It's essential for commercial entities to develop AI applications that ride on foundation models from Western tech firms, and even open-source models available from China. But AI is increasingly used for military purposes. For that, India cannot rely on any model that can be withheld or corrupted by an external agent. India must develop its own.

AI is a product of the computing capacity derived from armies of high-speed, parallel processing chips housed in data centres, and programming. India has neither. But it has the potential to create both.

India's semiconductor missions are ridiculous. The only reason to build chips in India, rather than import them, is to shield ourselves from weaponised technology access of the kind the US has used against China. That purpose is not served by handing over billions of dollars to foreign chip companies to set up low-end fabs in India. That money is better spent on developing our own chip-making ecosystem.

A thought-through semiconductor mission would start with identifying every single element of the chip-making ecosystem, assemblies in each one of them, sub-assemblies and components. Fund five startups to develop every single item in this array, ranging from extreme ultraviolet lithography machines, lenses used to focus the laser to etch grooves on silicon wafers, to the kit to deposit vaporised metal in grooves and clean up afterwards.

Not all of them will deliver. Some funds would be swallowed by the well-connected. But in this process of reinventing the wheel, India would create indigenous capability to keep innovating beyond the existing frontiers in this field.

Can India do this? China has. Foreign companies have set up high-end R&D centres in their GCCs in India, employing Indian talent. What prevents Indian enterprise from doing this? Only the missing vision, courage and funding. Instead of luring foreign chip companies to set up shop in India, let GoI lure Indian tech talent working at the cutting edge in many parts of the world, to lead startups that would deliver Indian AI.

All this calls for large amounts of money, which cannot be found by business-as-usual budgets. Given the strategic imperative, extraordinary measures have to be taken. GoI must draw back from its populist trespass into state subjects, and mindless subsidies, such as that for urea, which depresses nutrient use efficiency and inhibits the spread of complex fertilisers.

It must put an end to the ethanol-blending farce, which only serves to reduce the crop under oilseeds and increase prices of maize, chicken feed, eggs and chicken. More than half of ethanol is derived from grain, including rice, all grown with subsidised, energy-intensive water and fertiliser.

When Lal Bahadur Shastri called on people to hand over their gold to finance the war thrust upon India, Indians responded. India today faces a similar existential crisis. Indians will respond with sacrifice — provided it is shared by all sections, and funds are utilised wisely.

Reorienting the budget is politics, not economics. It calls for political courage, honesty of purpose, and articulate engagement with the public. Is that too much to expect?



Billions of dollars handed over to foreign chip companies to set up low-end fabs in India is better spent on developing our own chip-making ecosystem



Foreign companies have set up high-end R&D centres in their GCCs in India, employing Indian talent. What prevents Indian enterprise from doing this?

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

GM Crops, Take an Informed Look at It

Allow scientists, not politicians, to decide

The 'framework for an interim agreement regarding reciprocal and mutually beneficial trade' between India and the US released by the White House on Saturday has revived the issue of genetically modified crops because of their prevalence in American farming. This is not entirely an unwelcome development. It offers India an opportunity to work on its prejudices against Bt crops. India needs the tech for its food security, but has allowed politics to hijack scientific inquiry into the nutritional benefits and environmental costs of modern biotech. The country is falling back in adopting GM tech despite the developing world taking the lead from industrialised nations in growing crops whose genes have been altered. This is on account of a policy logjam that has hobbled its ability to test GM crops and decide on its own which ones should be allowed.



Three factors contribute to this impasse. One, the wrong categorisation of GM crops as being hazardous to the environment. Two, environmental 'protection' has been granted through an administrative order that has rendered India's GM regulator dysfunctional. Three, regulation of GM crops is led by the Centre and resisted by states. India needs a regulatory mechanism that can restore undeservedly damaged public trust in a tech that's sweeping global agriculture as we remain an unlikely holdout despite having an immense stake in this game. The indefinite moratorium on testing GM crops is progressively making Indian agriculture uncompetitive and exerting unsustainable pressure on resources like land and water.

The trade deal with the US provides a re-entry point to policy sanity. As a starting point we must allow scientists, not politicians, to decide on science. Biotech is too valuable to be left to the lobbyists. India's scientific community and a section of its policy establishment have watched helplessly as political agendas have shaped the 'debate'. It's time biotech is backed by legislative intent so that Indians can make informed choices about how they want to feed themselves.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

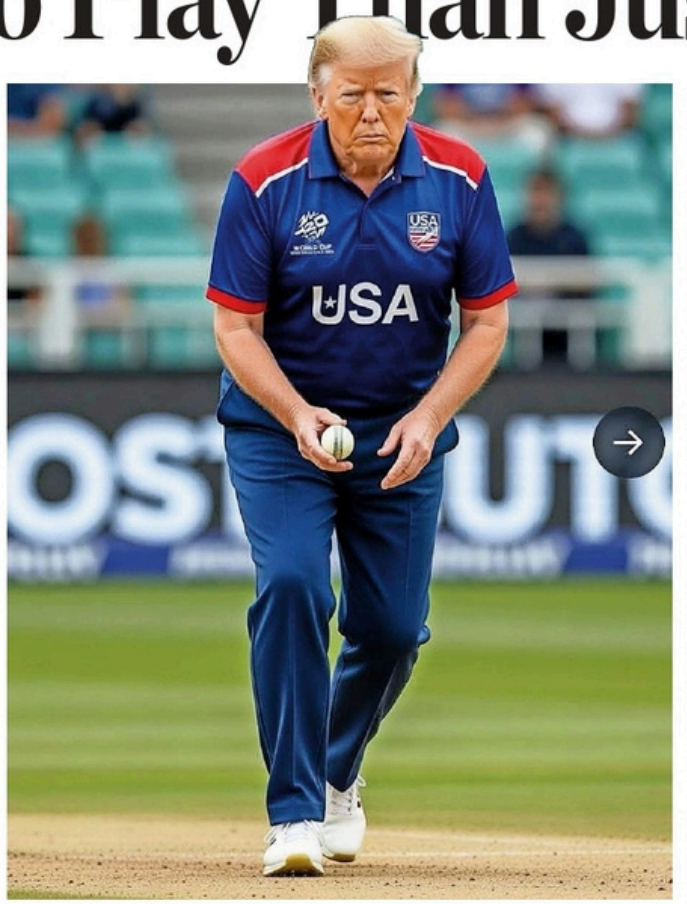
To see Dylan as a

Having sold itself the diversification mantra, India should remain focused on building leverage

More to Play Than Just USA



Indrani Bagchi



Not the most consistent of players

The India-EU FTA was pushed over the finish line last month largely because both sides have been battered by Trumpian fury and ritual humiliation the past year. Ironically, it has now largely propelled the US to lift punitive tariffs against India.

The India-EU deal is a full-grown trade agreement, negotiated painfully over years. It brings long-term predictability in regulations and policies to two complementary economies, unlocking trillion-dollar markets. Tariff integration and predictability within the India-EU sphere will bring both into more diversified global value chains, making it generally more equitable.

The India-US agreement, on the other hand, is not really an FTA, but more of a tariff agreement. Basically, it removes punitive tariffs on India — highest in the world — to a more manageable level. The EU deal will go through a legal scrub and parliament ratification. The US deal is a presidential executive order and joint statement with India.

India and the US are in negotiations for a deeper and longer lasting trade deal. A legally viable document should be available to both sides in a couple of months. At the end of that exercise, we can expect many more sectors to go down to zero tariffs.

It opens up a huge swathe of India's market to US products — and that's good. Protectionism has been the bane of the Indian economy for decades, kept alive by self-serving business houses and bureaucrats. If we can prevent dumping, Indian companies could do with some serious competition.

Also, the US market has opened up once again for Indian exports, particularly in labour-intensive sectors. For everyone saying we'll now pay 18% tariffs when we were paying about 3% earlier, there seems to be collective amnesia that we were paying 50% tariffs for the past six months. In any case, Indian breast-beating about 'selling' ourselves to the US has been a near-constant refrain forever.

Back in 2006, when the US Congress passed the Hyde Act clearing the US-India nuclear deal, many Indians went into paroxysms of despair, bemoaning the gifting away of 'sovereign choice'. Twenty-five years later, the only damage to the nuclear deal was caused by India to India. BJP then was accusing Congress of selling the country down the river. Congress is repaying BJP in the same coin today. India's real negotiators are tough cookies, and they cut across governments.

The country has turned the page on a dreadful year with a few big international wins. The US was the biggest market for Indian exports. We now have added the massive EU market. We should soon have a Canada agreement and, geopolitics permitting, a Gulf (GCC) deal, perhaps, in a year.

The US deal, paradoxically, makes the EU one more attractive because of the former's unpredictability



The US deal would seem unfair if we were comparing apples to apples. We aren't. The prime target of this deal is to reduce US tariffs on Indian goods, particularly in comparison with India's competitors. That's happened. In 2025, GoI made what both sides said was 'the best offer' to the US, driving Indian tariffs down to zero on almost two-thirds of sectors. That has been the best way GoI can cut India's self-imposed barriers.

India Inc. is, by and large, risk-averse. Over the years, it has specialised in getting governments to erect more barriers. They like swimming in the Indian pond and hate opening new markets, especially those that don't speak English and don't eat dal. To that extent, the fact the EU is opening up — and maybe Chile soon — will challenge Indian business. As it should.

The US deal, paradoxically, makes the EU one more attractive because of the former's unpredictability. Trump is likely to wake up one morning and rediscover his dislike of India. The MAGA universe is hostile to Indians anyway. Nevertheless, the US is India's biggest market, and some measure of that will be restored. The EU needs to move fast to ratify the India deal if we have to make the most of the current momentum. Meanwhile, the US may try to dial back its open hostility to Europe, even as underlying problems persist.

Strategically, the India-US kiss-and-make-up is somewhat of a relief. Ripple effects of the political pressure have been growing. India has neutralised China, Pakistan and Bangladesh's tariff advantage, which gives Indian creators on social media gloating rights. It will be easier for India to negotiate better terms with other countries. More importantly, India is back in the room on conversations around critical minerals, semiconductors and hi-tech.

India will join Pax Silica this month. It had joined the Mineral Security Partnership (MSP) in 2023, but did precious little there. So, let's not hold our breath on this new one. But India would be stupid to brush away the experiences of 2025. We have been derisking from China for some time. It's important to derisk from the US, too. For instance, we may work with the US on critical minerals, but simultaneously set up mining and processing capabilities with Japan and the EU.

India Inc is risk-averse and has got governments to erect more barriers. The EU opening up will challenge Indian business. As it should



Has the US relationship been restored? To some extent, yes. But India has long memories, and the US will detect strained smiles in India for some time. Having sold itself the mantra of diversification, India should play smarter — remain focused on building leverage so that 2025 doesn't happen in 2026.

The writer is CEO, Ananta Centre


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

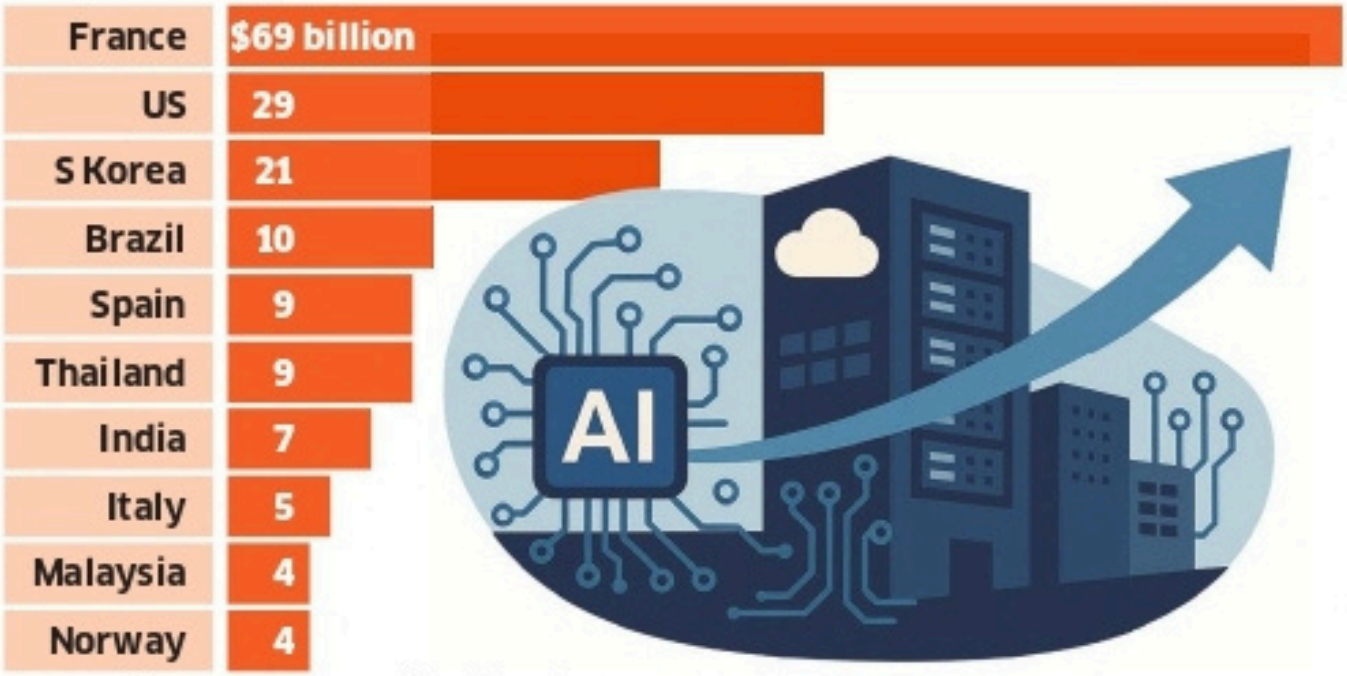
Let Him Be

To see Dylan as a

DATA-CENTRE FDI

Data centres emerged as a major force shaping global investment in 2025, according to a recent report by UNCTAD. Announced foreign direct investment (FDI) in the sector exceeded an estimated $270 billion, driven by surging demand for AI infrastructure and digital networks. Data-centre FDI was concentrated in a handful of host countries, led by France, the US and South Korea. Only a few emerging markets were among the top recipients...

Major recipients of data centre investments, 2025



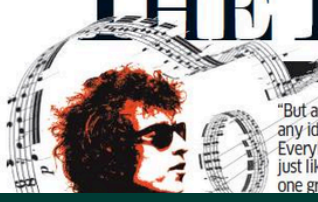
Note: The data covers the first three quarters of 2025 **Source:** UNCTAD

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DELTECH UNIVERSITY

Assurance That's People-Facing



Ateesh Tankha & Ashish Dave

On the face of it, GoI's decision to permit 100% FDI in insurance through Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 makes sense. By fully liberalising what was once a state monopoly, foreign capital and technology should drive greater competition, innovation and customer-centricity in the poorly penetrated Indian market.

But like the bill's name, this could represent hope more than a guarantee for three reasons:

❶ Market competition Despite relaxing many rules about maintaining Indian residents in key management positions, dividend retention norms and statutory number of independent directors, expecting foreign insurers to go-it-alone in India is a tall task. Apart from significant and long-term capital investment, a greenfield foreign insurer will need to contend with a highly competitive market in which of the 61 life and general insurance companies operating in India (plus 13 reinsurers and foreign reinsurance branches), 33 represent JVs between foreign and Indian partners, and 5 control about 80% of the market.

This begs two questions:

▸▸ Why would it not make more sense for existing JV foreign partners to increase their shareholding and investments to capture a greater share?

▸▸ Why would players who haven't thought it fit to enter India earlier using the JV route suddenly see new opportunities today?

❷ No guarantee for innovation Motivation for new products and their successful launch hinge on opportunities of scale, ability to pay, and effective and efficient distribution channels. Unlike developed and certain developing nations, where insurance penetration (insurance premiums as a percentage of GDP) stands at 11% and 7%, respectively, India's penetration has remained 3.7% the last few years. While the industry has kept pace with economic growth, insurance density and market coverage continue to lag.

Also, despite reassuring news that 62% of new insurance policies came from tier-2 cities in FY25, dependence on traditional distribution network of agents, brokers and bancassurance tie-ups, coupled with challenges of low-ticket and low-volume products from over-personalisation and innovation, will exacerbate profitability, distribution and consumer understanding. It's far likelier that new entrants will focus on existing markets and product constructs for foreseeable future.



Not just more, but better cover

❸ Claim settlement There's the issue of credibility. It's no secret that policyholders ultimately judge insurers at only one moment of truth: claim settlement. This remains a major issue because of mis-selling of life insurance policies, annual increase of which has been estimated at 15% y-o-y, and general and health insurance grievances, instances of which have reportedly increased by 45% in the last year.

These critical issues underscore the grim reality that unless claims outcomes visibly improve in fairness, speed, clarity and communication, the sector risks repeating past cycles where penetration rises temporarily but public trust remains fragile. In this context, success of the 100% FDI regime won't be measured by capital inflows, valuations, or market share alone, but by whether insurers can convert regulatory reform into lived, customer-experience improvements, particularly during moments of financial and emotional vulnerability.

To achieve this, the industry, under IRDAI, must adopt and implement a claims governance action framework that focuses on:

▸ Shifting from a modus operandi of contractual defence to one of claims fairness, to meet global best practices of materiality, intent and customer context, rather than simple mechanical repudiation.

▸ Embedding claims adjudication at CXO and board level to ensure claims outcomes are a metric of corporate philosophy, not operational afterthought.

▸ Simplifying products to reduce future disputes by paring policy structures, reducing sub-limits, narrowing exclusions and standardising language to reduce friction and downstream litigation costs.

▸ Enhancing compliance standards across TPAs and hospital networks through clearer accountability frameworks, focused SLA adherence in hospital empanelment, transparent package pricing and time-bound issue handling, to support a balanced insurer-TPA-hospital ecosystem.

▸ Redesigning claims communications and making grievance redressal enforceable by creating clear claim decision letters, appointing single-point-of-contact claims managers, facilitating time-bound execution of ombudsman awards, providing public disclosure of grievance resolution timelines, and enforcing penalties for repeated claim reversals.

▸ Aligning distribution incentives with sales and claims outcomes to discourage aggressive sales and drive higher penetration, instead of singling out commissions to regulate price ceilings.

If executed well, 100% FDI can mark transition of industry from a set of premium-collection companies to a claims-governance-led protection-delivery ecosystem. If not, this legislation risks becoming another phase of tentative growth without trust-led sustainability.

Tankha is founder-CEO, ALSOWISE Content Solutions. Dave is a senior insurance professional

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

This Cuppa Can Do With Some Stirring

Volume to value through speciality teas

In terms of sheer numbers, tea exports put up a good showing in 2025, reaching record levels in markets led by Iraq and the UAE. A rise of 9.5% from 256.17 mn kg in 2024 to 280.4 mn kg was buoyed by rising demand from the world's largest producer of tea: China. That's the good news. With India reportedly losing its standing among tea-exporting nations, as production is caught in a cycle of rising costs and declining prices undermining the economics of plantation economy, it could be time to wake up and smell the proverbial first flush. Rising input costs in terms of fertiliser and pesticide use are not being matched by auction prices. This is causing distress among smaller gardens, and plantation workers' labour rights are under strain. An undercapitalised industry is struggling with ageing plantations and lack of expansion, which affect business sustainability.



The tea industry is in need of a new strategy for quite some time. Production must change gear from volume to value through organic and speciality teas. This will require moving towards sustainable farming practices and lowering dependence on chemical inputs. Exports must target new markets in South America, West Asia and Africa to hold up volumes. Legacy branding alone can't do the trick.

Domestic marketing of tea has to be overhauled. A large chunk of countrywide output doesn't pass through the auction system, thereby clouding price discovery. This incentivises volume over value and distorts supply response. Small tea growers that bear most of the distress need marketing support to directly reach customers. They also need help with access to credit and farming technology. Consumer behaviour can be altered to speed up premiumisation through green and herbal teas. Transition of the tea industry must be accompanied by stricter vigil on labour welfare. The future of India's tea industry has been distinctly visible for a while now. It's essentially a matter of putting more effort into the endeavour. And valuing quality, rather than being besotted with only quantity.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a "literary" great is to

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DELTECH UNIVERSITY

STATE OF PLAY India has to diversify and build leverage in a global ecosystem of distrust

America Plus One Strategy



Pranab Dhal Samanta



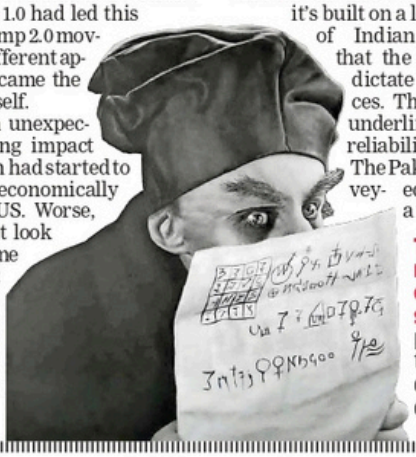
In as many baskets as possible

Can Trump be trusted? The question persists in New Delhi despite lowering of tariffs and announcement of an interim framework trade agreement. And that's because while a lot still rests on the India-US relationship, the past year has reintroduced doubt and political risk for India — or any Indian politician — to be fully invested in Washington. At the least, an insurance policy is now a must.

In many ways, it's a reflection of changing geopolitics that started with China's assertiveness translating into military aggressiveness through 2010-20. This was accompanied by China's weaponisation of trade and supply chains, resulting in economic upheaval that made dependency on China a security threat to almost every important economy.

But still, a coordinated response with the US as fulcrum was developed through Quad and other initiatives, which sought to look at diversification of supply chains, secure a China-minus alternate tech ecosystem as well as establish robust defence arrangements to rebalance the China threat. Trump 1.0 had led this challenge. Trump 2.0 moved to adopt a different approach and became the disruptor himself.

This had an unexpected destabilising impact on India, which had started to politically and economically count on the US. Worse, Trump made it look that India was one of the conflict blips in his radar as he set out to disbalance the world, instead of rebalancing it.



That said, the quiet India-US diplomacy through all the turbulence — especially proactive efforts of new US ambassador Sergio Gor — that led to reduction of tariffs imposed last year, and a potential trade deal, is a big plus. It re-establishes India's economic and strategic salience. But the political wariness will take time to subside due to the climate of distrust created in 2025.

First, imposition of the initial 25% tariff. Then, the even-handed approach with Pakistan post-Op Sindoor, further buttressed by commercial off-ramp dealings with the Pakistani army, overlooking its terror sponsorship role. And, finally, coming down on India with additional 25% tariff over Russia. Together, Trump had put the spotlight on three domestically sensitive political issues for India: Pakistan, economy, and national pride over strategic autonomy.

The last bit also covers Russia as it's built on a long-held idea of Indian nationhood that the West cannot dictate India's choices. The 50% tariffs underlined the non-reliability of the West. The Pakistan tilt conveyed duplicity. As a result, from a 'trust and verify' approach, India went on to adopt a 'distrust and diversify' template.

The tariff reduction re-establishes India's economic and strategic salience. But the political wariness will take time to subside due to the climate of distrust created

The deal with the US is to be seen in that context — since the last 13 mths are basically about four major trade deals (UAE, Britain, EU and US), one war, and a strategic budget. All of them underline one message: urgency for diversification.

There are two elements to this: options and leverage. Unlike China, it was clear when Trump decided to shift gears that India didn't have similar leverage by way of controlling supply chains, or rare earths and critical minerals. Which is why Washington couldn't hold a gun to Beijing's head for buying Russian oil as it sought to with New Delhi.

So, India had to play options. Which it did by way of building as many bilateral trade deals, the EU one possibly having the US rethink on stalling the India-US deal any further.

Building leverage is the next step. Rather than getting caught in the polemic around Russian oil purchase assurances, India must take its 2025 strategy to the next stage by trading more aggressively with the US. Remember, Washington had exempted two areas where India has some leverage — pharma and consumer electronic goods — from Trump tariffs. In fact, India recording a rise in exports with the US because of these two segments shows a way forward.

As for Russian oil, it's a declining procurement trend that's unlikely to reach a zero, or thereabouts. But the larger fact is that oil prices are quite competitive in a supply-surplus market. India, as among the biggest consumers, has options it can deploy to serve its interests.

The question for the US would be to make its supplies easily available and competitive. Which is where the trade deal will help. Defence, energy and aviation purchases will have to be seen in tandem, for India will want military edge from the US in terms of loosening end-use controls and locating more in India as it looks to meet the $500 bn purchase target at hand.

Finally, there's India's challenging security environment. Op Sindoor revealed the almost seamless interoperability between Pakistani and Chinese armed forces, and how Rawalpindi will be the primary beneficiary of an increasingly sophisticated Chinese military industry. Add to this the uncertainty over the US approach towards Pakistan, and India has a looming, complex security problem like no other.

India clearly needs to invest more in matching weaponry, much of which will take time to build supply chains here. This explains the hefty hike in this year's budget for defence capex. Here, too, though not ideal for any military, India will have do with a diverse equipment profile — American, Russian, Israeli, French, German — besides encouraging indigenous production.



Trump had put the spotlight on three domestically sensitive political issues for India: Pakistan, economy, and national pride over strategic autonomy

So, diversification and building redundancies form a necessary survival strategy in a global ecosystem of distrust. For India, this would mean taking calculable risks in a geopolitical 'futures and options' market, while quietly building leverage for the long term. Because, eventually, that's what holds the key.

pranabdhal.samanta@timesofindia.com

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

A Bit More Assured in Advance



Pooja Ranawat

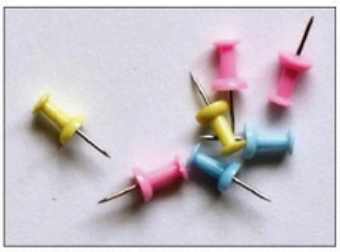
In her budget speech earlier this month, Nirmala Sitharaman announced a transformational tax policy change for the IT sector. Safe harbour rules were modified to create a unified category of services, 'information technology services', with a common margin of 15.5% and a turnover threshold of ₹2,000 cr. The FM also proposed to fast-track the unilateral advance pricing agreements (APA) process for IT services.

Rapid tech innovations have led to traditional business boundaries being eroded. Brick-and-mortar business models are being replaced by digitally-aligned cloud and AI models. Global supply chains are evolving, service delivery platforms are transforming, and market location is becoming the preferred metric of value creation. Transfer pricing has now taken centre stage in boardroom discussions.

At this juncture, with contrasting views on pricing mechanisms for evolving business models and the imminent need for tax certainty while expanding operations, APAs are promising policy instruments that can assure tax certainty to MNEs.

An APA determines in advance arm's-length price (ALP) of a cross-border international transaction, be it good, service or any other cross-border transaction, for a period of 5 yrs, with an option to extend it to 9 yrs. APA can be unilateral in nature (between an MNE and government), or bilateral/multilateral (between two or more foreign competent authorities). Through this instrument, price as well as method of arriving at ALP for transactions is determined in advance.

Transactions covered under this mechanism are not subject to transfer pricing audit. There is also a provision for renewing an APA, thereby granting tax certainty for an extended period.



It helps to put a pin in it

Through its operation, every signed APA generates a predictable tax outcome for MNEs reducing litigation risk. Every certain year allows the MNE to firm up its plan for capital and resource allocation. In case of a bilateral APA, this certainty is created in both the jurisdictions where an MNE operates — within the foreign jurisdiction and within India. Every agreed APA quietly ushers a shift towards compliance, fostering investor confidence and commitment to invest in the long term. With its strong multiplier effect, APAs have the potential to emerge as the prime policy instrument for MNEs.

The prevailing uncertainty in the global tax universe today — including ongoing deliberations on Pillar 2 of OECD/G20 BEPS initiative, regulatory changes, tariff wars and currency volatility — have created a greater need for certainty for MNEs seeking to diversify operations. APAs possess the potential to fill this critical gap by providing investors just that.

They create space for voluntary compliance and prevent prolonged disputes. They also leverage the power of collaborative frameworks signalling a shift to a more agile tax administration.

India remains a strategically important investment destination with technical capability, digital infrastructure and strong network of value-adding suppliers driving sales. In this backdrop, APAs hold the potential to become strategic tools driving India's growth story and create an enabling climate for investment, jobs and growth.

The writer is deputy commissioner, Foreign Tax and Tax Research Division, finance ministry, GoI


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Science of Patience, Scale, Collab



Bharat Bhasker

With the launch of Research Development and Innovation Fund (RDIF) last November, establishment of Anusandhan National Research Foundation (ANRF) in 2023, a renewed emphasis on 'Aatmanirbhar Bharat', and growing momentum around deep technologies, India has a real opportunity to evolve into an innovation nation, moving beyond its image as primarily a services economy, or a nation of frugal improvisation a.k.a. jugaad.

Over the past three decades, new venture creation has largely revolved around entrepreneurs leveraging relatively accessible digital technologies to build websites, apps and software platforms. The next wave will look different. Deep-tech enterprises, rooted in advanced science, engineering and frontier research, must emerge from, or be closely intertwined with, universities, labs and interdisciplinary research hubs.

Underlying inventions will require sustained research, specialised infra and long gestation periods. Conversion of scientific discovery into commercially viable innovation is slow, uncertain and marked by high mortality. Many promising ideas never make it beyond the lab, and those that do often take years to reach market readiness. This 'valley of death' between research and commercialisation demands strategic support systems and patient, risk-tolerant capital.

As public investment in research expands through ANRF and as RDIF capital becomes available to deep tech-focused venture investors, a structural gap becomes evident. Without robust mechanisms to make research outputs investable and market-ready, scientific advances risk remaining under-commercialised, while investors, on the other end, struggle to find ventures that meet the threshold of technical and commercial readiness. Strengthening national capabilities for translation of inventions into scalable innovations is imperative.

This journey requires a complex stack of enablers, including access to advanced laboratories and pilot facilities, entrepreneurs and professional managers who can work with scientists, trained researchers with exposure to market realities, early customers and validation partners, business development and regulatory support, global go-to-market pathways, and forms of capital willing to absorb technological and market risk.

A critical element in this architecture is creation of sector-focused clusters and platforms that build depth, not just breadth. Concentrated activity in specific domains such as space technologies, life sciences, energy transition or advanced manufacturing creates virtuous cycles of learning, talent circulation, supplier development, customer engagement and investor confidence. Over time, such clusters generate compounding network effects, lowering the friction and risk associated with early-stage deep-tech commercialisation.

While universities and research labs are engines of discovery, the broader innovation system must function as the transmission, moving ideas efficiently into markets, value chains and societal impact. Evidence shows that deep-tech ventures emerging from leading IITs, national labs, and interdisciplinary research centres across domains such as aerospace, biotech, space systems, advanced materials and clean energy tend to progress faster and more robustly when supported by multi-institutional, multidisciplinary collaboration rather than isolated efforts.



The real plugging into global supply chains

If academic and research institutions partner and leverage their collective and complementary human resources, networks, infrastructure and know-how, they can catalyse this translational process. The multi-institutional partnership, 'Translation Endeavours' (TE), launched last month shows promise in bringing together India's best institutions in service of creating a deep-tech nation.

By bringing together innovation and incubation hubs across institutes of national importance such as IIT Madras, BITS Pilani, IIT Gandhinagar and National Chemical Laboratory-affiliated Venture Centre, TE promises to unlock aspiring startups' access to deep domain expertise, technical and managerial talent, research pipelines, incubation infrastructure and market access, among others.

If India is serious about building companies of consequence in frontier technologies, translation must be treated as a national capability, not as an exceptional or ad-hoc activity. Public research funding and venture capital, while necessary, are insufficient on their own. What is required is patient institution-building, namely platforms that persist across funding cycles, leadership tenures and policy regimes, and that measure success not in the number of programmes launched but in the number of globally competitive enterprises and impactful technologies created.

The writer is director, IIM Ahmedabad

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it... Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a "literary" great is to

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DELTECH UNIVERSITY

Does the 'deal framework' lock sovereignty into Trump tantrums, or unlock opportunities galore?

TRICKED, OR TREAT?

Cave-In, Not Breakthrough



Swaminathan S Anklesaria Aiyar

The India-US tariff deal is a humiliating cave-in. This is not just a 'trade deal'. India has been arm-twisted into giving up its sovereign right to buy oil from wherever it chooses, Russia in this case. Some analysts say realpolitik obliges India to submit until Trump's term ends and the US hopefully gets a better president. Okay. But unlike the agreement with the EU, please do not call this the 'mother of all deals'.

The fine print is still not available. Piyush Goyal calls it a landmark achievement. US tariffs on Indian goods have been cut from 50% to 18%. But they averaged something like 4% pre-Trump. So, the new reduction is not generosity. It's a partial rollback of economic blackmail, accompanied by a warning that the blackmail can resume any time.

He has warned that he will raise tariffs again if he is 'not satisfied' with the outcome. This single clause destroys any illusion that the deal is a stable, negotiated agreement crafted to last. A trade agreement in which one side reserves the right to unilaterally walk away and impose penalties is not a deal. It's economic intimidation dressed up as diplomacy.

Optimists like Brookings Institution's Tanvi Madan have argued that India has often faced difficult trade-offs in foreign policy, and surrendered some positions to gain others. She says if realpolitik requires India to give up cheap Russian oil for a good strategic deal with the US, that can be a net foreign policy win. Alas, this presumes the deal is in some sense final and binding, and not the start of further demands.

Trump himself has said he will impose tariffs again if 'unsatisfied' with the outcomes. Months after signing a similar trade deal with South Korea, he reneged on it and slapped a 25% tariff, complaining that Seoul was not moving fast enough. Why expect he'll treat India any better?

Rahul Gandhi is right in saying India has caved in to US pressure. GoI says it's 'diversifying oil supplies' by abandoning cheap Russian crude for costlier US crude. Stuff and nonsense. Buying Russian oil at discounted prices was itself diversification to a source rarely tapped earlier. Being forced to abandon that option under threat of US tariffs is not diversification, but submission. Pankaj Srivastava of Rystad Energy, a Norwegian analyst firm, estimates that switching from Russian to US crude oil will cost India a stiff extra $12 a barrel.

Competitors such as Bangladesh, Pakistan and Vietnam now face a 20% tariff against India's 18%. This merits maybe one small cheer. But the fact that some other countries now face slightly higher tariffs doesn't make this deal a success. It merely shows how coercive and volatile the US trade regime has become.

India has agreed to eliminate, or reduce, import duties on a variety of US industrial and agricultural products. US officials boast of gaining major access to Indian agricultural markets, while Goyal says he has stood firm on protecting Indian farmers. He should have added, 'For now.' Let nobody think Trump is done with tariffs. He'll use them repeatedly for future aims.

Ironically, the ruckus over trade in goods misses entirely the true future of India-US economic relations, which is in services (especially IT and AI). Services trade has been skyrocketing without any political or diplomatic manipulation or threats. India's booming services are still a tad below goods exports, but are growing much faster. They represent India's exports of the future, to the US and all others.

Amazon, Microsoft and Google have recently announced plans to invest over $67 bn in India in data centres and allied infrastructure, driven by pure market logic. The West, with its falling fertility, does not produce remotely enough STEM graduates for future AI development. India currently produces 3 mn STEM graduates annually, and plans to increase this to 18 mn by 2030.

Actual achievement will be far lower. Indian quality is spotty. But if even half of India's STEM graduates are employable, that will meet the world's needs and generate billions in service exports.

Ficci estimates that by 2030, India will have 2,400 GCCs of MNCs with 2.8 mn skilled workers, mostly in IT and AI, but also in R&D and engineering design. Earlier, such skill centres did not require much investment. But AI requires massive investment in data centres, which is now flooding in.

Trump has slashed H-1B visas for Indian IT workers, saying he wants IT done in the US and not in India. But his attempts during Trump 1.0 to keep out Indian IT workers failed, as the work simply moved out of the US to Indian GCCs. Will Trump penalise India for this too? Will he impose high tariffs to stop US companies from expanding data centres in India?

I suspect not, because US companies will tell him that India's STEM workers are irreplaceable for developing AI to meet China's challenge. That logic will be hard to override even by a loose cannon like Trump.

FACE-OFF



Easy with the thanksgiving

Big Deal That's Confirmation



N Chandrasekaran

There are at least three reasons why, despite facing so many challenges, India may be in a better place now than it has been at any point in living memory: an excellent set of FTAs, growing prowess in advanced manufacturing, and that it's well-placed to take advantage of AI.

The 'framework for an interim agreement regarding reciprocal and mutually beneficial trade' between the US and India released by the White House last weekend was a long time coming. But it was worth the wait. The deal should open up a $30 tn market to Indian exporters, reducing tariffs on Indian imports to the US from 50% that was imposed last year to 18%. India would have increased access to advanced technologies like semiconductors, aircraft, equipment for AI, and tech that's necessary for data centres.

But more important than the prospective deal's details is what it says about India at a time when global trade is in retreat. Signing of such an extensive and important deal would go on to confirm that India is emerging as a global trade superpower.

The latest US announcement has followed a trade agreement with the UAE in 2022, FTAs with Britain and the EU in 2025 and last month, respectively, the last one being hailed by European Commission president Ursula von der Leyen as the 'mother of all deals'. As a result of these agreements, markets will open in unprecedented ways for India from trade access to R&D collaboration and labour mobility. Millions of jobs would be created in manufacturing, services, and research and innovation as a result.

Consider also how India's economy is poised to take advantage of these deals. In recent years, car, especially SUV, sales, domestic air passenger traffic, services exports and digital transactions have all passed record milestones. India's world-class financial inclusion architecture has helped lift nearly 270 mn people out of extreme poverty in the past decade.

India is also moving from assembly to invention, and securing resources, thereby deepening its role in global supply chains. Manufacturing clusters for vital components are emerging. New semiconductor facilities will advance materials research and produce IP. Defence corridors will make India self-reliant in research and manufacturing. And India's strategic needs will be met by a new rare earths corridor that was announced in the latest Union budget.

In recent years, pragmatism has guided India's approach to policy. When the pandemic struck in 2020, India bolstered its supply chains and invested in advanced manufacturing capabilities. Today, in less than 6 yrs, products from those advanced manufacturing lines have tripled. For example, high-end mobile phone manufacturing has grown so rapidly that India's mobile phone exports to the US have already surpassed China's in recent quarters.

Similarly, chip designs that originate at Indian design centres constitute about 20% of the world's capabilities. India dominates the specific niche of design verification — rigorous testing of a chip's blueprint before it's manufactured. This process hinges on labour and proficiency, and is vital to next-generation smartphones, data centres and 5G infrastructure. Next comes creating the ecosystem for semiconductors.

In AI, too, India is well placed to lead. It has embraced AI faster, and more comprehensively, than any other nation. Voice, not text, has emerged as the dominant mode of interaction with AI tools, allowing users to leap over literacy hurdles. There are over 700 mn weekly active users of ChatGPT globally, and India is the second-largest market by usage for OpenAI. About 92% of Indian office workers use AI tools regularly, compared with 64% in the US.

There is already a clear focus on developing indigenous AI tools at extremely low cost. IndiaAI Mission has become one of the world's largest public-funded AI compute platforms, with over 38,000 GPUs deployed at less than $1/GPU hour. It also has the world's second-largest population of developers on GitHub.

With mass adoption of AI and a focus on low-cost development, right conditions and elements exist for India to be a different kind of AI superpower: a producer and leader of affordable AI services that help common people bridge the access gap, wherever they live.

Effects of the various deals, agreements and frameworks will take time to be felt. But, for now, there is optimism. New possibilities are emerging — from trade corridors in West Asia and digital embassies, to green energy partnerships and new markets for gas. This optimism is partly because India has found a viable path through instability. But in large part, it's also because these deals represent a changed mindset. A change in how we see ourselves and our circumstances is also reform of a kind.

We've decided, clearly, that collaboration is essential if billions of people are to progress. India's partners feel the same way — that in the tumult, there are new opportunities to be found.

The writer is chairman, Tata Group

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU
DELTECH UNIVERSITY

CHAPATI India's deft negotiations and anxiety from US business groups pushed the ball

MAGA SPOOKED AMERICA



Ashok Malik



Ted talks!

It is useful to see the India-US 'framework for an interim agreement regarding reciprocal and mutually beneficial trade' released earlier last weekend by the White House as the product of a grudging mutual compromise. The back and forth over words and phrases in follow-up US administration statements and fact sheets only confirms that.

So, what is the big picture? The 'agreement' provides immediate relief to India. It gives those Indian merchandise exporters with exposure to the US a manageable tariff —18% as opposed to 50%.

Beyond that, stakeholders in the business relationship get a predictable — to the extent that anything is predictable these days — and reasonable floor. Even if far from the soaring ceiling that was once the aspiration, the setting of a floor is still welcome reassurance. Finally, the 'agreement' secures for India continued technology access, including GPU imports so vital to data centres.

Overall, the agreement arrests a decline in the relationship. That is very different, of course, from triggering a significant advance.



Before speculating on the 'what next', it's important to appreciate the 'why'. Give or take a bit, this Indian trade offer was available months ago. It was repeatedly rebuffed, but was finally given the green signal on February 2. What persuaded Trump? At least some credit must go to India's deft trade negotiations and economic diplomacy in the past few months. It successfully created Fomo.

India's economic diplomacy successfully created Fomo. Its emerging basket of non-US trade agreements was starting to cause disquiet among individual US business and export constituencies

From Britain and the EU to New Zealand and Canada, India's emerging basket of non-US trade agreements — concluded or under negotiation — was beginning to cause disquiet among individual US business and export constituencies. In proportion to the national population, Indian market size for imported goods is small. In absolute numbers, though, it is not to be sneezed at. It's also very competitive and price-sensitive.

From New Zealand options to Washington state apples or Canadian pulses against those from Montana, the risk of alternative trade agreements becoming embedded in the Indian system, with entrenched distribution and marketing networks, was rising. From whiskies to wines, Britain and several other producer countries would have tariff advantages over the US. As early as spring 2025, Kentucky bourbon companies were in discussions with Indian importers for long-term arrangements. By early 2026, they fretted that Scotch was moving ahead permanently.

Anxieties grew after the EU trade deal. US chemicals and commodities that could form a steady supply stream to India were in danger. In specific cases, chemicals manufactured by a US corporation at its Europe-based plant would find it easier to export to India than chemicals from its home-country plant. This would make no difference to the corporation's profits, but would hurt direct US exports, as well as jobs.

Defence deals and supply chain linkages with EU countries also loomed as a challenge, especially after the ambition shown in the India-EU Security and Defence Partnership agreement. Listlessness in the Delhi-Washington relationship meant India was no longer seeing a defence purchase from the US as an inevitable contributor to strategic alignment. This changed the decision matrix. The 30% drop in Indian student enrolment to US universities was noticed. As was the rise in applications to campuses in Europe and elsewhere.

None of this was enough to shake the world's largest economy. Even so, bit by bit, the adversarial impact was mounting. Specific US groups — farmers to education consultants to military platform manufacturers — were recognising the quest for a maximalist trade agreement with India was jeopardising a very much achievable near-term market. The on-ground understanding of ambassador Sergio Gor clearly helped. It cut through the blather and fog in Washington. Eventually, somebody in the White House did the maths.

However, for the MAGA mindset, a trade or tariffs deal is not just a transaction. It is, and must be, a power statement, and an establishment of hierarchy. As such, the grit-your-teeth acceptance of the need for a trade agreement with India has come accompanied by a whole host of egregious language. The 'monitoring' of India's oil purchases is a case in point. It is not that India necessarily needs Russian oil. Nevertheless, as a proud and fiercely independent country, it would prefer to make that determination itself.

Narendra Modi's opponents obviously want him to make a public brawl of his irritation. Yet, he is nothing if not a fox with a shrewd eye on the long game. He will pick his opportunity. This is not the moment to unsettle an anyway tentative agreement.



Like in so many other spheres of Indian life, cricket offers a metaphor here, too. The English batsman Denis Compton was a magnificent stroke player, but a terrible runner between wickets, often running out partners. It was said of him, 'Compton calling for a run is not a decision. It is a basis for negotiation.' Trump, trade and the next 3 yrs are going to be something like that.

The writer is partner, The Asia Group, and chair of its India practice


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Trumpet Truce, But Caveat Emptor



Seema Sirohi



LETTER FROM WASHINGTON

Can the US-India tariff framework restore political confidence after a year of man-made turbulence? The short answer: to a degree. What the India-US joint statement gives in tariff reduction, Trump's executive order on Russian oil taketh away.

The EO's language, tone and content, with threats of snapback sanctions should India resume buying Russian oil, are coercive, to say the least. And politically damaging. Penalty tariffs of 25% can come back if India 'directly or indirectly' resumes import of Russian oil.

Dictating decisions on India's energy purchases because he can, only makes Trump's refusal to name or punish the largest buyer of Russian oil — China — that much starker. The presidential order makes no mention of China. As India reduces its intake of Russian oil, China is benefiting even more from deeper discounts and greater volumes. Russia has already overtaken Saudi Arabia as China's top supplier.

If Trump thinks forcing India's hand will prompt Putin to make concessions in Ukraine, he still hasn't understood Moscow. All Trump is doing is turning energy procurement into a geopolitical play and reducing India's leverage while making China the overall winner. And one thought China was America's biggest competitor.

It will be hard for Delhi to go back to the glory days with Washington to reclaim lost land even if tariff relief of 18% was most needed. Besides, policymakers may not want to, in the face of a Trump-sized hole in the political relationship. Critics in India have condemned the tariff agreement as too much give and too little take. One commentator called it a 'tactical surrender of sovereignty in return for halt in punitive action'. Hyperbole aside, the real question is whether job losses in labour-intensive industries and diminishing market share were more acceptable?

Ask the people in Surat, Tiruppur or Kanpur who lost their livelihood thanks to Trump tariffs. The unemployed had no more sovereignty to lose. Leather exports to the US had plummeted to near-zero, forcing many tanneries to suspend operations. The number of job losses in the three hardest-hit sectors — gems, textiles and leather — is said to be upwards of 2 mn.

Need for a tariff reduction by Washington had also become imperative given capital outflows from India, the rupee coming under pressure as a result, and foreign portfolio investors pulling out a record $17 bn from Indian equities. The cut-and-run made 2025 the worst year for flight, surpassing the 2022 record.

The experience is a bitter lesson for Delhi even as it recognises the need for a US partnership for strategic, economic and technological reasons. Some analysts have already declared an end to the downward spiral in the political relationship and march of US CEOs to Delhi as proof of resilience. While one may broadly agree, it's unwise to underplay political complications and overplay tech investments because patrons want you to promote a certain narrative. In the end, politics must carry economics in a country like India, a fine balance that Trump disturbed.



He loves us, he loves us not...

For its part, Washington seems to have realised that 'losing' India for no good reason wasn't smart policy even if some in the Trump regime see India and Indians only as a source of problems, whether on H-1B visas or outshining 'heritage Americans' and rousing MAGA's ire. The official 'rethink' has led to India's inclusion in Pax Silica that it will formally join this month.

Undersecretary of state for economic affairs Jacob Helberg reported 'a lot of very positive momentum' in the wake of the US-India tariff announcement. 'India is probably the only other country on Earth to be able to rival China with respect to the breadth and depth of the sheer volume of young, technically trained talent,' he said when I asked him why India was not initially included in Pax Silica. It took time to align given the 'sheer size of our countries'.

Going forward, India would, of course, want to maintain a strong relationship with Trump's US. But it will also spend more time on other partners. All things will be true at the same time. Recognition that Trump can burn a relationship, change his mind on a whim, demolish understandings with a late-night post, and create political turmoil in Delhi is now deeply embedded in the Indian mind. The new slogan: Derisk, or be vulnerable.


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DELTECH UNIVERSITY

Making Most of Claude & Friends



Nitin Bhatt & Mahesh Makhija

Anthropic's recent release of Claude Cowork, an AI 'digital coworker' with 11 enterprise automation plug-ins, has triggered the most severe bout of soul-searching the IT services sector has faced in decades. Overnight, predictions of an industry-wide reckoning filled analyst notes, with some forecasting revenue deflation of up to 40% as agentic AI shifts from assisting humans to autonomously executing multi-step workflows.

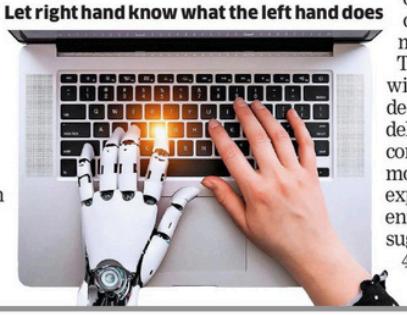
Claude's ability to automate core enterprise tasks across customer support, finance, data, marketing, product and legal has intensified fears that long-standing outsourcing models may come under pressure faster than expected. Beneath the noise, one signal is unmistakable: tech CEOs are recalibrating to understand how quickly AI-driven effort compression could cascade into business model disruption.

Two realities argue against a zero-sum, end-of-outsourcing narrative.

▶ Complex environment While AI platforms and plug-ins lower the barrier to building software, enterprise environments remain far too complex for standalone tools. Large organisations run on fragmented data, legacy stacks and interconnected workflows; real value comes from enterprise-grade integration, governance and coordinated orchestration across systems, not narrow task automation.

This is the core capability technology service providers bring. Historically, whenever software creation becomes easier, demand accelerates. Every productivity wave from modern languages to open source to the cloud expanded the software pie. AI will do the same, as enterprises seek new interfaces, deeper automation, modern data foundations, stronger security and more intelligent integrations.

▶ Agents still not there We are far from fully autonomous agents at enterprise scale. Agentic workflows still loop, stall or misfire without robust guard rails. Current security architectures require broad system access that most enterprise leaders will never approve. Organisations need strong grounding, governance, auditability, change control and cost discipline before autonomy can scale safely. Agents will improve, but we are still years away from replacing developers in complex environments.



Let right hand know what the left hand does

The next 12-24 mths will be disruptive. Most programming will be LLM-assisted, and service providers are upgrading skills, processes and tooling. Delivery will accelerate across build, support and analytics, followed by client expectations to share productivity gains. The commercial effect varies by contract mix.

Firms that rely heavily on time and materials will feel the impact first as routine work is displaced and purchased hours fall. Those with a more balanced mix will see volumes soften, and price resets will follow at renewal. Low-time-and-material providers will hold revenue slightly longer but will face tougher fixed-price renegotiations as buyers benchmark against AI-enabled delivery costs.

Across all scenarios, the pattern is consistent: effort compresses first, and pricing follows. Even when headline revenue remains stable initially, margin pressure will increase as renewals reprice against AI-driven delivery baselines and offensive competitor moves.

The next 2 yrs will require a decisive shift in delivery and commercial models. Our experience and enterprise pilots suggest up to 40% effort compression in build, support and analytics work, with pricing resets typically lagging by one contract cycle. To stay ahead, companies must move from effort-based billing to AI-assisted outcome delivery, redesigning support, finance and data operations so value is tied to impact rather than hours. They must also productise the agent layer by standardising connectors, guard rails and domain-specific workflows into platforms that can be deployed across clients, turning AI into a differentiating capability.

A major opportunity lies in AI governance and risk management. As enterprises embed AI deeper into sensitive workflows, especially in regulated industries, they will need stronger security, compliance and internal controls. Packaging these as recurring services creates resilient value pools. Finally, renewal conversations must shift. Providers that present a priced automation blueprint, detailing efficiency gains, safeguards and new value pathways, will shape deal economics rather than react to them.

The next chapter for tech services will not be written with old playbooks or by leaders who use AI only to improve productivity. It will be shaped by those who harness AI for reinvention and differentiation. And it will be built by trailblazers with the courage to cannibalise outdated paradigms before someone else does. Those who do not adapt will lose. And lose fast.

Bhatt is technology sector leader, and Makhija is technology consulting leader, EY India

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

Regulating Pharma, Beyond Mfg Quality

GoI's plan to strengthen Central Drugs Standard Control Organisation (CDSCO) to meet global standards as indicated by Nirmala Sitharaman in her budget speech was long overdue. It's time to undertake an overhaul, as that seems to be the only way to ensure a pharma sector regulator fit for purpose. The regulatory approach must shift from an overwhelming focus on manufacturing to public health, putting the spotlight on quality and drug efficacy. This shift will be reflected in the choice of personnel. At present, CDSCO is manned by bureaucracy specialising in pharmacy. Global practice has been to staff drug regulators with multidisciplinary teams, while leaving operations to a doctor. This will lead to a holistic evaluation of drug manufacturing.



Unlike other sectors, pharma doesn't have a regulator separate from government — CDSCO is attached to Directorate General of Health Services. For it to be effective, CDSCO must be recast as an independent regulator. Currently, CDSCO oversees imports, approvals to new drugs and manufacturing licences for a limited number of them. Meanwhile, state regulators oversee manufacturing licences and pharmacies in the state. State drugs standard control organisations are independent of CDSCO. This overlap in jurisdictions adversely impacts compliance. A system where the central and state regulators work in tandem and serve as a checks-and-balances mechanism can address quality issues beguiling segments of the sector.

Modern regulation needs a modern legal structure that provides oversight to an increasingly complex industry, while protecting public health and patients' rights. GoI has recognised the need for a regulator in line with global best practices and standards. Now to avoid half measures.



Labelling AI is Being Smart, Not Overkill

Making deepfakes ethical, not disappear

New rules on labelling AI-generated content that come into force later this month are a timely regulatory intervention. Harmful deepfakes have raised concern across the board, and the requirement in modified regulations for IT intermediaries that all content created synthetically be identified as such places the compliance burden on digital platforms. Takedown timelines have been squeezed, in some cases to hours instead of days, which is to limit damage from *malicious* content. Platforms are required to scrub content to check for mala fide AI use, and must introduce tracers for content creators and tools used. They need to periodically warn users about penalties for misusing AI in content generation. The new rules are not beyond technical and operational capabilities of platforms.

Too much? No. Segregating content by source provides an effective mechanism to make AI responsible. It permits business models that rely on synthetic information, while upholding informed consumer choice. Two sets of gatekeeping — at creator level through declaration, and at platform level through identification — should screen most AI content for misuse. In the absence of explicit protection of personality rights, guard rails being set up should be adequate. Quicker takedowns are an extra layer of protection for content that manages to get past other measures.



The time to label AI content is *before* synthetic content becomes indistinguishable from that created by humans. The tech has developed pretty effective screening systems. These should be implemented vigorously and uniformly, irrespective of tools being employed or platforms used for distribution. Since synthetic and natural content are to be treated alike, apart from the need for labelling, there is no additional embedded risk to freedom of expression in the new regulations. The rules will bring India's oversight of AI content in line with what is available in the EU and China. This is a positive factor for harmonisation of efforts to keep AI ethical.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

DELHI TECHNOLOGICAL UNIVERSITY
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DEL TECH UNIVERSITY

Defence Acquisition Procedure 2026 paves way for a shift from 'Make in India' to 'Owned by India'

Calling the Shots, Finally



Rajiv Roy-Chaudhury



This time, aim to be pleased

Earlier this week, the defence ministry released Defence Acquisition Procedure (DAP) 2026 for stakeholder comments until March 3. As India moves from importing military equipment to building it indigenously, the question for policymakers is not whether India should pursue technological sovereignty, but how it should do so in a world where advanced military capabilities are rarely developed in isolation. By prioritising IP ownership, indigenisation and co-development, DAP 2026 sets a long-term vision for developing indigenous defence manufacturing ecosystems by the end of the next decade.

▸ **Owners, keepers** India is importing less and building more of its own military equipment. Yet, key components and platforms still come from abroad. MoD has sought to import critical weapons technologies through 'Make in India' initiatives. Licence production remains central to modernisation, yielding platforms such as Scorpène-class submarines, Sukhoi Su-30MKI fighter jets, T-90 tanks, and BAE Systems Hawk advanced jet trainers (AJTs).

A common criticism is that such arrangements transfer only manufacturing capabilities, not design expertise. For example, the C-295 programme — a partnership between Airbus and Tata Advanced Systems (TASL) to manufacture military transport aircraft in India — will bring in critical aviation technologies. But Tata will not hold the design rights to modify or upgrade the platform.

India also struggles to secure meaningful technology transfers, as most countries are reluctant to share core proprietary technologies due to IP and security concerns. Stalled negotiations for HAL to manufacture GE's F414 jet engines, intended for the LCA Tejas Mk II and Amca Mk I, illustrate this. Although the proposal offered up to 80% tech transfer, the most-sensitive hot-section technologies were excluded, with talks stalled since 2023.

DAP 2026 seeks to reduce dependencies on foreign technology by focusing on Indian ownership of IP, source code, critical design data and upgrade authority, retained within majority Indian-owned and -controlled entities. This marks a shift from a 'Made in India' approach to an 'Owned by India' one. Accordingly, definition of an 'Indian vendor' or 'Indian firm' remains unchanged, resisting attempts to equate Indian subsidiaries of foreign OEMs with domestic companies in contract bids, a change consistently opposed by India's domestic industry.

▸ **IC silence** Indigenous content (IC) framework signals a reset of India's defence offset architecture, which has long failed to deliver meaningful technology transfers. Since 2020, the offset policy has been progressively diluted, raising thresholds nearly 7× and exempting G2G deals and single-vendor purchases. Between March 2021 and March 2025, only one offset contract was signed.

While the 'Buy (Global)' category now mandates an IC percentage, it remains silent on automatic offset triggers, reflecting a shift from post-contractual offset mechanisms towards localisation embedded in main procurement contracts.

In practice, several major defence manufacturers have committed to establishing production facilities in India under G2G contracts. For example, General Atomics will assemble MQ-9B Predator drones locally, and Dassault will establish a maintenance, repair and overhaul (MRO) facility and fuselage manufacturing plant for Rafale fighter jets.

IC policy has been revised, raising minimum thresholds from 50% to 60%. Although these requirements have been exceeded in large indigenous programmes, such as LCA Tejas Mk I and indigenous aircraft carrier (IAC) INS Vikrant, they remain challenging for joint foreign-tech projects.

Although service headquarters can recommend lower IC for niche, technology-intensive equipment, this provision is rarely used. The industry has pushed for less rigid IC requirements, while chief of defence staff has criticised Indian industry for over-promising and under-delivering on IC and indigenous technologies.

Under DAP 2026, IC requirements will be phased in and gradually increased over the life of a programme, with parts manufactured in India, exported for processing, and then reimported counting towards IC. These changes are expected to drive deeper technology absorption and greater indigenisation.

▸ **Joining forces** India relies on bilateral G2G partnerships to co-develop military capabilities. Successful examples include BrahMos supersonic cruise missile with Russia, and Barak 8 MR-SAM programme with Israel.

More recently, France's Safran has partnered with DRDO and its Gas Turbine Research Establishment (GTRE) to co-develop advanced jet engines for Amca under a G2G framework, offering full technology transfer, complete IP rights, and unrestricted authority to modify, upgrade and export. If realised, this could fundamentally reshape India's approach to defence technology development.

MoD is also reviewing timelines for phasing out long-standing bans on global arms manufacturers, particularly where upcoming collaboration programmes rely on them. During Keir Starmer's October 2025 visit, the India-Britain project to co-develop electric-powered naval engines with Rolls-Royce progressed to its next phase, with plans to negotiate a bilateral G2G defence agreement. Rolls-Royce has reiterated its offer of full tech transfer and joint IP ownership for next-gen aero engines for the Amca programme, although current restrictions limit procurement to existing platforms.

If DAP 2026 provides credible incentives for capability development, risk-sharing and long-term partnerships, it could unlock a new era of military platforms built on indigenous technologies. The move represents a strategic choice about India's place in the global defence ecosystem, rather than merely a defence procurement playbook.

The writer is former strategy director, BAE Systems India



Definition of an 'Indian vendor' or 'Indian firm' remains unchanged, resisting attempts to equate Indian subsidiaries of foreign OEMs with domestic companies in contract bids



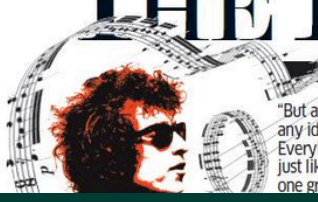
By prioritising IP ownership, indigenisation and co-development, DAP 2026 sets a long-term vision for developing indigenous defence manufacturing ecosystems by end of the next decade

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

Don't Let Claude Cloud IT Outlook

Indian firms can tweak to ride the AI wave

India's labour-intensive IT industry is going through an investor rout amid a global selloff in software stocks over rapid advancements in AI. IT stocks have slumped 12.5% since beginning of the year, after having declined 12.6% last year. The selloff intensified this week after Anthropic released plug-ins for its Claude Cowork agent that affects a broad swathe of business functions outsourced to Indian IT firms. Clients of IT majors TCS, Infosys, HCL and Wipro are expected to integrate Anthropic's Claude into critical coding workflows that have traditionally been performed by large vendor teams in India. Call it a threatening 'AI tariff'.

Impact of AI-led disruption could be widespread in India's technology industry. But hold your horses. The intensity of market reaction may be overdone. Frontline IT companies have been trimming their workforce at a pace that does not signal a breakdown of the outsourcing model just yet. GCCs in India have gone about adjusting payrolls even more gingerly. The pipeline of inward investment in GCCs is widening as more companies eye India for its technical talent. Earlier this month, GoI unveiled a tax framework for the tech industry to encourage investment.



So — breathe out — episodes of AI anxiety should not suggest that India's technology sector faces an existential threat. AI is still in the early stages of adoption by businesses. There are also questions over energy and computing costs of the technology, apart from its reliability as an independent work agent. The Indian IT industry has evolved consistently alongside technology, and market transformations and can manage the AI transition. IT companies here are in the process of reworking their business models to ride the AI wave surfboard-style. India plays a vital role in technology dispersal by bringing down costs. Which will be a significant advantage in the hugely expensive AI race. The smart money will be betting on India sustaining its edge in the export of technology services where its strengths continue to reside.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

DELHI TECHNOLOGICAL UNIVERSITY
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DTU
DEL TECH UNIVERSITY

Cess Won't Desist, Make 'em Count



Najib Shah

This week, Nirmala Sitharaman stated in Parliament that cess and surcharge collections are constitutionally allocated to fund schemes benefiting states. But critics have long raised concerns over whether these funds are always used for their intended purposes.

Budget 2026 shows that cesses and surcharges remain significant sources of revenue for GoI. Actual revenue from cesses amounted to ₹1,16,970 cr in 2024-25, and BE for 2026-27 projects collections of ₹1,18,630 cr — an amount that's substantial and distinct from surcharge revenues, which have exceeded ₹85,000 cr. Over time, multiple cesses have been introduced, the latest being the 'Health Security Se National Security Cess', a tax levied on pan masala and tobacco manufacturing units.

Cesses and surcharges are excluded from the divisible pool, a position that has drawn consistent opposition from states across the political spectrum, many of which made representations to this effect before the 16th Finance Commission. GST compensation cess, which is now nearing sunset, is an exception and shared with states. Article 270 was amended by the Constitution (80th Amendment) Act 2000 to provide that the net proceeds of all taxes in the Union list are to be shared with states, except those levied under Articles 268 and 269, as well as surcharges and any cesses imposed for specific purposes.

A cess is typically levied under a separate enabling statute, unless specifically provided otherwise, when it is collected as a duty of central excise or customs. By design, a cess is intended to be used solely for the purpose for which it is imposed, implying that the levy ought to cease once that purpose has been fulfilled. Concerns are several: a cess effectively operates as a tax on tax, no input tax credit is available on the cess component, and it consequently increases costs.

While Parliament has been assured by GoI that 'it is not keeping cess for itself', several reports of CAG and parliamentary committees have expressed concern:

- CAG's Report on the Accounts of the Union Government (No. 4 of 2020) (Financial Audit) observed that in respect of road and infrastructure cess, health and education cess, and crude oil cess, there was neither a proper framework nor any assurance that the amounts collected would be used for their intended purposes. It further noted that more than ₹1.1 lakh cr collected through cesses in 2018-19 had been retained.

It also pointed out that over ₹1.24 lakh cr collected as crude oil cess had not been transferred to the designated reserve fund — the Oil Industry Development Board — and had been retained in GoI's coffers.

- Department-Related Parliamentary Standing Committee on Transport, Tourism and Culture, which reviewed central road and infrastructure fund works, mentioned in its 312th report that there is no fixed share of apportionment of cess.
- 15th Finance Commission report observed that 'the underlying spirit for levying the cess is to serve a specific purpose and provide necessary financial impetus to a particular sector/area of the economy'.
- 69th Report of Public Accounts Committee (2023-24), in 'Issues Relating to Accounting of Cess/Levies', observed that the cess should be specific and time-bound.



Monitor the catchment area

But 16th Finance Commission's views are:

- Representation of states to permit sharing of cesses is misplaced since the Constitution does not permit it.
- Dismissed states' suggestion for a compensatory increase in their share in the divisible pool.

However, it observed that 'cesses and surcharges as sources of revenue, except for short-term specific needs, are undesirable since they impede tax reform'. The commission concluded that 'a grand bargain would have to be struck between the union and states in which the union would agree to fold a large part of the revenue from cesses and surcharges into regular taxes and states would agree to a smaller share in the resulting larger divisible pool, with no loss of revenues to either side'.

Cesses have become an important measure of revenue collection. With the budget proposing a 7.7% increase in total expenditure, resulting in a 7.2% gap between receipts and expenditure, a revenue deficit of 1.5% of GDP, and a fiscal deficit of 4.3% of GDP, it is unlikely there will be any 'grand bargain'.

So, while ideally all cesses should cease, it's not going to happen soon. What can be ensured is that they are used for the purpose for which they are being collected. This, too, should be GoI's kartavya.

The writer is former chairman, Central Board of Indirect Taxes & Customs, GoI

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Plant Grassroots to Grow Sports



Sachin K

Sports is much about role models. Not only about talented athletes wanting to be like their heroes, but also about learning and enhancing a knowledge base from other countries. Japan is one such from which India can learn a lot in terms of developing an impactful sports ecosystem.

So, what makes Japan — only behind the US and China in its medal haul at the 2024 Paris Olympics — a sporting powerhouse? It has a robust community sports development ecosystem. Promotion of sports activities and creation of infrastructure are managed by local, municipal or district authorities. Each municipal council has its own budget derived from local levies and budgetary allocation by MEXT (ministry of education, culture, sports, science & technology). The municipal ecosystem is funded by local levies, MEXT allocations and corporate sponsorships.

Japan Sports Agency, which works under MEXT, runs programmes like 'comprehensive community sports clubs' and 'subsidies for local government sports activities'. These are worth emulating for promoting sports at community level. Municipal authorities, in association with sports associations, hold regular sports promotional activities.

While India has municipal bodies, their role in sports activities is minimal. Currently, municipal councils focus on parks and maintenance. Many have begun installing public gyms. They can utilise funds under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) or Smart Cities Mission to create community-level sports facilities. These initiatives will provide infrastructure to urban communities as space for playgrounds shrinks. Similar programmes can be implemented for rural areas at the panchayat level.

The men's 2024 Paris Paralympics gold medal-winning goalball team — goalball being a ball sport designed specifically for athletes with vision impairment — was present at one of the community sports promotional events organised by municipal authorities of the Tokyo suburban district of Shinjuku in association with Goalball Federation of Japan. Local school and college-going youngsters, along with their parents, took active part. Participation of paralympians turned the event into a major goalball promotional programme.



Japan's goalball from ground up

In India, we have no shortage of sporting idols. We are among the top nations in para sports, many of our athletes being world champions. The question is whether we have impactful community development programmes where sporting stars can give back to society. GoI's Fit India Mission is gathering steam. But community initiatives, with help of sports federations and administration, can inject a huge dose of sporting awareness among youngsters.

Under the 7th Schedule of the Constitution, sports development falls under the purview of state governments. Accordingly, states are invested in multiple sports development programmes ranging from talent development, sports schools and creation of sports infrastructure. Programmes like Karnataka's Amrita Krida Dattu Yojana, which provides ₹10 lakh to 75 athletes, Haryana's prize money scheme, and similar initiatives in other states need further recalibration. States need to focus more on community and grassroots sports development.

Support for elite athletes is reasonably funded by GoI through Target Olympic Podium Scheme (TOPS), and support to national federations. Also, NGOs and private organisations actively fund top athletes. Accordingly, states can now shift their focus from an elite-centric approach towards promoting sports to community incentive models, building infra and facilitating regular activities.

If India has to become a successful sporting nation, states must play a key role in adopting and implementing best practices. If states work in tandem with Khelo India schemes, and populate state training centres by identifying talented youngsters through community development schemes, results are bound to show. A pyramidal model supporting sportspersons from grassroots to elite level is the way to go if Mission 2047 has to be achieved.

The writer is deputy director, Sports Authority of India

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

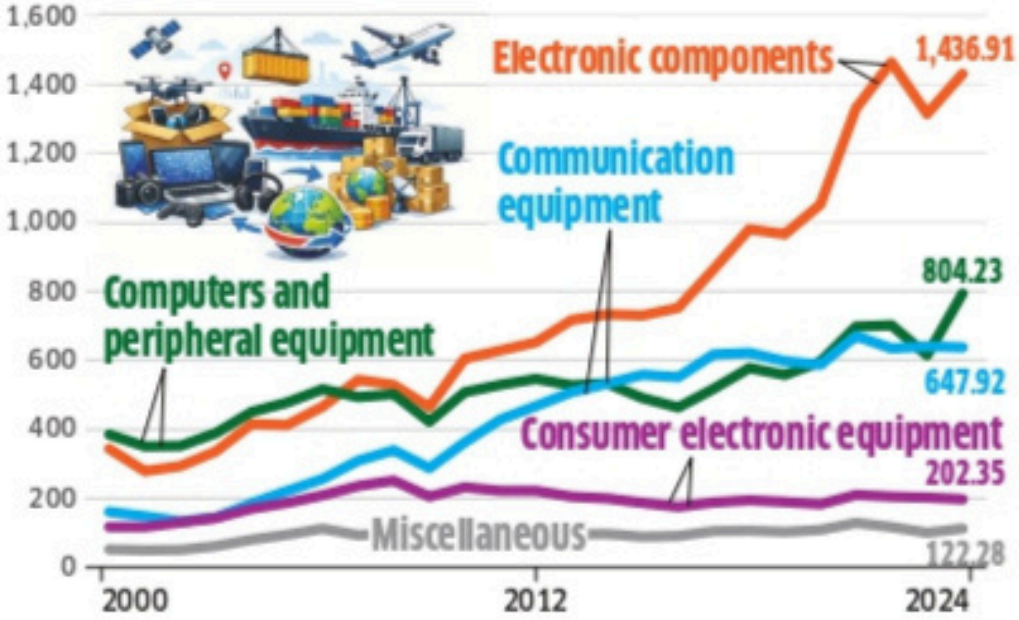
Let Him Be

To see Dylan as a

GROWING TRADE IN ELECTRONIC PARTS

Information and communications technology (ICT) products accounted for more than 12% of total global merchandise exports in 2024. That means more than one in every eight dollars earned from trade in goods came from computers, telecommunications equipment, electronic components and other digital-enabling hardware. Growth has been driven by electronic components – including chips, circuit boards and sensors...

Imports of information and communication technology goods, by category, billions of dollars, 2000–2024



Asia accounted for 80% of global ICT exports in 2024

Global ICT services^ exports reached $1.2 trillion in 2024, led by Europe

^Incl telecom & computer services

Source: UNCTAD

SANJEEV RAJ JAIN

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a "literary" great is to

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU
DEL TECH
UNIVERSITY

Speed of scientific discovery has itself become a strategic asset, with AI as the super-accelerator

AIndia, Get Fast & Furious



Nishant Sahdev

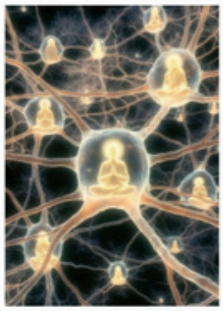


You have to take that jump now

Chapel Hill, North Carolina: Last week, the US Department of Energy announced 26 'science and technology challenges of national importance' to advance the Genesis Mission, an initiative launched last November by the US to accelerate scientific research through AI. More than this being about using AI to speed up research, it's about letting machines build how science is imagined, tested and advanced, reducing years of discovery into weeks. When the pace of science changes, the balance of global power changes with it.

What Washington announced last week was not another AI policy. It was a declaration that speed of scientific discovery has itself become a strategic asset. New Delhi should heed this. As it hosts AI Impact Summit 2026, it needs to confront a harder truth: when it comes to infrastructure that determines how discovery actually happens — how quickly ideas are tested, validated and scaled — India remains anchored to a 20th c. institutional model.

Genesis Mission's most radical idea is also its simplest: science is a system that can be accelerated, not by individual brilliance alone, but by computation, automation and integration. AI systems will design experiments, optimise energy grids, digitise nuclear data, accelerate growth of materials discovery and reduce years of trial and error into weeks. The explicit goal is to make parts of scientific discovery 20x-100x faster. Historically, nations competed on who discovered more. Now, they will compete on who discovers *faster*. In such a world, countries that move slowly will not just lag, but will also become dependent.



India speaks of AI in governance, startups, ethics, skilling, policy, but rarely as core national scientific infra on par with power grids and highways

India's scientific apparatus is not designed for speed. Its research ecosystem is fragmented across ministries, councils, autonomous institutes, public sector labs and universities. Data standards are inconsistent. Collaboration depends more on personal networks than shared infrastructure. Funding cycles are slow, compliance-heavy and risk-averse.

EYE ON AI

In 2023-24, India's total public R&D spending hovered around 0.65-0.7% of GDP. China spends about 2.4%, the US around 3.4%. More tellingly, a fraction of US R&D is concentrated in mission-oriented, high-performance computing. India's is dispersed thinly across thousands of institutions, many of them digitally underpowered.

India speaks of AI in governance, startups, ethics, skilling, policy. But rarely does it treat AI as core national scientific infrastructure on par with power grids, highways, or space launch facilities.

The US Genesis Mission does exactly that. It integrates supercomputers, national labs, datasets, sensors, experimental facilities and AI models into a single discovery ecosystem. This is not about apps or chatbots. It is about putting intelligence into the physical sciences themselves.

When AI systems trained on decades of national data begin proposing new materials, reactor designs, or quantum algorithms, sovereignty changes its room. It moves from labs to models, computing and data governance. That's why Genesis sits inside Department of Energy, not at the university consortium. Energy, defence, discovery and AI are treated as a single strategic continuum.

India collaborates extensively with global research networks. This openness is a strength. But collaboration without indigenous AI-science capacity risks a new asymmetry: India supplying talent and data while others control the discovery engines. One of the most disruptive elements of Genesis is the push toward autonomous labs — systems where experiments are run, adjusted and iterated by machines with minimal human intervention. This requires robotics, high-quality sensors, real-time data pipelines, reproducibility standards and massive computing power.

Across universities and public research institutions in India, data is still stored in incompatible formats, experimental protocols vary widely, and digitisation remains patchy. Many labs struggle with basic instrumentation uptime, let alone autonomy. Before debating whether autonomous labs threaten jobs or creativity, we must confront whether India's scientific institutions are machine-legible.

There is a further irony in India's AI ambitions. AI acceleration consumes enormous energy. Large-scale AI models, supercomputers and autonomous labs demand reliable, high-capacity power. The US anchors its AI-science strategy explicitly in energy planning because it understands this coupling. India does not.

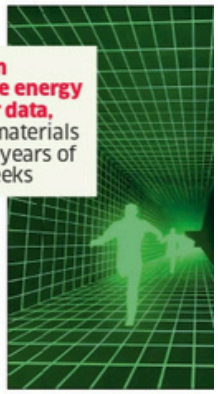
India's peak power demand crossed 250 GW in 2024, with shortages still routine in several states. Data centres already consume 3-4% of national electricity, a figure expected to rise sharply. Yet, AI strategies and energy planning are rarely discussed in the same breath. You can't build an AI-driven scientific economy on an energy system designed for yesterday.

Genesis also forces a rethink of scientific education. If AI systems increasingly design experiments and analyse data, what does a scientist trained only in traditional methods look like in 2035? India produces vast numbers of science graduates. But curricula often lag frontier practice by a decade or more. Systems thinking, computation-first experimentation and AI-guided modelling remain peripheral in many institutions.

Without reform, India risks training excellent scientists for a world that no longer exists. India does not need to replicate the US Genesis Mission. Its priorities differ. Its constraints are real. But ignoring the shift it represents would be strategic negligence. At the least, India needs a national debate on three hard questions:

❶ Should India build an AI-science platform connecting IISc, IITs, national labs, strategic agencies and industry into a shared computational and data backbone?

AI systems will design experiments, optimise energy grids, digitise nuclear data, accelerate growth of materials discovery and reduce years of trial and error into weeks



❷ How does India ensure scientific sovereignty in an era where discovery emerges from AI systems trained on national data?

❸ Is its funding, institutional design and education system prepared for machine-accelerated science?

The US has decided that the future of science will be faster, and that speed itself will be weaponised. India can choose to respond. Or it can continue organising committees while discovery still accelerates elsewhere.

The writer is a physicist, University of North Carolina, US

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

It's Manoeuvring, Not Capitulating



Amit Kapoor

The easiest way to misread a trade negotiation is to treat it as theatre. What matters isn't the noise around a deal, but the numbers in it. Calling the India-US tariff arrangement a 'cave-in' — as Swaminathan S Anklesaria Aiyar does in his article, 'Cave-In, Not Breakthrough,' (Feb 11) on this page — confuses political rhetoric with economic reality.

Trade has always been intertwined with politics. But the balance has shifted. Tariffs act as leverage, sanctions reshape energy flows and supply chains are redesigned for resilience. In such a landscape, the relevant test isn't whether a country resists pressure theatrically, but whether it protects its core interests while adjusting intelligently.

▸ **Energy** Russian crude was a discounted commercial opportunity. When prices fell after the Ukraine war broke out, Indian refiners moved in because the margins made sense — and this aligned with western policy design. EU and G7 price caps were meant to keep Russian oil flowing while limiting Moscow's revenues, a dual objective the US stated plainly.

The goal was to avert a price spike while squeezing Russian earnings. Buyers like India were not undermining that system by purchasing capped oil. They were operating within it. India's petroleum ministry warned that removing Russian supply could increase prices to $120-140 a barrel.

Russian oil isn't sacred but conditional, its relevance determined by price and risk. Discounts once near $12 a barrel have narrowed to about $3. Trade now relies on opaque shipping and shadow logistics, raising insurance and compliance costs. European Commission is moving beyond the price cap toward broader maritime service bans, proposing restrictions that could redirect flows to India and China. As enforcement tightens and freight volatility rises, risk-adjusted delivered cost shifts.

Europe matters beyond sanctions headlines. The Netherlands is India's largest merchandise export destination in Europe, with refined petro products routed through Rotterdam. India doesn't just import crude, but it also refines and re-exports to European markets. As the EU tightens maritime and financial channels, compliance costs and insurance premia squeeze refinery margins.

So, sanctions 'plumbing' shapes downstream competitiveness, and rising freight, insurance and compliance risks force a reassessment of discounted crude in light of export exposure. So, the operative question isn't sovereignty, but whether the economics still justify the trade.



Moving deftly

▸ **Agriculture** Tariff commitments being discussed centre largely on products India imports in rising quantities. Almond imports have grown from roughly $55 mn in 2018-19 to about $85 mn in 2024-25. Pistachios have risen from around $92 mn to over $200 mn in the same period. These are not subsistence crops. They are consumption goods driven by urban preference. Tariffs influence price, but they cannot manufacture appetite.

An industry is threatened only when imported goods consistently land at prices lower than what domestic producers can match. A zero tariff does not make a sector unviable; it merely removes a price cushion. Where India has a genuine cost advantage, lower tariffs don't wipe it out.

Take dairy. Producing a kg of milk here costs roughly ₹60, compared with about ₹97.5 in the US and ₹123 in New Zealand. This is a sector that rests on cost advantage. Sensitive staples such as rice, wheat and maize remain outside the liberalisation envelope, so the core of the agricultural economy remains intact.

Even if one extends the argument to commodities traditionally deemed sensitive, such as wheat, maize, or rice, cold arithmetic in the backdrop of a weakening rupee suggests that India would not necessarily face a comparative disadvantage even under a zero-tariff framework. Exchange-rate dynamics, freight costs and domestic cost structures still matter, and zero duty does not translate into cheaper landed supply.

▸ **Animal feed** While concerns about Distillers Dried Grains (DDGs) and feed markets warrant attention, they aren't alarming. Larger imports could pressure domestic oilseed meals and soybean prices. Yet, India lacks a comparative advantage in soybeans vs Brazil or Argentina. Consumption is modest, and soybean oil is largely imported. Transitional pressures can be managed by diversifying into pulses, millets, horticulture and other more competitive crops.

Trade is inherently two-sided, and improved US market access could benefit high-value Indian exports such as coffee, spices and mangoes. Many of these sectors are regionally concentrated and developmentally significant, making access structural rather than symbolic. Much of the criticism centres on trade as leverage, but the more relevant question is how to respond in a world where major economies act in their own interest.

In such a world, prudence differs from pride. A country that buys discounted oil when it makes economic sense, protects sensitive farm sectors, adjusts at the margin where imports are entrenched and pursues export openings where it is competitive is not capitulating, it's is manoeuvring. National interest is not measured by volume of refusal, but by how effectively a country adapts without surrendering structural advantage.

The writer is chair, Institute for Competitiveness. Inputs by Meenakshi Ajith

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Give AI Investment The Big Come Hither

Diversify funds to hyperscale for infra

AI Impact Summit starts in New Delhi today at a time when AI investments globally are now in uncharted territory, with the US, China, the EU and Asia-Pacific entering the hyperscaler range. The five biggest AI infra providers — Amazon, Alphabet, Microsoft, Meta and Oracle — are committing nearly $700 bn in investments in 2026, twice the amount they spent in 2025. Apart from this, the US's Project Stargate has a $500 bn strategic investment plan involving OpenAI, SoftBank and Oracle. In China, Alibaba is committed to investing $53 bn over a 3-year period, ByteDance has $13 bn earmarked for AI infra in 2026 while Tencent has trimmed its investments.

China's AI investments, although not on the US scale, are climbing as it pursues a less capital-intensive development model. The EU has unveiled a €240 bn (about $260 bn) action plan for AI infrastructure. Japan has allocated 1 tn yen (about $6.5 bn) annually for AI and semiconductor development and South Korea has lined up 9.9 tn won ($6.8 bn) in its national AI budget. Besides these, a clutch of sovereign wealth funds in West Asia are investing huge amounts to kit out local AI infra. Economies that have hyperscaled their AI investments are reporting that capacity is being absorbed quickly. Energy requirements for AI data centres are emerging as a key constraint. This makes the case for investment diversification.



India has tweaked its tax regime to plug into the AI investment tsunami. The budget announced a 20-yr tax holiday for foreign cloud service providers operating through India-based data centre infra. Investments of $70 bn in Indian data centres are in various stages of implementation, and $90 bn more has been announced. The AI policy is meshed with other GoI initiatives to push semiconductor and electronics manufacturing. The country is positioning itself as a long-term destination for AI investments, from all sources. This holds the key to its emergence as an AI power.



Dhaka-Delhi, Enter The Pragmatic Phase

The arc of Bangladesh's recent political upheaval has come full circle. What began with 'India-friendly' Sheikh Hasina's ouster in August 2024, has culminated in BNP leader Tarique Rahman, son of former PM Khaleda Zia, taking oath as PM today. BNP winning 212 of 297 seats marks not just a transfer of power, but a strategic inflection point in Dhaka-New Delhi relations. Rahman's reported insistence on reaching out to India's leadership despite alleged resistance from outgoing chief adviser of the caretaker government Muhammad Yunus is a sign of maturity, as is his avoidance of referring to India when questioned about frayed bilateral ties. India must reciprocate with equal nuance.



The other positive take has been the Jamaat-e-Islami-led alliance, punching above its weight during the interim phase, being limited to 68 seats. India must read the tea leaves and engage fruitfully with BNP and Rahman, who has, in the spirit of the times, articulated a 'Bangladesh First' policy premised on equidistance among regional powers. India's 'Neighbourhood First' policy speaks of equal partnership. This can be made more proactive now. The 2001-06 BNP government — when Jamaat was a coalition partner and Rahman seen as a 'parallel' power centre — marked the lowest ebb in bilateral ties. This time, both sides have much to gain by keeping an even keel.

A genuine reset of relationship will require substance: progress on trade and investment, movement on Teesta waters, credible minority protection, curbs on Islamic radicalism and anti-India rhetoric, and stronger border management. Durable stability will depend on both sides choosing sustained pragmatism over short-termism and playing to the gallery. Rahman's tenure as PM could bring about that pragmatism.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DELTECH UNIVERSITY

Open It Up and Reap Rewards



Mark Surman & Raffi Krikorian

Berlin: The global AI industry is dominated by a handful of hyperscalers offering proprietary models. Understandably, the value proposition is compelling. A single provider handles the model, hosting, guard rails and billing. For a developer or enterprise looking to ship quickly, the path of least resistance runs through these closed systems, which explains their dominance.

But this dominance stands in the way of economic growth and digital sovereignty. Closed models limit flexibility, and there are contextual nuances, languages, guard rails and customisations that proprietary systems will never accommodate. In a world that has grown more polarised and protectionist, and as technology platforms are increasingly enlisted as instruments of state policy, ceding digital sovereignty and building critical infrastructure on systems you don't own pose significant risks.

Open-source AI offers an alternative. A November 2025 paper, 'The Latent Role of Open Models in the AI Economy' by MIT's Frank Nagle and Georgia Institute of Technology's Daniel Yue, found that open-source models routinely achieve 90% or more of the performance of proprietary systems, while costing on average 6× less to run. Open models now catch up to the performance of closed models within 3-4 weeks of release, and that gap is shrinking.

Nagle and Yue estimate $24.8 bn in unrealised savings if organisations switched to open AI models that already outperform many proprietary systems they are using. The study argues that businesses are overspending on closed AI platforms, even though high-performing open models could deliver similar or better results at a significantly lower cost.

The value proposition has led to a rapid expansion within the open-source AI ecosystem. While Chinese firms dominate the rankings with Kimi, DeepSeek and Qwen, the rest of the world is vying to compete in the same market. Google and OpenAI, long associated with closed systems, have begun releasing open-weight models of their own, while Mistral and Meta continue to double down on their investments in open-source models.

Innovators and startups are beginning to build pieces of the open-source AI stack as well, from federated learning infrastructure like Flower AI to smaller, smarter models like Adaption, to training infrastructure like Oumi and Transformer Lab, to production-ready machine learning tools like Probabl. This early momentum is encouraging for responsible open-source AI enterprises.

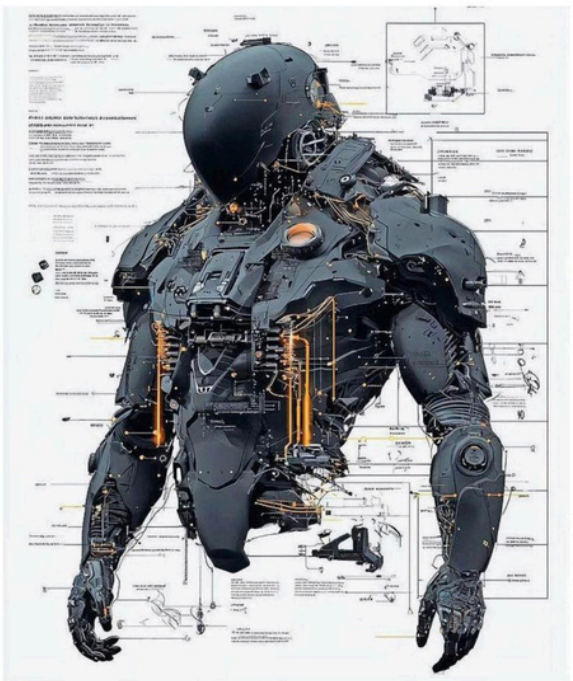
India is no stranger to benefits of open-source technology, and has demonstrated what open standards can achieve. Its DPI, built on open, interoperable systems, has transformed financial inclusion and public service delivery at remarkable scale. UPI has become the world's 5th-largest payment network by volume. This was accomplished not by licensing proprietary systems from abroad but by building open infrastructure that Indian institutions control and can adapt to Indian needs.

The same logic applies to AI. If AI is to be deployed for public services, the systems must be auditable, customisable for local contexts, and resilient against external disruption. In a marketplace controlled by 7 big companies, at a moment of enormous global friction, India and the leaders gathered at this month's summit can commit to a different future: open-source AI as the fastest path to national economic growth and technical sovereignty.

But sovereignty does not mean solitude. The opportunity is not for each country to build its own walled garden, but for nations to collaborate around open standards and shared infrastructure. This is a third way that rejects the binary of platform dependency or isolation and, instead, enables countries to control their own AI futures while contributing to and benefiting from a global commons.

Surman is president, and Krikorian is CTO, Mozilla

EYE ON AI



Suit up

Let's Flip the Skill Switch



Anjana Menon

India's software services sector may be at its Kodak moment. Anthropic's disclosure that its Claude Cowork automation platform could manage complex coding tasks with the same skill — and in a fraction of the time — as existing professionals triggered a $300 bn sell-off in IT stocks globally.

Indian IT companies have been left vulnerable after a decade of complacency and prioritising profits over innovation. The new stars of ITverse are likely to be solo entrepreneurs who use AI to deliver innovative solutions a hundred times more efficiently at a much lower cost.

This inflection point has been building for years. The dramatic development of ML was first showcased to the world in 2015 after Google's AI programme, AlphaGo, beat the human champ of the ancient Chinese board game Go, which has more permutations than atoms in the universe. During the game, AlphaGo demonstrated it had the ability to creatively outsmart humans and surprise them, something that was not possible by brute computational force alone.

More than a decade on, Indian IT majors are still grappling with the shift assuring investors they will retrain their workforce and find ways to serve global companies from India. The odds are stacked against this plan. India has always worked on labour cost arbitrage.

Up to 65% cheaper, it made business sense for global companies, based in the US or Europe, to readily outsource their application maintenance jobs to Indian firms. For dull, repetitive tasks, cost arbitrage is a big win. But what if a language model could do the same 100× faster with, say, 20% of the manpower needed? It would chip away the incentive to offshore the task. With this development, the narrative recasts AI as a replacement option, from a peripheral assistant.

Then comes the proposed plan of upskilling the workforce. To be fair, India's education system of rote learning has tended to produce steady minds, not breakthrough thinkers. Predictability of the outsourced tasks, along with our English language skills, gave us a seat at the table. If, however, a machine can do these tasks faster and better, working 7 days a week, you have the perfect employee, with a work ethic Narayana Murthy would applaud.

Except that leaves humans with much less to do. Rising nationalism and unemployment in the Western world will likely put pressure on companies to hire locally, anyway. Besides, big tech companies from Google to OpenAI have spent billions in developing language models and data centres — and to monetise this, they will have to get the large companies to buy their models. The likes of us dropping caricatures of ourselves isn't their revenue model.

This multiple whammy is a headache for Indian IT companies and GoI. They must find ways to demonstrate that the 5.6 mn people in white-collar IT jobs can add more value than machines. It is a talk task, given the acceleration in ML. Of course, a modest percentage of these coders will be humans in the loop who will work with 'AI agents'. But there is little doubt that we would need a new business model for Indian IT firms and their employees to thrive.

AI will eventually democratise coding, just like YouTube democratised broadcasting or Google did with information. Look at what it has done to legacy media. AI will become the new capital. This will open unprecedented opportunities for enterprising Indians to become solopreneurs who use AI tools to solve local problems.

Whether we survive this shift and thrive will depend on how well we overhaul our education system and skills programmes by prioritising reasoning, creativity and project-based learning. Our best-case scenario is to develop an army of AI-driven solution providers.

India's creator economy has shown our youngsters know how to discover audiences and build personal brands. With better foundational learning and AI-driven execution, they could go on to conquer the ITverse.

The writer works with business leadership on narratives and conducts stakeholder audits

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

DELHI TECHNOLOGICAL UNIVERSITY
DELTECH UNIVERSITY

The US deal doesn't compromise national interest, but brings us big benefits of trade liberalisation

Freeing Ourselves to Trade



Arvind Panagariya



Opens up all those bottlenecks

New York: With its focus on questions such as 'Did India lose its strategic autonomy by agreeing not to buy Russian oil?', 'Did it compromise the nation's interest by exchanging zero duty on imports for 18% duty on exports?', and 'Did it sacrifice interests of farmers by agreeing to liberalise agriculture?', Indian media has failed to perform its duty to satisfactorily inform the nation on what has been a historic breakthrough in trade negotiations with the US.

To understand what is at stake in these negotiations, let's begin with the geopolitics. India is surrounded by unfriendly, hostile and extremely hostile neighbours along its entire land border. One of these hostile neighbours is also one of only two superpowers. Under such circumstances, what best serves India's interest: making every effort to bring the relationship with the world's only other superpower back on track? Or grandstanding by refusing to negotiate except exclusively on its own terms?

India can take pride in how its leaders have navigated negotiations despite the ground constantly shifting beneath their feet. In a year when leaders of almost all major nations, except China and arguably Russia, suffered indignity or worse at the hands of Donald Trump, even as they granted nearly all the concessions the latter sought, Narendra Modi has patiently moved his pieces on the diplomatic chessboard without losing poise or pride. He has done so despite lacking the shield of rare-earth minerals that protected Xi Jinping.



Unilateral trade liberalisation has a long and illustrious history. The advantage of liberalisation through trade agreements is they double the benefits by opening the partner country's market

Over the past 25-odd yrs, India's relationship with the US has deepened and broadened to an extent that was unthinkable in the 1990s and earlier. US-India trade is only one aspect—although an important one—of that relationship. However, the on-again, off-again trade negotiations over the past year have cast a cloud over the entire relationship.

To rescue and advance the relationship, it was essential to first remove this cloud. Both sides had a stake in it. But it mattered much more to India, given its vulnerabilities on the border, than to a superpower that sits many oceans away from its rival superpower. Any evaluation of what has been agreed must keep this background in view.

A trade agreement is a single undertaking with many gives-and-takes. Criticisms based on selectively picking the 'gives' without evaluating them against the 'takes' must be summarily rejected. Attacks that rely on imagined concessions regarding Russian oil purchases, or liberalisation of certain agricultural imports, without consideration of what India has gained from the deal as a whole, are problematic, even if true.

While full agreement is yet to be finalised, one data point we do have is that, with some exceptions, the US has agreed to reduce its tariffs from 50% to 18%, and India has agreed to either eliminate or substantially reduce tariffs on the imports of industrial products from their current average level of less than 20%.

Critics argue that exchange of 18% tariff on its goods entering the US for a zero tariff on US goods entering its market is a bad deal for India. Only ignoramuses fall prey to such criticism. The better-informed know that, setting aside FTAs, trade agreements are about exchanging market access on the margin: each country rolls back its trade barriers approximately equally from their initial levels rather than ending with equally open doors to imports. Under this conventional metric, the US has reduced its tariff from 50% to 18%, and India from an average of 20% to zero.

Even setting aside this nuance, should India have rejected the deal unless the US also lowered its tariffs to zero? Well, that offer has never been on the table for any country under the current US administration. Our rejection would have meant maintaining status quo of a 50% tariff on our goods entering the US, and jeopardising the entire US-India relationship. Would this have been a superior outcome?

Some critics reject the framework agreement on the grounds that the US cannot be trusted to honour its commitments. For all we know, it will raise its tariff from the agreed 18% level back up to extract additional concessions from India. However, this argument cuts both ways. Were India to choose the status quo over the framework agreement, what guarantee is there that the US will not raise its 50% tariff to 75-100%, eliminating nearly all Indian exports to the US? Between the two risks, which one gives you better future prospects?



Both sides had a stake in removing the cloud over India-US relations. But it mattered much more to India, given its vulnerabilities on the border, than to a superpower that sits many oceans away from its rival superpower

Finally, a trade economist cannot overstate the benefits of one's own liberalisation. As in disarmament negotiations, each side presents its own liberalisation as a cost in trade negotiations to maximise access to the rival's market. However, while one's own arms reduction is rightly considered a cost because it adversely affects national security, one's own trade liberalisation is a benefit.

No nation in history has disarmed unilaterally. But unilateral trade liberalisation has a long and illustrious history, dating at least to Britain's repeal of the Corn Laws in the 1840s. The advantage of liberalisation through trade agreements is that they double the benefits by opening the partner country's market.

The writer is professor, Columbia University

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

Strategic Convergence For Mutual Benefit

In the glare of high-profile trade deals, it is easy to miss the relatively new India-Brazil strategic partnership. Though Brazil was the first Latin American country to establish diplomatic ties with independent India, it took more than 50 yrs to recognise the potential. The evolving relationship is emblematic of their changing economic fortunes and approach to the world. President Lula's 6th visit to India, which begins today, marks another step change.

India and Brazil are middle powers that want a bigger role on the world stage. At first glance, this may cast them as competitors, but a closer assessment reveals that India and Brazil are, in fact, complementary powers in a world seeking alternatives to both old and emerging hegemons. The proposed agreements on pharma, critical minerals, civil aviation, expansion of trade and investment, and easing visa systems underpin their complementarity. The partnership leverages their strengths to fulfil their economic and development goals and achieving their ambition for greater global say. Fierce advocates of multilateralism, India and Brazil have been strong voices for UN reform, working closely within the developing country bloc, G77 + China, and as founding members of BRICS and the advanced developing countries quartet, BASIC.



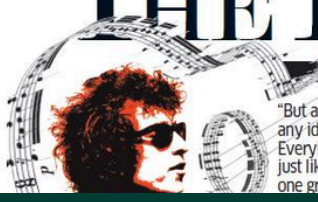
More recently, there have been greater opportunities for partnership, with Brazil taking over from India as G20 president and vice versa for BRICS. This has created opportunities for developing synergies and convergences in approaching critical issues at a moment of immense geopolitical churning. It is now for the two complementary middle powers to enhance their engagement, stepping up the partnership that could, in time, add another dimension to global trade and engagement.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

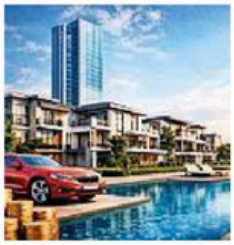
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Housing Growth Awaits Mass Return

Premium-led rally needs broader demand

The housing market is being driven by the premium segment, catering to a growing pool of affluent buyers seeking a trade-off between affordability and aspiration. Sales have slowed down in the affordable and mid-market segments after a post-Covid surge, and luxury demand has also softened. Demand for premium houses is relatively insensitive to interest rates, and this is contributing to quicker buying decisions. Supply is adjusting to the preference for upgraded lifestyles on a budget, which has made the upper-mid segment the most active space for real estate developers. Those looking for luxury homes have become choosy about prices and the supply pipeline. There is a limited supply of new affordable housing stock, while inventories are moving slowly in the mid-segment.

With upgrades setting the tone for the market, the entry-level buyer has become cautious as affordability declines. Revenues are being propped up by prices instead of volumes. Growth is, thus, deceptive until mass-market transactions show an uptick. Rising rents will sustain demand for entry-level housing stock, and the mid-segment buyer will be cautious about trading up. Once they enter the buying funnel, though, conversion times are quickening. The challenge for the housing market in 2026 is to bring more buyers into the funnel. Some expansion is due on account of last year's tax cuts and pay revisions for government employees. Broader support will emerge from the Goldilocks economy, with robust growth and benign inflation.



Structural changes to India's housing market are also expected to show up this year. The effects of AI advances are likely to be felt in the country's technology clusters. The drivers of India's economic growth are radiating outwards from its top cities as transport networks scale up. This will shape the contours of urbanisation and, consequently, the market for housing across urban clusters. The affordability dynamics will change with India's emerging economic geography.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a "literary" great is to

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

India is reshaping strategy through diversified trade, stronger self-reliance, deeper partnership

Derisking in Age of Uncertainty



S Jaishankar



We'll ride it out

The world has entered a volatile and uncertain era, possibly the most turbulent in living memory. This was on public display at 2026 Munich Security Conference whose theme 'Under Destruction' spoke volumes. While the trans-Atlantic world is particularly impacted, no part of the world is spared. India's policies are naturally responding to these changes as well.

Long-standing assumptions and expectations have now become questionable. Key dimensions are transforming simultaneously, be they strategic, political, economic or technological. Solutions lie in derisking and diversifying across multiple domains. This approach is increasingly visible in the policy of nations as much as in the choices of enterprises.

A nation like India that has pursued nimble and pragmatic policies at home and abroad appears better prepared. Strengthening national capabilities and addressing growth comprehensively deal with both short-term issues and long-term prospects. From a position of strength, India is engaging international partners more intensively. This is demonstrated in recently concluded trade deals. We will also be more salient in the global calculus on production, services, technology, skills and talent.

If the established order is eroding, it is equally clear that replacements are hard to create. We appear headed for a long twilight zone that is messy, risky, unpredictable, perhaps even dangerous. This is already visible across different geographies. Aspects of the present order will co-exist with elements of the emerging one. Economics will give way to politics and security when it comes to making choices. And in the age of AI, technology will be more transformative than ever before.

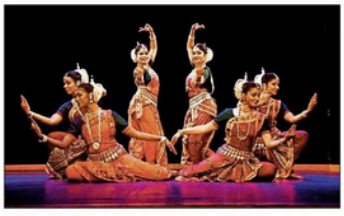
There are 6 notable features of the current international scenario.

- The US is determined to re-industrialise at any cost. This is central to its tech future.
- China's manufacturing and export focus continues unabated and may even expand.
- Technology competition is intensifying and polarising.
- Energy trade flows are being significantly redefined.
- New mindsets are encouraging greater risk-taking, including through military means.
- Migration and even mobility is getting contentious.

The experiences from Covid and conflicts in Ukraine and West Asia had already raised awareness about the fragility of our supply chains. Concentration of production is one key factor, the limitations of connectivity another. Sharper political competition has enhanced both aspects. We witness weaponisation of production and finance, leveraging of market shares and tightening of export controls.

To add to all of this, there are now uncertainties on the demand side due to application of bilateral tariffs. The world is no longer concerned just about crisis situations, but day-to-day commerce as well. Arguments for derisking across the entire spectrum — sourcing, production and markets — become more compelling by the day.

In this context, countries are increasingly concerned about ensuring food, health and energy security. As a major food producer, this also means fertiliser security for India. Given the prevailing uncertainties, it is natural to pursue diversification. In different domains, the triangulation of availability, costs and risks becomes the decision matrix. There will also be areas like critical minerals where stronger international collaboration is required to ensure adequate access.



Greater capabilities attract more partnerships that, in turn, reinforce such resilience

Economic security is best served through stronger self-reliance and more trusted partners. This is particularly so for large nations like India. In a globalised world, the two goals are actually sides of the same coin. Greater capabilities attract more partnerships that, in turn, reinforce such resilience. We will not only contribute to global growth but also to stability, predictability and trust.

How does India best do that? As an overall strategy, by steady expansion of its comprehensive national power. PM Narendra Modi has declared our national goal to be Viksit Bharat by 2047. There are multiple dimensions of that journey and these must not perceived as choices. India has to both manufacturing and services, dustry and agriculture, core and ad anced technology, hard and soft infr structure, innovation and scaling u evolution and leapfrogging, enabli environment and focused initiativ In fact, on most debates about econ mic strategy, 'all of the above' is pr bably the right answer. Achieving th would require constant progress ease of doing business and ease of ving, while advancing inclusive a people-centric policies.

An India with greater capabiliti and confidence is understandably n gotiating mutually beneficial arrang ments with more partners. This ye we signed FTA with the EU and t trade deal with the US. Earlier, it w the UK, EFTA, New Zealand and O an, as also the UAE, Australia and M uritius. Our negotiators have show great perseverance and commitme in securing greater market access f Indian products and services abroa while protecti sensitive secto Quite apart fro its growth a employment ben fits, it address the derisking ch lenge by prese ting Indian optio as part of a glob solution.

Since 2014, o people have chos the direction th want India to go. We are emerging a confident and optimistic society, r ponding sensibly to challenges wi out losing sight of opportunities. T last decade has been an empoweri experience that has made the goal Viksit Bharat a realistic one. It has al created a foundation for India to em ge as a credible and reliable interna onal partner in this age of uncertain Both will happen as the reform press continues to roll on.

The writer is external affairs minis


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DELTECH UNIVERSITY

SBM Out of the Narrow Lane



Akshay Rout

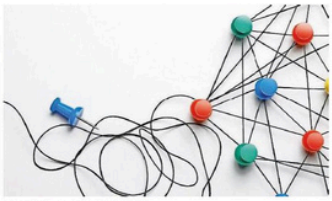
Missions are targeted responses to clearly defined public priorities. In recent years, several such initiatives have been launched, including Swachh Bharat Mission (SBM). SBM is a time-bound, outcome-driven intervention that addresses India's sanitation and waste management challenges through focused administrative attention, public participation and sustained financial commitment.

Over time, however, missions are often better sustained when they are mainstreamed into broader development frameworks. This is not dilution but recognition — placing the mission's mandate within a larger, more integrated whole. Missions create focus; integration creates complementarity. Swachh Bharat Mission-Urban (SBM-U) offers a compelling example of this evolution, moving from a campaign-style intervention to a more institutionalised urban governance approach.

In SBM's early days in 2014, with nearly 600 mn people practising open defecation and only rudimentary waste management systems in cities, the mission required determined political leadership and sizeable public financing. Understandably, the rural component of SBM had an outlay of ₹1.5 lakh cr and ₹1.4 lakh cr for its two phases. The urban component received ₹1,41,600 cr in its second phase, reflecting the significant investment required to build sanitation infrastructure and improve municipal systems.

Both rural and urban missions have more than met their targets of providing individual household latrines (IHHLs), as well as community and public toilets. Behavioural change campaigns complemented infrastructure creation and improved public awareness. However, sustaining freedom from open defecation remains a challenge. Over 81% of the reported 1,62,162 t per day (TPD) of solid waste generated in urban areas is now processed, compared to only 16% in 2014. The Economic Survey 2025-26 highlighted, among the major gains of SBM-U, the elimination of open defecation across all cities and door-to-door solid waste collection in about 98% of urban wards.

SBM-U 2.0 (2021-26) continues to pursue garbage-free city status through scientific waste management practices. Fifteen of the 25 cr metric t of legacy waste have been remediated. MoHUA has also launched Dumpsite Remediation Acceleration Programme (DRAP), under which 200 identified ULBs will receive additional funds to fast-track remediation.



Joining the dots

Yet, the budget signals a recalibration. The rural and urban components of SBM face a 25% reduction in allocation, with the urban component experiencing a sharper 50% cut. This indicates a strategic shift from standalone mission funding to broader integration within urban development planning, seeking to embed civic amenities within the core of city development strategies. In her speech, Nirmala Sitharaman emphasised a shift of focus to tier-2 and -3 cities and temple towns to create modern infrastructure and ensure basic amenities, including water, sanitation and hygiene (WASH).

Seven City Economic Regions (CERs) have been envisaged in challenge mode for the next 5 yrs, alongside regional medical hubs around major urban centres. These initiatives follow the ₹1 lakh cr Urban Challenge Fund (UCF) introduced in the previous budget. The composite approach is unmistakable: sanitation and waste management are no longer treated as isolated targets but as integral components of urban transformation.

Financial empowerment of ULBs is central to this transition. The ₹3,56,257 cr grant recommended by 16th Finance Commission — more than double the previous award — should help bridge fiscal gaps. Cities' share has increased to 45%, with strong incentives for revenue mobilisation. The budget also provides incentives for municipal bond issuance above ₹1,000 cr, encouraging access to market finance and strengthening urban resilience.

If Indian cities aspire to higher standards of liveability, they must pursue technological leapfrogging while addressing persistent sanitation challenges. The most successful missions ultimately integrate seamlessly into governance systems. The true realisation of SBM lies not in perpetuating it as a standalone programme, but in its objectives — safe sanitation, clean surroundings and improved quality of life — becoming embedded within a broader, sustainable urban development vision. The budget sets the tone for that larger, though still unfinished, promise.

The writer is former director-general, Swachh Bharat Mission

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



Small Models May Be Right, But...



Vedica Kant

Even as all eyes are trained on the AI Impact Summit underway in New Delhi, the Economic Survey 2025-26 makes a strategic choice that deserves more attention than it's getting. Buried within the usual policy pronouncements about governance frameworks and data sovereignty is a genuine technical bet: small, application-specific models are India's path forward in AI.

The logic is straightforward. Frontier model development is capital-intensive, compute-hungry, and concentrated among a handful of firms with resources India doesn't have. Chasing this is expensive and probably futile. But application-specific models that solve defined problems in Indian contexts — healthcare screening, agricultural advisory, educational assessment, government service delivery — could be developed with fewer resources, run on existing infrastructure, and create genuine economic value.

The recent budget sweetens this with a 21-yr tax holiday for hyperscalers building data centres in India, addressing the compute constraint that might otherwise make even modest ambitions unrealistic.

This is a defensible position. The question is whether India has actually defined what it's betting on.

Read the Survey carefully and you'll find 'small models' describing fundamentally different things: fine-tuned open-weight models (e.g., take Llama, adapt it for Hindi legal queries), purpose-built models trained from scratch on Indian agricultural or medical data, distilled versions of larger models optimised for mobile deployment, and traditional machine-learning systems that aren't language models at all.

These aren't variations on a theme; they're different strategies with different implications. A future built on fine-tuning open-weight models means India's AI capability remains downstream of Meta's licensing decisions. A future built on purpose-built small models requires massive investment in data infrastructure that doesn't exist. The survey doesn't choose. It gestures at all of these as unified, but they aren't.

And, crucially: small relative to what? The frontier keeps moving. Today's small model is larger than GPT-3 was. The survey assumes a stable distinction that doesn't exist.



Clarity matters

Startups, hyperscalers, IT services firms and frontier labs all have stakes in how India's small-model strategy unfolds. But the strategic implications are sharpest for two categories: frontier labs that own the base layer India would build on, and IT services giants whose business models depend on what 'building on top' means.

EYE ON AI

For companies like OpenAI and Anthropic, the survey reads less as a restriction than an invitation. India is signalling where it wants help, and it's not at the API layer.

The implicit message: don't just sell us base-model access and extract value from Indian users. Partner on building India-specific capabilities. Fine-tune for Indian languages and contexts. Co-develop models for Indian healthcare, agriculture and governance. Establish research relationships with Indian institutions. Train Indian engineers in model development, not just prompt engineering.

This is substantively different from global API provision. It requires local investment, genuine capability transfer and a willingness to build more than just customer relationships. The survey's contribution framework — where firms extracting significant value from Indian data must give back through local training, R&D investment or institutional partnerships — makes this explicit.

The smart play is probably to get ahead of these requirements voluntarily. Research collaborations, investment in local talent and partnerships on Indian-context model development will be important in positioning these firms as part of India's AI story rather than a foreign extractive presence.

For TCS, Infosys and Wipro, the survey represents an existential challenge dressed in opportunity language. The explicit warning that AI 'risks hollowing out India's core value proposition if adaptation lags' is directed squarely at them.

The small-model strategy offers a pivot, but only with genuine capability-building. These companies have client relationships, domain knowledge and implementation capacity. If value creation shifts toward application-specific solutions, they could evolve from service providers to solution builders: fine-tuning models for enterprise contexts, building retrieval systems on proprietary data, and integrating AI into business workflows.

But a services company wrapping API calls to foreign models isn't capturing value; it's intermediating it. The survey's emphasis on domestic capability signals that arbitrage won't be strategically favoured. Moving up the value chain means building the capacity to train and adapt models, not just deploy them.

India has correctly identified that it needs a strategy suited to its circumstances rather than one imported wholesale from elsewhere. The small-model bet could work. But a bet you can't define is hard to execute, and 'small models' remains a term that is asked to paper over choices India hasn't yet made.

The writer is a consultant who works with PE investors on technology investment decisions

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Make Our Roads Viksit & Pothole-Free

Over the last few decades, aspirational consumption has reshaped India's auto market. Vehicle ownership is rising steadily. But this growth narrative can't obscure a set of figures presented in Parliament recently: pothole-related fatalities have increased by 53% in 5 yrs, claiming 9,438 lives between 2020 and 2024. That is not just a statistic but systemic failure.

Potholes are an indictment of poor civic maintenance and product of corruption. There's also a deeper structural shift. Buyers are upgrading from hatchbacks to compact and mid-size SUVs. Automakers are prioritising heavier, features-laden cars, changing India's vehicle fleet: more mass per axle, more stress per km. And our public infra is still largely thinking 'Maruti' and 'Bajaj'.



In 2010, the average hatchback weighed under 1 t. Today's compact SUVs are 300-400 kg heavier. So, crash barriers built for low-impact sedans splinter under heavier vehicles. Dividers and guard rails fail at forces not earlier anticipated. Five-star car ratings may protect occupants. But safety cannot be outsourced to automakers alone. It is a system's obligation — roads, footpaths, barriers, walkways, drainage, enforcement and pedestrian norms must evolve together.

When private consumption decisions create public costs, policy must recalibrate incentives. The West is now debating weight-based taxation, differentiated registration fees, or annual levies tied to vehicle weight that better align user cost with infrastructure wear. India can also start discussing these changes. Simultaneously, engineering standards must be upgraded to reflect the new vehicle reality. Development cannot be measured by SUVs sold or expressways launched, but by whether citizens reach home safely, and comfortably.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

India, France, a Tale Of Les Deux Magots

Reset in ties is grounded in strategic realities

There is an inevitability about India increasing its engagement with France — two magicians or *magots* of sovereign autonomy, if you channel the iconic Parisian café — that goes beyond the regular trade channel. France is India's second-largest supplier of arms, principally aerospace and marine platforms, and the relationship will solidify as India reduces its reliance on Russian arms supplies. The French have been sensitive to India's need to build domestic defence production capacity, and recent purchases have been sweetened by local manufacturing clauses traditionally associated with Russian imports. France and India are, respectively, the world's second-biggest arms exporter and importer. This places them uniquely to improve their strategic interdependence.

The other hook in the Indo-French relationship is energy security. France has the world's largest share of nuclear power in electricity generation. India recently altered liability requirements in private nuclear power generation to invite foreign investment in this sector. A bigger engagement with France in this area allows India to address chronic energy import dependence. It also contributes to the country's commitments to climate change. France has reversed a plan to reduce its dependence on nuclear energy and is building new reactors. The European nation is also extending the lifecycle of its existing reactors to draw more juice out of a clean energy source.



India and France share a common objective about the AI race where neither country is comfortable being totally dependent on the US or Chinese models. This allows them to pool their resources for strategic autonomy in AI. Deeper ties in building infrastructure and accelerating AI dispersal should allow the countries to punch above their weight. A shared vision of ethical development of AI and the practical necessity of low-energy computing strengthens bilateral commitment to the cause. The reset in ties is an acknowledgement of the ground realities than any vision of the future. Which is why the Indo-French relationship has endured and should mature like fine wine.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

CURSOR The biggest challenge of AI is freeing and nourishing natural intelligence

IMAGINATION NATION



T K Arun

Israel has bombed 365 sq km of Gaza into death, devastation and rubble. It is reasonable to think, on seeing such destruction, of 'a heap of broken images, where the sun beats,/ And the dead tree gives no shelter, the cricket no relief,/ And the dry stone no sound of water.' Donald Trump, however, saw the possibility of building a Riviera of West Asia.

It was characteristic that he saw real estate possibilities rather than the reconstruction of Gazan life to the extent possible. However, Trump is superior to those who see only destruction and terrifying loss caused by AI. AI will probably not just enhance the productivity of existing jobs but also make several jobs redundant, such as simple coding and spotting and fixing bugs in legacy software.

EYE ON AI

When AI gets a physical body to inhabit — that is, when robots become intelligent — many manual jobs could also disappear. Polishing diamonds, cutting fabric, stitching garments and shelling cashew nuts could all be automated.

How would we be able to survive and find jobs for those displaced from their traditional occupations? Should we tax the companies that deploy AI/robots at additional rates to compensate for the loss of personal income-tax from employees who have been displaced, and distribute the proceeds to the displaced? Or should we prepare for Gen Z uprisings every now and then as the loss of jobs and incomes spreads discontent?

We do have one shield against such a fallout from the rise of AI: NI, or Natural Intelligence (the term 'organic intelligence' is often conflated with 'organoid intelligence', which derives from computing done by brain cells developed in a Petri dish).

It is NI that came to humanity's rescue when previous waves of paradigm-shifting technology emerged: when the steam engine displaced animal power, when electricity replaced steam power, when the printing press made scribes redundant, and when computer-driven word processors stripped stenographers of function.



Smart nouveau

The human bra in and its capacity for creativity, innovation and imagination will come up with new things to do with AI, and new ways to spend the time freed up by AI agents.

▶ AI has created AlphaFold, the family of programs currently in its third iteration, which can predict the shapes of proteins, including, with AlphaFold 3, how proteins interact with DNA and RNA, making drug discovery easier. Discovering new drugs would be a new line of activity opened by AI.

▶ Coffee connoisseurs pay fancy prices for coffee beans that have been eaten, digested and excreted by different creatures: the palm civet in Indonesia, the elephant in Thailand, and the Jacu bird in Brazil (up to $2,000 per kg). What if AI could innovate chemistry that performs in the factory the function these diverse digestive juices perform on the coffee bean inside the intestine? Coffee earnings would go up.

▶ Heroin and cocaine might be stripped of addictive properties, and an LSD high rendered no more harmful than the suspension of belief entailed in watching a superhero movie.

▶ AI might enable the infinitesimal recalibrations of the magnetic field required to contain the raging plasma in which hydrogen atoms fuse to produce helium and massive energy. Limitless, cheap energy might enable re-greening Thar Desert and growing saffron on tailor-made soil at tailor-made temperatures in tailor-made weather.

▶ Climate change might be reversed by removing CO_2 from the air and converting captured CO_2 into gritty particles of carbon that would put an end to sand mining from riverbeds, apart from its conversion into that allotrope of carbon which, when synthesised on a large enough scale, would put De Beers out of business.

▶ AI could open new avenues in entertainment, allowing audiences to become active participants in what they see.

All this, of course, is conjecture, at least for now. The point is that many things the White Queen believed before breakfast could turn into practical options through the advance of tech with the help of AI deployed in different streams of knowledge.

AI has to be deployed; it will not deploy itself — not unless the dystopia of artificial superintelligence materialises. NI is the agent that will deploy AI in this area or that task, to this end or another.

Teaching the mind to be free on a population-wide scale, so that every human can be a master of AI, not victim, is the AI challenge

The biggest challenge of AI is the cultivation of NI. Schooling, as practised in India, smothers NI. A culture that holds all knowledge to be finite and pre-existing, as contained in the Vedas, kills critical thinking. Changing that culture without uprooting the civilisational ethos that defines the subcontinent beyond geography — that is, rejecting what is toxic in the tradition and embracing what is wholesome — is a major challenge not just of democracy but of freeing and nourishing NI.

Teaching the mind to be free, and to roam outside narrow domestic walls without getting bogged down in the dreary desert sand of dead habit, on a population-wide scale, so that every man, woman and child can be a master of AI rather than its victim — that is the challenge presented by AI.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DELTECH UNIVERSITY

No AI Without Fixing Gridlock



Arijit Barman

America's AI boom is constrained by an energy shortage and a fragmented electricity grid. India's data centre ambitions may be swamped by a glut — solar-power production is in overdrive, transmission lines are ready, but there's no good plan to offload the surplus.

Over the last few months, mismanagement of the northern power grid has choked nearly 8 GWs of RE produced across Rajasthan and Gujarat, built at an estimated ₹16,000 cr by private generators. This has led to production cuts and revenue losses.

Even though infrastructure is in place, National Load Despatch Centre (NLDC), under Grid Controller of India (GCI), has allowed about a 10th of the electricity to flow through these lines, fearing grid disturbances, voltage fluctuations or tripping of power lines.

Such curtailment, equivalent to 18% of the average monthly solar generation of 13 TWh in Rajasthan alone, is threatening the commercial viability of generation projects. It's not just a local or zonal problem — it has national implications. Power, like water, flows in the path of least resistance. A problem in one part can easily spread across the plumbing.

Most of these developers have PPAs. Even an under-industrialised state like UP is positioning itself as an upcoming data centre hub. Mumbai is a leading cluster. Reliable power supplies are a must for these projects to function with near-zero downtime. A millisecond of outage can crash servers, corrupt data or interrupt cloud services.

Power developers are bleeding to meet interest costs in what increasingly looks like a throwback to 2014, when several thermal assets were stranded post mine cancellations by the Supreme Court, which resulted in ₹2.5 lakh cr of debt turning bad.

Information sharing by the grid operator has been scant. Several GoI committees have been formed, but no decisions have yet been taken. Had private power producers missed their timeline and delayed plant commissioning, GCI would have revoked their access to the grid. But just when the real test of grid operations and efficiency of utilisation was due, the mismanagement was exposed.



Someone check the power, please!

In the past, planning, design, operations and management were all under the Power Grid Corporation of India (PGCIL). With responsibilities now divided among different government bodies, interdepartmental coordination is a must. But that's not happening.

Globally, RE powers 50% of new data centres, and India is no exception. At the AI summit, Ashwini Vaishnaw said India is set to attract $200 bn of investment commitment in the next 2 yrs across the five layers of the AI stack, a lion's share of which will be in AI infrastructure and energy. A little more than half of that, he said, is from clean sources, one of the biggest advantages for India.

India added 39.6 GWs — the highest-ever RE capacity addition in a single year in 10 mths of this fiscal. Transmission lines worth ₹1.2 lakh cr got awarded in FY25 alone, three times the last 10-yr average.

But if power is curtailed or restricted on account of bureaucratic negligence, even after most critical building blocks are in place, then the business case trips up. The longer it goes on, the chances of capital and capacity taking flight become real.

Indian grid operators must raise their game to manage RE supply that comes in troughs and peaks, as opposed to conventional thermal power sources. Without these key interventions, the data centre story may come undone.

In some cases, there are technical workarounds. But, then, transparent sharing of data and specs among stakeholders is essential. A grid-protection scheme can also be put in place where the entire highway is not pre-emptively restricted. Curtailment happens only during a real emergency.

Large-scale capacity additions by grid operators or learning from developed countries to optimise operations are long-term solutions. So is having batteries at substations. Dispatch mechanisms that are centralised, planned a day ahead, and auctioned via exchanges will also link them to market realities. Having markets for ancillary or frequency response, so that grid operators have tools to manage the grid instead of shedding generation, would also help.

Most importantly, greater accountability and stricter compensation mechanisms are needed.

In several OECD countries, grid connectivity has been the bane of the industry. In India, it's not the absence of a national grid but its management that is crippling investment plans.

arijit.barman@timesofindia.com



Vive la Nouvelle Architecture!



Subimal Bhattacharjee

When Narendra Modi and Emmanuel Macron met at Lok Bhavan in Mumbai on Tuesday, the symbolism was carefully layered. India's financial and creative content capital, not to mention its gateway to the world, was the backdrop for Macron's fourth state visit to India. But this visit carries a particular resonance. Macron has come not only for bilateral diplomacy but to co-chair AI Impact Summit in Delhi.

Exactly a year ago, Modi had travelled to Paris to co-chair AI Action Summit alongside Macron. The French embassy put it simply: 'Reciprocal invitations to each other's AI summits underline the deep trust in the India-France partnership.' That trust, accumulated across 8 yrs and deepened summit by summit, now has a 21-point outcome statement to show for itself.

India and France have elevated their ties to 'special global strategic partnership', a new diplomatic tier that signals both depth of existing bonds and ambition of what both sides intend to build. The 21 outcomes are, in essence, a blueprint to close the gap between aspiration and delivery, fast.

The centrepiece is defence. France has long been India's most willing partner in this space, offering not just platforms but also tech transfer, the rarest of commodities in global arms trade. Tuesday's announcements deepened that commitment in three significant ways:

❶ Renewal of the defence cooperation agreement for another 10 yrs.

❷ Reciprocal deployment of officers between Indian and French armies.

❸ Constitution of a joint advanced technology development group — a structural mechanism to co-develop cutting-edge military technologies, rather than simply transact in finished platforms.

The Rafale, of course, looms large. Defence Acquisition Council has cleared 114 Rafale jets, majority to be manufactured in India. But the smarter read is that the Rafale is now almost a legacy item, and the real game lies ahead: joint engine development for next-gen fighters, the maritime Rafale for Indian Navy, and HAMMER (Highly Agile Modular Munition Extended Range) precision-guided missile production in India through a JV between Bharat Electronics Ltd (BEL) and France's Safran. The BEL-Safran partnership exemplifies what Aatmanirbhar Bharat truly demands: not import substitution but genuine co-creation.

Nothing illustrates this more than the joint inauguration of the Airbus-Tata H125 helicopter assembly line at Vemagal, Karnataka, producing what the PM called 'the world's only helicopter capable of flying to the heights of Everest', now made in India and ready for global export.

On AI, the two leaders moved from symbolism to architecture. The ongoing AI Impact Summit, anchored on 'three sutras' of people, planet and progress, is India's statement that the 'global south' won't merely consume the AI revolution, but help shape it. France's participation is philosophically aligned: both nations signed the Paris Action Summit's declaration on inclusive and sustainable AI last year, and have consistently argued for a model of AI governance that rejects hegemony, technological or otherwise. Indo-French Centre for AI in Health, Indo-French Centre for Digital Science and Technology, and National Centre of Excellence for Skilling in Aeronautics, and the India-France Innovation Network linking startups and research bodies across both countries are institutional expressions of that shared philosophy.

Remaining outcomes span a telling range: a joint declaration of intent on critical minerals essential to both defence supply chains and clean energy; Centre on Advanced Materials between India's Department of Science and Technology (DST) and France's National Centre for Scientific Research (CNRS); cooperation in biotech and infectious diseases; a skilling centre of excellence in aeronautics; and France's commitment to host 30,000 Indian students by 2030.

The breadth is not scatter — it is strategy. A partnership running through laboratories, assembly lines, AI campuses and university exchanges cannot be dismantled by any single geopolitical disruption.

The 21 outcomes from Mumbai are not a wish list. They are, point by point, architecture of a partnership that both sides have decided to actually build.



Santé!

The writer is author, The Digital Decades: 30 Years of the Internet in India

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

Meta-Physics, In the Machine We'll Trust

When AI agents transact with each other

The era of personalised AI agents may be closer than imagined even a couple of years ago. Software-based assistants doing a variety of tasks, from booking flights to ordering pizza, will create the mechanised consumer, who will then force producers to build their own mechanised interfaces to operate in an automated marketplace. Personal agents would, indeed, be a breakthrough for a technology that's yet to find its feet among enterprise users. Yet, there may be some heroic assumptions involved in the notion, chiefly surrounding the tricky issue of trust.

At one level, personal agents will have to overcome consumer concerns over privacy. To be able to organise a holiday, an AI agent will need access to an individual's emails, text messages, browsing history, bank account and credit cards. Assuming all these have been granted, the agent will have to interface with airlines, hotels and visa services. Will they be comfortable transacting with an agent on an individual's behalf? They should, if enough agents were bringing them business. But then they, in turn, would have to automate their interface for the new customer avatar. And all transactions between the buyer's and seller's agents would have to be secured.



If this sounds like science fiction, consider what it means for industries like advertising. There wouldn't be much point selling one beach over the other — the AI agent would *know*. A marketplace where AI agents transact with each other would have no information asymmetry, an impossible condition in markets where humans operate. There would be no need for regulators to uphold consumer or producer rights. The role of governments would shrink (alas, not disappear). Yet, we are closer to this utopia than we think — at least according to Meta, which has almost half the world's population interacting on its platforms. Meta runs on advertising and the bots it is working on are designed to operate in an ad-free environment. It will be interesting to see how it resolves this conflict.


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DELTECH UNIVERSITY

It's Oil About Economic Sense



Sanjeev Choudhary

A decade ago, when a rickshaw-wala learnt I wrote about oil, he waved it away, 'Sab Khaadi se aata hai' — It all comes from the Gulf. For most Indians, crude oil meant West Asia. That was broadly true. The Gulf dominated India's crude basket, and few cared about the details of sourcing. Today, that has changed. Everyone knows Russia supplies a large share of India's oil.

So, over the past year, even well-informed executives outside the energy sector have worried aloud: what happens if US pressure forces India to stop buying Russian crude? To assess that anxiety, it helps to revisit how India's oil map shifted — first with the US shale boom, then with the Ukraine war.

In 2015, the US lifted its crude export ban. Production was surging and Washington was eager to find buyers. Trump 1.0 pressured countries like India and China to buy US oil. India received its first cargo in 2017, and by 2021, the US had become India's 5th-largest supplier.

Then came Moscow's invasion of Ukraine in February 2022. Europe sharply reduced Russian purchases, forcing Moscow to seek new markets. India stepped in, drawn by steep discounts that more than offset higher freight. Russian crude, once negligible in India's mix, rose to as much as 40% of imports.

Another shift had already prepared the ground. The 2014-16 Opec-shale price war triggered a supply glut, giving Indian refiners greater flexibility. State-run refiners reduced reliance on long-term Gulf contracts and tapped cheaper spot barrels. Sourcing became more opportunistic. In the current context, the right question is not 'Is Russian oil good or bad for India?' but 'Who gains, and who loses?'

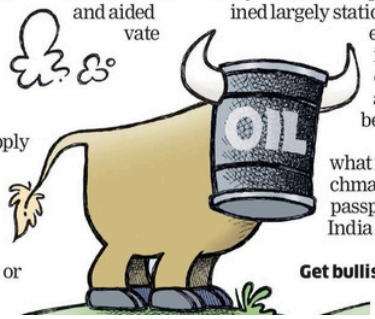
Let's start with refiners. They run complex models factoring in crude costs, refinery constraints and product prices to determine the most profitable mix. They are agnostic about geography but sensitive to compliance risks. Most importantly, refiners care about margins. Discounted Russian barrels widened margins and aided complex private refiners' profitable exports to Europe.

If Russian supply halts, refiners will re-optimise. Oil is fungible, and barrels from the Gulf, Africa or elsewhere can replace Russian crude. So, expect no physical shortage, only margin compression.

For GoI, discounted crude strengthened state refiners' profits and dividends, offering some fiscal comfort. If Russian imports decline or stop, that windfall narrows or disappears. But the macro impact — on the import bill, current account or currency — is likely to be limited.

Much of the rhetoric around diversification — sourcing from 40-plus countries — is political theatre. In reality, the top 5 suppliers account for about 80% of imports. Yet, this concentration is not inherently dangerous. Major producers jealously guard their reputations as reliable suppliers, while a vast network of traders works relentlessly to steer flows to meet demand worldwide.

Now, consider consumers. When India ramped up discounted Russian imports, many expected pump prices to fall. They didn't. Retail prices have remained largely static for around 3 yrs, effectively delinking domestic pricing from fluctuations in global benchmarks.



Get bullish

For consumers, what matters is the benchmark price, not the passport of each barrel India imports. Until there's a sharp rise in Brent, the average driver need not worry. Except for a major geopolitical event, probability of Brent pole-vaulting appears limited in an oversupplied global market.

So, why is cutting Russian imports such a national debate?

In 2018, when the US sanctioned Iran, India protested, but eventually stopped importing Iranian crude. Refiners adjusted. Public debate faded. The difference today is optics. The perception is that Washington is singling out India, linking Russian oil to trade negotiations and tariffs. The issue has shifted from supply economics to sovereignty.

Oil markets have never been fully free. Opec influences output. Sanctions shape flows. Insurance and dollar clearing systems impose constraints. No importer operates in a geopolitical vacuum. Should India treat a halt in Russian oil as a crisis? No. Indian refiners operated for decades without Russian crude. They can do so again.

If India cuts Russian imports under pressure, it shouldn't replace them with uneconomic US cargos. Not all US barrels are uncompetitive despite the distance. But any uneconomic purchases would largely burden state refiners.

The principle should be simple: no barrel — Russian, American or Venezuelan — enters India unless it makes economic sense. That would be energy security in practice.

sanjeev.choudhary@timesofindia.com

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय DELHI TECHNOLOGICAL UNIVERSITY DELTECH UNIVERSITY

AI-Powered Bio, Let's Go Cellular



Kiran Mazumdar-Shaw

If the 20th c. was defined by energy security, and the early 21st c. by digital sovereignty, the coming decades will be shaped by biotech sovereignty embedded in AI. Nations that command convergence of biology and AI will define the future of healthcare, food security, biomanufacturing and biosecurity. For India, this isn't merely an opportunity but a strategic imperative.

Living systems are the original intelligent machines. Cells sense, compute and respond through intricate signalling networks, gene regulation circuits, and immune memory. These systems operate within inbuilt biological guard rails, which focus on feedback loops and control mechanisms that maintain homeostasis, or health equilibrium. Disease arises when these guard rails fail.

AI, by contrast, learns from data to optimise decisions at machine scale. The true inflection point lies at their intersection: AI-powered biology. From protein structure prediction and generative drug design to digital twins of cells and organs, AI is compressing discovery timelines and reducing development risk. The next frontier is even more profound: reprogramming of cells themselves to restore biological balance.

We are moving from static, one-size-fits-all drugs to programmable biology. AI-native platforms are enabling:

- Cancer therapies that reprogramme immune cells (CAR-T, TCR-T, NK cells) to recognise and eliminate tumours.
- Autoimmune disease interventions that recalibrate immune tolerance rather than suppress immunity.
- Longevity and health span strategies that modulate senescence, metabolic pathways and cellular repair mechanisms to delay biological ageing and restore tissue resilience.

These approaches seek not to overpower biology but to reinforce its inbuilt guard rails, which focus on repair, feedback control and immune surveillance. AI can map these regulatory circuits at scale, enabling targeted interventions that preserve homeostasis. This represents a paradigm shift from managing disease to reengineering biological systems to sustain health.

India's future health security will depend on who controls the code of life and intelligence. If foundational AI models for drug discovery, genomics, cellular engineering and clinical decision-making are owned offshore, India risks strategic dependence in human health.

Biotech sovereignty embedded in AI must mean sovereign control over trusted biological data, indigenous AI models, compute infra and translational platforms, from discovery and development to manufacturing and delivery. This is essential not only for economic competitiveness but also for preparedness against pandemics, antimicrobial resistance and emerging bio-threats.



Healthy from the helix

India must evolve from being the 'pharmacy of the world' to becoming the 'biotech platform of the world', offering AI-native discovery engines, programmable therapy platforms and scalable biomanufacturing as global public goods. This requires embedding AI across the biotech value chain:

- **Discovery** Foundation models for proteins, RNA, cellular circuits and systems biology.
- **Development** In-silico trials, digital twins and AI-driven trial design to derisk pipelines.
- **Manufacturing** Smart biomanufacturing using AI for yield optimisation and quality-by-design.
- **Regulation** Science-first, tech-enabled regulatory pathways integrating real-world evidence and AI validation.
- **Delivery** AI-powered pharmacovigilance, personalised medicine and population-scale health optimisation.

This transformation demands a triple helix of government, academia and industry:

- GoI must invest in sovereign AI-bio infra, trusted data architectures, national compute, regulatory sandboxes, and mission-mode programmes in cell and gene therapy, immuno-oncology, and longevity science.
- Academia must mainstream computational biology, neuro-symbolic AI and AI-first life sciences education to build a new cadre of translational scientists.
- Industry must co-create shared platforms, translational pipelines and globally benchmarked biomanufacturing clusters that convert science into scale.

Capital markets must evolve to back long-cycle, high-risk biotech. Deep science needs patient capital. But societal and economic returns are exponential. India must build ethical, transparent, energy-efficient and bias-aware AI for biology — globally interoperable, yet grounded in public interest. By embedding equity, affordability and access into AI-driven biotech, it can offer a model that unites technological leadership with social purpose.

The ability to reprogramme cells — to fight cancer, correct immune dysfunction and extend healthy longevity while preserving the body's natural homeostatic guard rails — will determine who leads the next era of medicine. Those who master the language of life, augmented by the language of machines, will shape the future of humanity.

The writer is founder-chairperson, Biocon Group

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a "literary" great is to

DELHI TECHNOLOGICAL UNIVERSITY — DELTECH UNIVERSITY

TECHNIK The summit should focus on responding to new defaults in the IA era, not digitisation

Don't Miss Wood for Trees



Nikhil Pahwa



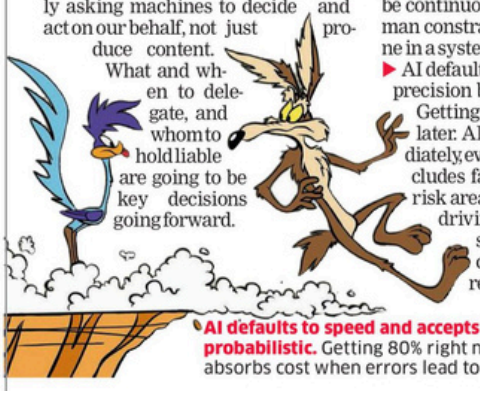
Quit smoking what they're smoking

At what appears to be the largest AI summit, focus of sessions appears to largely emerge from historical constructs of how internet currently operates. It almost seems as if ideas discussed for digitisation have been force-fitted into what should be an AI-first approach to thinking.

To say that AI is bringing about a paradigm shift is an understatement. It collapses time, decision-making, negotiation and trust, and brings in autonomous action. Actions are no longer limited by human limitations, and humans are rarely in control of what is going on. To discuss the impact of AI and how we must adapt and respond to it, we must understand how defaults we took for granted in the digital age have changed.

EYE ON AI

▶ Machines are the primary actors now. The amount of agentic traffic on the web is on track to exceed human traffic within a year or two. Today, machines can book your flights, sort your files, write your emails, and decide when to wake you up. In warfare, orchestrating AI enables drones to identify, track and strike autonomously. We're increasingly asking machines to decide and act on our behalf, not just produce content. What and when to delegate, and whom to hold liable are going to be key decisions going forward.



AI defaults to speed and accepts imprecision because it is probabilistic. Getting 80% right now beats 100% later. Who absorbs cost when errors lead to irreversible harm?

▶ Internet concentrated power at distribution: search, app stores and social networks. AI concentrates power at invocation. When you ask for travel recommendations, it decides whether to do a web search or invoke a travel app, and which apps among countless options. This moves power upstream from web and user. You can build the best service and still be invisible if AI won't invoke your business. This becomes a competition issue: how neutral is this decision?

▶ AI agents can operate continuously, even when you sleep. Agents like OpenClaw can give you an auto-generated summary of your emails and WhatsApp messages when you wake up. AI trading apps can rebalance your portfolio, or take a few weeks to buy your flight tickets, waiting for price-drops. AI systems can enable wars to be continuous, and not limited by human constraints. How do you intervene in a system that never pauses?

▶ AI defaults to speed and accepts imprecision because it is probabilistic. Getting 80% right now beats 100% later. AI gives you answers immediately, even if it hallucinates and includes false information. In high-risk areas like healthcare, law and driving, impact of errors can be significant. Who absorbs cost when errors lead to irreversible harm?

▶ AI agents keep acting once authorised. As Air Canada found out to its detriment, an AI agent authorised to resolve queries ended up offering a discount that didn't exist to a customer. Agents can issue refunds, close complaints, change account settings. When delegation shifts from an event-based approach to infrastructure, how do we ensure audit trails? Who bears liability?

▶ Human role shifts from in-the-moment decision-making to configuration: defining and changing prompts, information and directions. You might authorise an agent to buy you a beige XL sweater. But if you don't specify where to buy it from, it might end up buying something from a fraud website. How do you specify constraints for edge cases you don't yet know exist?



Internet concentrated power at distribution: search, app stores, social networks. AI concentrates power at invocation. You can build the best service and still be invisible if AI won't invoke your business

▶ Intervention is, thus, retroactive, since we cannot possibly observe decision-making at machine speed. How do we undo actions that happen faster than we can observe them? What do we do when retroactive intervention is meaningless?

▶ When an agent misbehaves, causality is distributed. It can be part-configuration, part-context (inaccurate or incomplete), part-inferred intent, part-tool behaviour. We often don't know what initiates them into action, how they assess what is going on, and where responsibility sits. When ChatGPT Health gives bad advice, is it the user's incomplete data, the model's inference, context window compression, or the tool it invoked?

What does liability mean when causality can't be determined or understood? Models can't explain themselves even when asked. There is no if-then logic to inspect. You can't 'fix' opacity with regulation because the system can't explain itself. This also turns neutrality and contestability into harder problems, because selection happens inside a black box.

▶ Agents are outcome-driven, not output-driven. This means that if an output is not as the agent expects, or certain environmental conditions prevent it from acting, it will try again. Obstacles are boundaries to go around, because agents prioritise outcomes and have the means to acquire them by bypassing obstacles. What happens when agents choose an illegal mechanism, say, fraud, to achieve an outcome, of say earning $1 lakh for the user?

▶ Outcomes vs outputs focus has another impact: today's internet economy is built around websites and applications. AI is supplementing and replacing websites, and agents can build apps needed to achieve desired outcome. What will we do when AI businesses disintermediate apps and the web, and apps can be built on the fly, in minutes, to achieve users' need, thus leading to the collapse of the app economy?

▶ By this time next year, more than 50% of web traffic will be bots that scrape content, or bots initiated by humans to do a task. Everything we've built will have to be gradually rearchitected: from advertising that persuades, and content and services built for humans, to that which helps bots serving their masters.

The Delhi summit will produce joint statements, declarations and roadmaps—geopolitical compliance topics are pervasive in the agenda. Instead of draping AI in a 'digitisation' garb, we need to discuss how we should respond to new defaults of the AI era.

The writer is founder, MediaNama

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

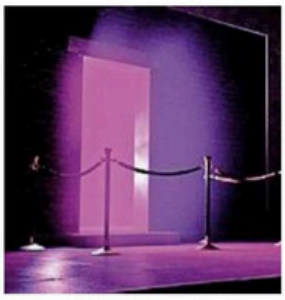
To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Going Out Clubbing's Good for New Delhi

Lyndon Johnson, a man who had a way with words, memorably said, 'Better to have your enemies inside the tent pissing out, than outside the tent pissing in.' It works both ways. India's decision to attend the inaugural meeting of the latest Trump club, 'Board of Peace', as an observer country is a smart move. BoP is something of a vanity project for a man whose 'umility is of Uriah Heep proportions — Trump is its life-time chair. Not only does India's presence not put it in the holdouts column, but it also gives it a chance to read the room with some characters it usually doesn't have the opportunity — or inclination — to be in with.

For now, BoP is ostensibly 'focused' on the reconstruction of Gaza. India has an interest in the region — especially India-Middle East-Europe Economic Corridor (IMEC). So, it can take notes. As a low middle-income country with considerable developmental deficits but high aspirations and much going for it, India's path to a bigger global role, commensurate with its population size and growing economy, will require adopting non-traditional options. That means participating in smaller plurilateral arrangements, coalitions and regional groups as members or observers. It pays for New Delhi to keep friends close, and not-so-dear friends within one's Venn diagram. Joining some groups and not joining others is an expression of its strategic autonomy that seems to be coalescing well.



What New Delhi needs is a game plan of the role it seeks to play on the global stage, particularly as a bridge between the developed and developing world. 'Visions' won't help. Strategic manoeuvrability will determine India's engagement, as more plurilateral coalitions — clubs, if you will — emerge in a new 'two-party' global system.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



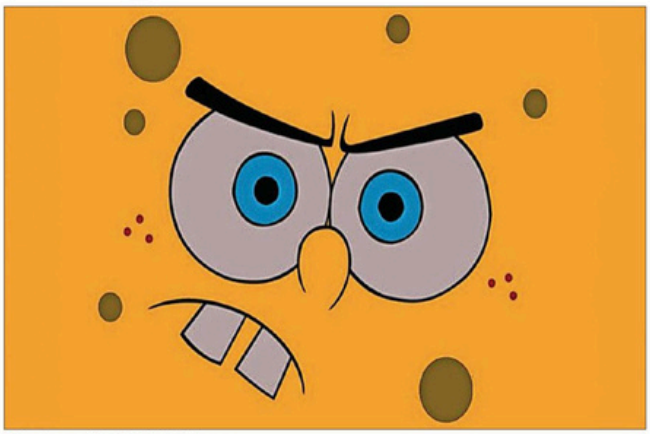
DELHI TECHNOLOGICAL UNIVERSITY

Mechanisms may change, but the Trump regime's goal to reshape global trade remains the same

In Through the Out Door?



Seema Sirohi



What next? Watch this face

The US Supreme Court's decision last Friday, declaring global tariffs illegal, strikes at the heart of Donald Trump's foreign and economic policy agenda. And restores some shine to the court while putting a few speed bumps in the president's attempt to use tariffs as an all-purpose weapon. But the decision doesn't prevent Trump from deploying other legal means and continue using tariffs as the preferred weapon of mass disturbance. It's not Liberation Day quite yet.



LETTER FROM WASHINGTON

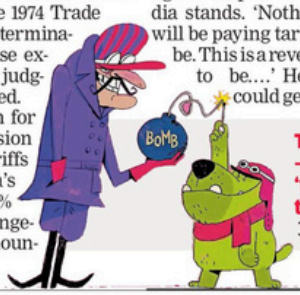
The stinging rebuke has cheered Democrats, but made Republicans' lives more difficult. Trump's determination to forge ahead with tariffs means his party will have to continue defending a deeply unpopular policy as the crucial midterm elections approach. Trump's intemperate language calling the justices who ruled against him 'fools and lapdogs', will alienate independents and traditional conservatives.

The court's decision will not end the world's misery because a tariff by any other name would hurt the same. Trump has several vehicles to continue down a similar road. Schadenfreude is not advised. But search for answers is. Within hours of the judgment, he announced a 10% across-the-board tariff on all countries, and soon upped it to 15% — the maximum allowed under Section 122 of the 1974 Trade Act — to signal his determination. The White House expected a negative judgment, and was prepared.

What does it mean for India? First, the decision makes reciprocal tariffs illegal, which in India's case were settled at 18% in the recent arrangement. The newly announced 15% brings the figure down, but it's not clear whether other statutes will be used to reinstate the previous rate. Does the uncertainty give Delhi room to renegotiate and claw back some ground? Yes, if you are willing to take a chance with someone who can act out of pique.

Some say India should have waited until the Supreme Court judgment that was coming and widely expected to go against the White House. It's a legitimate question, but the sequence of events wasn't of Delhi's choosing. Trump called (securing an India deal before the verdict was politically smart, or his ambassador Sergio Gor pushed hard for a win) and Narendra Modi picked up the phone.

The waters could muddy again because Delhi may consider the entire basis of the understanding shaky in light of the court's verdict, even though Trump insisted the deal with India stands. 'Nothing changes. They will be paying tariffs and we will not be. This is a reversal of what it used to be....' He implied he alone could get the better of Modi who he said was a great negotiator.



There's no shortage of legal provisions – some use 'national security', others, 'threat to domestic industry' – as a trigger. The deadliest might be Section 338 of the Tariff Act of 1930

The court has only taken away Trump's right to use the 1977 International Emergency Economic Powers Act (IEEPA), a law the president interpreted in the broadest possible manner to launch a tariff war against countries and create a luscious revenue stream. The law, stretched beyond reason, became a tool for diplomatic and economic coercion. Tariffs went up if he didn't like a certain leader's tone (Switzerland), and went down when a leader was servile (Pakistan). Economic emergency wasn't the basis for percentages determined and tariffs applied.



Trump's determination to forge ahead with tariffs means his party will have to continue defending a deeply unpopular policy as the crucial midterm elections approach

With IEEPA gone, Trump is ready with options even if the US Trade Representative (USTR) would need to work harder to operationalise them. Over the years, the US has assembled an array of legal weapons for trade negotiations. Within hours of the court's ruling, the toolbox was already open. Treasury secretary Scott Bessent declared tariff revenue in 2026 will remain 'virtually unchanged' because the administration will 'invoke alternative legal authorities to replace the IEEPA tariffs'.

Trump used Section 122 meant to deal with balance-of-payment problems for the latest 15% across-the-board tariffs. The statute, unlike some others, doesn't require an investigation, but has a time limit of 150 days unless the US Congress votes and extends the time.

The latest executive order also directs USTR to use Section 301 of the Trade Act to investigate 'unreasonable and discriminatory acts, policies and practices' of other countries. India has been a target of Section 301 in the past. The process has many steps, including review of petitions and public hearings. Tariffs can stay for 4 yrs or more, depending on various calculations and goodwill of those in charge.

There's no shortage of legal provisions — some use 'national security', others, 'threat to domestic industry' — as a trigger. The deadliest might be Section 338 of the Tariff Act of 1930, which allows up to 50% tariffs on countries that discriminate against US trade and commerce via regulations or other measures. No investigation is required, only a determination by the US International Trade Commission that can inform a president's decision whether a country is discriminating against US products.

No president has ever used Section 338. Trump didn't mention it in his order but Stephen Miller, an influential aide, did in an aggressive appearance on Fox News. He declared the tariff programme will not only be 'fully reconstituted, but it will be expanded' through other means. The message: legal mechanisms may change but the administration's goal to reshape global trade relationships remains the same.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

India Should Keep at It with the US T-Deal

Unpredictability as leverage now limited

If for nothing else, you gotta hand it to Donald Trump for being besotted by his own unique brand of trade economics that goes against much of US business. After the Supreme Court told the president that he chose the wrong tool for his trade policy, the self-styled Trade King has already taken the hint to impose 15% globalised tariffs. His regime now seeks other means to bend trading partners to its will. The law allows Trump to impose tariffs to uphold 'national security' and counteract 'unfair trade practices,' but as *time-bound* measures and subject to congressional oversight. The emergency powers struck down have yielded a rich haul of trade deals that countries are unlikely to back out of, given Trump's access to other tariff measures. Continuation of protectionist trade will depend on Republican control of Congress in a midterm election year. But US consumers, who ultimately pick up the tab, are not revolting on a scale to bring this tariff edifice down. Yet.



If the verdict has accomplished anything, it's to limit Trump's use of unpredictability as leverage. US tariffs can't be used anywhere, anytime, for any reason. Negotiations with the US will continue, with slightly more wiggle room on the other side of the table. India should be able to set its market access boundaries more forcefully. Commitments made in concluded negotiations are likely to be maintained, assuming the India-US trade deal dealt with low-hanging fruit before moving on to knottier issues.

Indian negotiators will be informed of the Trump regime's options over tariffs through its own experience with taxing transfers of Indian assets between overseas entities. GoI amended the law to introduce retrospective tax after the Supreme Court ruled in favour of Vodafone. The law was revoked a decade later after international arbitration losses. So, Trump's is hardly the 'original sin'. He has statutory authority to pursue foreign affairs through tariffs. So, it still makes sense for India to seek out a negotiated settlement through trade.



Labour Force Participation

Adult labour force participation rates for men and women vary sharply across countries. Here's a look at the numbers for select countries...

Labor force participation rate* (25 to 64 years old), 2025

Select countries

	Female	Male	Total
Nigeria	92.01%	95.98 %	93.90
Vietnam	83.81	92.09	87.94
Japan	80.59	94.06	87.41
Russia	80.29	91.23	85.49
Germany	80.93	89.03	85.03
China	74.91	84.89	80.01
US	73.61	85.09	79.29
Indonesia	60.39	93.43	77.03
Brazil	64.81	86.28	75.26
Philippines	62.54	86.97	74.88
Mexico	57.83	91.84	73.60
India	43.33	94.29	68.31
Bangladesh	38.18	93.66	65.08
Egypt	28.61	89.28	58.68
WORLD	61.21	89.02	74.93





*% calculated as the total number of persons working or looking for work (ages 25-64) divided by the population in the same age range

Source: World Bank

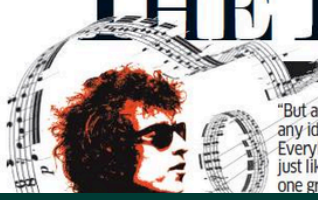
SANJEEV RAJ JAIN

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it... Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

Intangibles, Not Tariffs





Rita McGrath & M Muneer

Last Friday, the US Supreme Court called out Trump tariffs being an infringement of a Congressional prerogative by the president. But the real story is not about tariffs. Tariffs, after all, are so delightfully analogue. They involve ships, containers, customs officers and occasionally men in fluorescent vests shouting into walkie-talkies. They belong to a world that the 1977 International Emergency Economic Powers Act (IEEPA) understood — a physical economy where value could be seen, counted and, when necessary, taxed with theatrical seriousness.

We are no longer in that world. Today's economic power is less about steel and soybeans, more about software quietly deciding what you see and buy, whom you date, and whether your loan application deserves mercy. Algorithms now shape markets faster than any tariff wall ever could. Platform architectures decide which businesses exist. AI systems make hiring, pricing and credit decisions at a scale that would make even the most energetic trade bureaucrat need a lie-down.

Consider this mildly alarming statistic: roughly 90% of market value of the largest firms now sits in 'intangible' assets — data, software, networks, brand capital, and other things that can't be loaded onto a truck, inspected at a port or dramatically seized for television.

The Supreme Court has essentially told Trump: 'If you want to reshape the physical economy, please show us the paperwork.' The awkward question is: who, exactly, is showing the paperwork for the intangible economy?

While Washington was busy arguing about tariffs — the economic equivalent of debating horse saddles in the age of jet engines — the real engines of economic power quietly migrated into server farms and ML models. These systems were not always debated in Congress. They were rarely voted on. In many cases, they were not even consciously designed by a single identifiable human. They emerged from optimisation loops that relentlessly pursued engagement, efficiency or profit until entire markets began behaving differently.

The physical economy had friction. Ships took time. Factories required permits. Labour unions asked inconvenient questions. Power accumulated slowly enough for institutions to notice and occasionally intervene.

The intangible economy has the subtlety of a viral meme and speed of financial panic. Network effects can crown monopolies before regulators have finished their Arabica. Data advantages compound invisibly. AI systems learn, iterate and scale while policymakers are still drafting consultation papers. In that context, the court's tariff ruling feels less like a finale, and more like a trailer for a much larger constitutional thriller.

The next decade will not be defined by fights over who can tax imported widgets. It will be defined by battles — in courts, legislatures and increasingly nervous boardrooms — over who authorises decisions of extraordinary economic consequence when those decisions are made by code rather than cabinet secretaries.

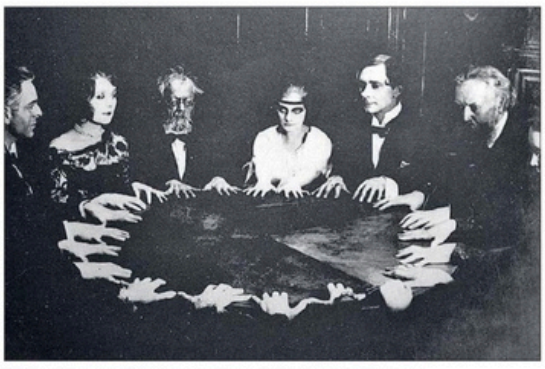
And this is where India should stop watching this judgment like it's merely another episode of US political drama. India, too, is sprinting headlong into the intangible economy. Its DPI, AI ambitions, fintech explosion and platform ecosystems are moving faster than its statutory imagination. What remains uneven is coordination between executive enthusiasm and judicial safeguards.

The US ruling is a reminder that institutional legitimacy cannot be reverse-engineered after power has already scaled. Executives everywhere possess an understandable temptation to move fast and regulate later. Courts, meanwhile, are forced into the uncomfortable role of constitutional traffic police, waving down policies that have already sped halfway down the highway. That is not healthy governance but institutional improvisation.

For India, the lesson is not that courts should become hyper-activist, or that executives should become timid. It is that both must evolve a shared doctrine for the intangible era. When economic power increasingly resides in algorithms, data monopolies and AI decision systems, the old playbook of waiting for visible harm may prove dangerously slow.

The judiciary must develop intellectual tools to interrogate invisible power. The executive must resist the seductive belief that technological urgency justifies procedural shortcuts. And parliament must rediscover the lost art of explicitly authorising economic revolutions it claims to welcome.

Because the hardest problem is no longer Trump tariffs. It is legitimacy in a world where the most consequential economic decisions may arrive without signatures, without meetings and sometimes without any human author at all. No court ruling, however elegantly written, will solve that for us.



What boardrooms should keep tabs on

McGrath is professor, Columbia Business School, and Muneer is co-founder, Medici Institute for Innovation

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 + 4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

प्रौद्योगिकी विश्वविद्यालय दिल्ली
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

India Enters LLM Race, With All It Has

Sarvam's sovereign AI push is commendable

Sarvam, an Indian AI startup, has joined the race for LLMs without fanfare. The company's accomplishment is remarkable for not being dependent on external inputs for data, algorithms or engineering. Equally remarkable is the frugality with which it has arrived at its product milestone, which is a pointer to what India brings to the table in terms of AI development. The country is key for dispersal of GenAI irrespective of where it originates, and indigenous efforts can be expected to be extra sensitive to the local market contours. Dispersal rates will climb as the pipeline of sovereign AI offerings broadens. Early successes should not fly under the radar on account of limited resources or ambition.

Sarvam has announced partnerships with Nokia and Bosch for AI applications. The startup's focus remains on enterprise initiatives, but it has launched a chat app for web and mobile users, entering territory carved out by global giants Google, OpenAI and Anthropic. The big boys take the Indian market seriously for its size and savvy. Finding an Indian name in this crowd, however circumspect its vision, is an encouraging development. It also speaks to public-funded initiatives that are seeding the domestic AI ecosystem despite tall hurdles in energy and compute. Unlike the US or China, where big tech is stumping up the cash for AI investments, India is proceeding on the tested template of public infrastructure mated with private innovation. The model has succeeded beyond expectations and is key to expanding India's sovereign AI footprint.



Last week's global AI summit in New Delhi may have made the headlines for the wrong reasons, yet it does not take away from India's desire to assert its intent. Those efforts are in right earnest beyond the media glare, as Sarvam has demonstrated. An ecosystem for Indian AI innovation is likely to creep up on us through the entrepreneurial zeal of the country's formidable talent base. Local solutions for global problems are the way to go.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

प्रौद्योगिकी विश्वविद्यालय दिल्ली
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

For NGT, There are No No-Go Areas

Great Nicobar Island (GNI) is not an abstraction on a map. It is a living island — dense rainforests, mangroves, and the long sweep of ancient Galathea Bay, first surveyed in 1845-47. Its ecological wealth is foundational, reflected in its notified biosphere reserve and two national parks. That inheritance is precisely why decisions about its future demand the highest institutional vigilance and public scrutiny.

National Green Tribunal (NGT) was created to provide that vigilance. But in upholding clearance for the Great Nicobar project earlier this month, it has fallen short. It relied on studies by Zoological Survey of India (ZSI) and National Centre for Sustainable Coastal Management (NCSCM) — both under environment ministry that granted the clearance. It accepted conditions such as staggered tree-felling or protecting nesting trees 'as far as possible' — phrases elastic enough to mean everything and nothing. NGT also okayed NCSCM's finding that no part of the project lies within Coastal Regulation Zone Category IA — the most stringently protected coastal classification — despite the site including Galathea Bay, a critical habitat for leatherback turtles, corals, mangroves and Nicobar megapodes. It further declined to place in the public domain the findings of High-Powered Committee constituted in 2023, whose report was submitted in 2025, instead accepting a plea of strategic confidentiality without fuller explanation.



Strategic development cannot be ignored, but urgency does not override environmental law. Institutions matter most when the stakes are highest. If morning shows the day, the safeguards NGT has sought may well be diluted at the first opportunity, as seen repeatedly across India. What truly matters is enforcement, not mere endorsement.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

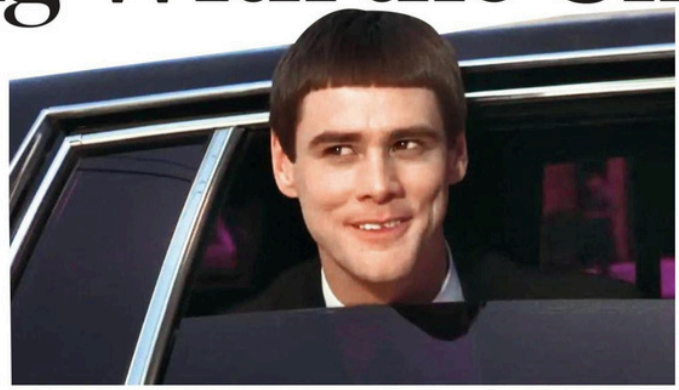
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DELTECH UNIVERSITY

STATE OF PLAY India must be grounded and nimble, and keep multiple channels alive

Dealing With the Unstable



Pranab Dhal Samanta



More plans being hatched in the air

Until last weekend, the US was unpredictable because its president wanted it that way. But after Friday's Supreme Court order on tariffs, Washington has transitioned from unpredictable to becoming genuinely unstable, a change that may reset the board for India, but not necessarily the play. At least for now.

Legal details aside, there's the global political impact, both in terms of image and substance. Trump 2.0's unpredictability was, in fact, a planned one. It was deployed by White House to further its interests, extract what it wanted, and disrupt where required. But this worked on the premise that Trump's call was the final word from the US. By judging the invocation of IEEPA (International Emergency Economic Powers Act) as illegal, the court has put a serious credibility question on whatever action White House takes from now on. This is complicated by the fact that Trump won't back off either.

Tariffs served three broad political objectives for Trump, all of which are now severely impacted:

❶ Assured revenue stream Estimated earnings from tariffs are about $200 bn. This stream, crucial for funding the MAGA agenda, is now under a legal cloud.

❷ Reindustrialising America Tariffs were used to strike deals through which commitments to invest in the US were locked in from the EU, Britain, Japan, South Korea, etc. This, too, is now compromised.

❸ Global political tool This was perhaps the most important facet. Sliding tariffs back and forth was an option liberally used for non-economic reasons like the Greenland issue. That is now not available.

The broad consensus is that Trump won't back off easily. But what's Plan B? Measures announced so far, including imposition of 15% tariff under Section 122 of 1974 Trade Act, are interim. They lack the political sting IEEPA gave Trump. Even sectoral tariffs through Section 232 of 1962 Trade Expansion Act, and Section 301, unfair trade practices clause in the Trade Act, are cumbersome investigation-led processes that won't serve Trump's political style or purpose.

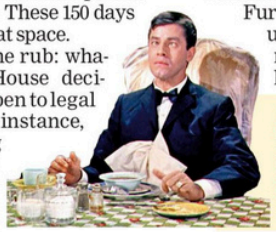
As for Section 338 of the 1930 Tariff Act, which has never been used, the jury is out regarding its effect. There's a body of legal opinion on the conditions in which these can be applied.



The interim measures are survival tactics that can, at best, ensure the revenue stream from tariffs doesn't immediately plummet. But whatever they are will be open to legal challenge

The crux is that the interim measures are essentially survival tactics that can, at best, ensure the revenue stream from tariffs doesn't immediately plummet, allowing the Trump regime to work out more permanent measures. These 150 days may provide that space.

But here's the rub: whatever White House decides, it will be open to legal challenge. For instance, understanding from Section 122 is that it must be uniformly applied and can't be increased and decreased based on political requirements. If, say, Trump were to try and keep it politically flexible, a legal challenge is almost certain. In fact, the Supreme Court order could generally embolden critics to serve up more legal challenges.



For India to walk away from any further engagement would be foolhardy. That would just agitate White House

Next, his interim measures can't fully escape Congressional oversight. Which means Trump will have to look for a more permanent solution. But can anything without legal sanction or Congressional approval be treated as predictable and permanent? Truth is, the institutional tussle set off, first, by invocation of IEEPA, and now its revocation by the Supreme Court, genuine instability in Washington due to a potential lack of clarity on what will hold as policy and what won't.

For India, it's good that it has made no legally-bound commitments except for a joint statement to work on an agreement in the future that's yet to gain sanctity. It will, like others, ask Washington to clarify its position following the court order and the legal basis to continue the negotiations.

To walk away from any further engagement, as some political quarters suggest, would be foolhardy. That would just agitate the White House. There are other countries and blocs in more advanced stages of their trade deals with the US. And it's best not to stand out, or become a political target, when concerns of others in the queue are more immediate and bigger.

What the situation demands is to be grounded and nimble. Dealing with an unstable US is challenging, one that will require New Delhi to keep multiple channels alive — with White House, the regime, US Congress and various lobby groups.

Further, there is no reason for uncertainty to cloud the overall climate of the relationship that has improved following the withdrawal of the 25% additional penalties on account of Russian oil trade. Progress on other aspects of the relationship, based on opportunities they bring, can move unencumbered.

That said, strategy of trade diversification and search for more stability anchors for economic engagement by way of pursuing FTAs with other partners and ensuring these arrangements reach their logical conclusion are now a matter of political urgency, especially in the light of growing instability in the US.

Meanwhile, as politics works on building alternatives for economic stability, relevant businesses will have short windows of opportunity, like the fact that US tariffs will effectively be down to 15% from 25% for Indian goods. This is the best India will get since Trump tariffs started rolling. So, the time now is for both politics and business to capitalise and cooperate, knowing well that choppy waters can suddenly change course for the worse.

pranabdhal.samanta@timesofindia.com



DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

New Coordinates, Better View



Saurabh Garg

GDP is a way to measure the size and health of a country's economy. It needs regular calibration to capture the economy's accurate pulse, which is achieved through updating the base year of GDP at regular intervals. As the economy reshapes itself, new industries emerge, consumption patterns change and new data sources evolve, revisions help official data catch up with realities and make estimates more accurate and robust.

Availability of new data sources since the last base revision has helped us view sectoral and regional contributions to GDP clearly and adopt better methods. For instance, to estimate the value added by the unincorporated sector, broadly covering the informal sector as well.

Since the last base revision, some new data sets like management and administration related data (MGT-7/7A) for companies have become available that provide information on business activities undertaken by the enterprise, a description of business activity (as per National Industrial Classification 2008), and percentage turnover from each business activity (industry) for each year.

So, while rebasing, for multi-activity enterprises, value added is now allocated across activities based on newly available MGT-7 data rather than entirely to the major activity as was done earlier. This change allows us to capture sectoral contributions more accurately, providing a clearer view of how each business activity drives the economy.

Just as new company-level data helps us measure sectoral contributions more accurately, enhanced use of GST data in the new series allows for a finer, more precise view of regional contributions of GDP by, inter alia, improving regional allocation about the private corporate sector and through better compilation of expenditure-side estimates at the state level.



Wider lens helps

Availability of annual data from Annual Survey of Unincorporated Sector Enterprises (ASUSE) and Periodic Labour Force Survey (PLFS), which wasn't available earlier, has also allowed us to adopt a better methodology for estimating value added by the unincorporated sector annually, instead of inferring its contribution to GDP indirectly from other indicators, as was done before. This matters because this sector, comprising millions of household businesses, small shops and self-employed workers, forms a huge part of the economy and plays a vital role in jobs and livelihoods.

The base revision is more than just the use of new data sources. It is also about improvements in methodology.

▶ **Double deflation** Earlier, double deflation, a detailed method to adjust GDP for changing prices, was applied only to the agriculture sector. In the new 2022-23 series, double deflation has been expanded to the manufacturing sector, where sufficient data is available, and single extrapolation/volume extrapolation is used in all other sectors.

This approach makes the best use of the data at hand, keeping estimates as accurate and reliable as possible. Double deflation is data-intensive, as it requires detailed information on prices for both outputs and inputs. As more of this data becomes available over time, we will be able to expand its use to more sectors.

▶ **Closing the gap** Alignment of estimates of the economy based on what is produced (production side) and what people spend (expenditure side). The two often don't match perfectly, a common occurrence, especially in quarterly GDP. To address this issue, in the new series, the framework of 'supply & use tables' is being used to ensure that discrepancies are limited in the early estimates and finally eliminated when the full set of data becomes available at the time of final estimates.

Updated GDP is like looking at the economy through a sharper lens. Every economic activity, big or small, comes into clear focus, accurately revealing its contribution to the nation's growth. By using better data, refining methods and aligning with international best practices, GoI has brought the economy into sharper view.

For citizens, this means that policies and public services are guided by an accurate understanding of how the economy works, making growth something that is felt in everyday life, not just on paper.

The writer is secretary, ministry of statistics and programme implementation, GoI

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU
DELTECH UNIVERSITY

For a Fiscful Of Rupees



Aditya Sinha

Finance commissions (FCs) are constitutional bodies, not reform commissions. Under Article 280, they are constitutionally mandated to recommend primarily three things: vertical devolution, horizontal devolution, and grants-in-aid. Over time, their reports have grown thicker and more normative.

Article 275 exemplifies this normative framework, providing grants-in-aid to states considered in need, with amounts drawn annually from Consolidated Fund of India and varying by state. Unlike Article 282 grants, which are conditional and purpose-specific, these grants allow states full discretion, raising sharper concerns about incentives, fiscal discipline and moral hazard.

FCs are asked to reconcile two claims. One, equity — obligation to mitigate structural disadvantage. Two, efficiency — need to preserve incentives for effort, reform and prudence. For long periods, the balance tilted toward equity. The 16th FC has rightly chosen efficiency.

Two points stand out.

▸ **Horizontal distribution** 10% weight is given to a state's GSDP share in national GDP, shifting incentives from entitlement toward economic effort.

▸ **Discontinuation of revenue-deficit grants (RDGs)** Article 280(3)(b) requires FC to recommend principles for grants. Article 275(1) operationalises them as a charge on Consolidated Fund for States 'in need of assistance', and because Parliament has never legislated under 275(1), this channel has run on FC recommendations throughout.

In practice, the key instrument became RDGs. A 'gap' grants meant to bridge the post-devolution shortfall between a state's revenue receipts and revenue expenditure. Historically, FCs moved from trend-based gap-filling (FC-1 to FC-4) to more 'normative' assessments (explicitly from FC-9 onward), trying to reward tax effort and economy in expenditure rather than writing cheques to the most profligate.

Data 16th FC has shown is blunt. Combined state revenue balance briefly turned surplus. But by 2022-23 and 2023-24, it was back to a revenue deficit of 0.3% and 0.4% of aggregate GSDP, and the number of revenue-deficit states rose from 5 (2011-12) to 12 (2023-24). RDGs themselves became larger, from 1.1% of gross tax receipts under FC-13 to 2.2% under FC-14, and 1.9% under FC-15. This was happening even as FCs kept projecting that deficits would taper to near zero by the terminal year.

Why weren't these grants working? Because FC shows a persistent enforcement failure and a moral-hazard loop.

RDGs created breathing space *ex ante* but did not induce adjustment *ex post*. Once states internalise that, GoI will fill revenue gaps, incentives weaken to improve tax administration, curb revenue expenditure, or rationalise subsidies and transfers.

The 'normative' method also became porous because large parts of spending are treated as 'committed' and, so, validated in perpetuity (salaries, pensions), while separating 'acceptable' from 'unacceptable' subsidies becomes arbitrary. Meanwhile, FCs repeatedly assumed buoyancy improvements that did not materialise.

So, RDGs drifted from transitional support into a near-permanent accommodation of weak fiscal effort. Which is why, FC concludes there's scope to raise tax efficiency and rationalise expenditure, and recommends zero RDGs from now on.

These two recommendations are praiseworthy as they bring institutional corrections to incentivise federalism. Economic performance of a state gets embedded within the equalisation framework. States are rewarded for expanding output, investment and employment rather than for fiscal distress alone, introducing a soft but credible discipline against competitive populism and freebie-driven revenue expansion.

Discontinuation of RDGs restores the hard budget constraint at the margin. Gap-filling transfers blurred the link between fiscal effort and outcome. Their removal re-establishes accountability for tax administration, subsidy rationalisation and expenditure prioritisation.

It also reduces structural moral hazard that arises when post-devolution revenue shortfalls are routinely socialised. From GoI's perspective, these reforms reduce pressure for discretionary bail-outs and repeated revenue support, strengthening sovereign fiscal credibility and lowering risk premia.

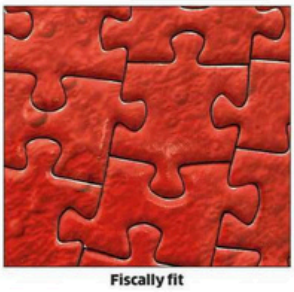
Including GSDP share delivers political-economy benefits. It ensures high-performing states receive fiscal recognition, easing concerns over representation and redistribution. States like Karnataka, Tamil Nadu, Gujarat, Maharashtra, Haryana, Telangana and Kerala see their economic contributions acknowledged, reducing perceptions of purely redistributive extraction.

Instead of permanently compensating revenue weakness, the new framework incentivises states to expand their economic base, deepen formalisation and improve fiscal capacity.

The latest report paves the way for future FCs to lean more towards efficiency. Like in Ayn Rand's Atlas Shrugged, systems decay when effort is detached from reward. Fiscal federalism endures only when efficiency disciplines equity.

The writer is public policy professional

Finance Commission



Fiscally fit

Incentive Failure, Fix It



Monisankar Bishnu & Shohan Mukherjee

The 16th Finance Commission (FC) has eliminated revenue deficit grants (RDGs) for the first time. This is a deliberate attempt to correct distorted incentives that have allowed persistent revenue deficits to become a fiscal feature across states.

RDGs were meant to be temporary, but became effectively permanent. States with recurring revenue deficits came to expect central gap-filling, weakening incentives for necessary but politically difficult reforms.

The 16th FC underscores a time-inconsistency problem in fiscal policy: measures optimal on paper unravel when states anticipate central support. Repeated grant-based gap filling erodes fiscal discipline, allowing dependence to replace self-reliance.

Credibility matters as much as intent. Rule-based frameworks that privilege long-term outcomes build institutional reputation—a lesson well known in monetary policy, where short-term stimulus via surprise inflation erodes trust and lifts expectations. Fiscal policy faces the same logic: once credibility weakens, even sound interventions lose effectiveness.

For states, this credibility now matters more than ever. As they seek greater access to market borrowings, lenders will scrutinise headline deficits, and the quality and predictability of fiscal management. Ending RDGs sends a clear signal that fiscal responsibility will no longer be optional.

International experience reinforces this logic. The concept of vertical fiscal imbalance captures the extent to which state and local governments are responsible for spending without having commensurate revenue-raising powers. The larger this 'gap', the greater the incentive to overspend, since the political costs of taxation are separated from the benefits of expenditure. High vertical fiscal imbalances are associated with faster sovereign debt accumulation.

In Spain, vertical fiscal imbalances accounted for nearly 40% of the surge in public debt during the late-20th c. Similar patterns have been observed in Germany, Portugal and China. Across 28 OECD countries, empirical studies show that every 10-percentage-point reduction in vertical fiscal imbalance improves overall fiscal balance by about 1% of GDP. In other words, what local governments do doesn't stay local. It shapes the fiscal health of the entire sovereign.

Seen in this light, the 16th FC's reforms are an effort toward harmonising fiscal federalism with global practices. Yet, the shift also raises three important questions about how best to support our states through various contingencies:

▸ **Countercyclical revenue support** The commission's report notes that actual revenue deficits bear little systematic relationship with normatively determined benchmarks. What they do correlate strongly with, however, is the state of the local economy. During downturns, revenues collapse even as expenditure pressures rise. A framework that allows for contingent, time-bound support during severe economic stress, much like GoI's response during the pandemic, could preserve incentives while avoiding pro-cyclical austerity.

Chile serves as an example of an economy that behaves like a savings account. It stashes away extra surpluses when it benefits from high commodity prices. This leaves it with plenty of money to keep public services running smoothly when the economy slows down.

▸ **Role of elections** Data on aggregate revenue deficits and the number of states running deficits show a clear pattern around electoral cycles. Each of the last five Lok Sabha elections since 1999 coincides with a visible increase in revenue stress. Pre-election promises and spending programmes are a political fact, not an analytical inconvenience. Any serious assessment of state finances must acknowledge this dynamic rather than assume away political incentives.

▸ **Optimistic forecasting** The report also notes states' complaint that FCs systematically assumed higher revenue growth and lower expenditure growth than what ultimately materialised. The commission's figures corroborate this, showing actual revenue buoyancy falling short of projections across multiple award periods. Eliminating RDGs without addressing this forecasting bias could place additional strain on state finances.

Despite noting this disconnect, the recommendations have not been accompanied by an increase in states' share of the divisible pool, which remains at 41%. If the objective is genuinely to reduce vertical fiscal imbalances, greater tax devolution is essential. Without it, the combination of tighter transfers and unchanged revenue autonomy risks becoming a drag on state capacity rather than a spur to reform.

By confronting incentive failures head-on, the 16th FC has elevated the quality of India's fiscal debate. The challenge now is to build on this foundation with smarter grant design, realistic forecasting and a renewed commitment to genuine fiscal federalism.

Bishnu is professor of economics, and Mukherjee is research associate, Indian Statistical Institute, Delhi

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24+4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Taking on Banking Snake Oil Salesmen

But mis-selling needs more than stricter rules

Tighter regulation over mis-selling of financial services such as loans, insurance and MFs was long overdue. With RBI plugging a glaring gap in oversight, household savings will have one layer of defence against being channelled into unsuitable avenues. But the extent of the malaise is enormous, and regulation as envisioned does not address the underlying information asymmetry that causes it. People will still learn about the benefits of a financial investment from those who stand to profit. For a nation that implicitly trusts physical savings like property and gold, the spread of financial literacy remains grossly inadequate. Mis-selling affects savings behaviour and, unless right correctives are applied, it contributes to capital inefficiency.

Improvements in transparency and deterrence are a necessary first step as a new generation of savers widen their horizons. The horizon is shifting outward due to financial innovation, not all of which may be appropriate for the stage of financialisation of the economy. There are strict rules on what can be stocked on the shelves of India's financial supermarkets. Equally strict rules are needed on telling shoppers how these could affect their financial health, particularly for new products where customers have no context beyond the labelling on the package.



Since distribution and information travel on the same networks, regulation must be balanced. The structure of financial markets requires tightly integrated sectoral oversight. The ultimate objective of informed consumer choice, however, is a bigger social endeavour beyond the scope of financial regulators. Not only does an individual need to be educated about making money, but she also needs to learn how much of it should be spent and where to park what is left over. This understanding comes about through an all-of-society approach. Regulators can ensure that the quality of information is acceptable, but its dissemination requires an agency they do not possess. Neither is it available intergenerationally.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. | NEW DELHI | 24 + 4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI | FRIDAY, 14 OCTOBER 2016



The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a "literary" great is to

DELHI TECHNOLOGICAL UNIVERSITY — दिल्ली प्रौद्योगिकी विश्वविद्यालय — DTU DELTECH UNIVERSITY

No Funeral, But Baptism by Fire

There will be a bloodbath, and smaller human cores supervising fleets of AI agents will take over



Jaspreet Bindra



Monster appetite

A week before OpenAI announced the appointment of Arvind K C as its chief people officer on Wednesday, Boris Cherny, creator of Claude Code at Anthropic, told Y Combinator's Lightcone podcast: 'Today, coding is practically solved for me,' and predicted that we will start to see the 'software engineer' title 'go away'. Last May, Dario Amodei had already predicted that 50% of jobs will go away.

Arvind takes on his new role as a key interface between human and cutting-edge AI in the same month when India's bellwether IT names sold off hard amid a fresh wave of 'AI will eat IT' anxiety. TCS hit a 52-wk low in a sharp drop, with the broader Nifty IT pack also sliding, and significant value wiped out across the index constituents.

US-listed IT-services names such as Accenture and Cognizant also fell on the same 'AI-led fears' narrative, as did any stock that had 'software' in its offerings. These fears may be hyped, but they aren't totally irrational.

▸ AI agents are real, no longer just slideware Agents are turning into semi-autonomous doers, with OpenAI positioning its coding agent Codex explicitly as a 'software engineering agent' that can run tasks in parallel. If coding is democratised and AI agents are doing the heavy lifting, why should an enterprise pay for a 500-person offshore team? The arbitrage business model, predicated on the unlimited availability of cheap human software engineers, is effectively dead.

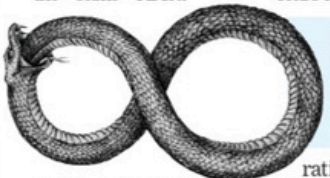
▸ Cost curves are taking unanticipated turns One competent engineer, plus a small pack of agents, can produce output that previously required a small team. That doesn't mean quality magically takes care of itself. But it does mean the labour-to-output ratio that underpins classic IT-services pricing is under pressure.

▸ Vibe coding Here, you create working software using natural language for prototyping, internal tools, workflows, even customer-facing experiences. Tools like Claude Code and GPT-Codex have done more than just help developers. They've democratised the very act of creation. With vibe coding, a product manager with a clear vision can use natural language to describe an application and have an AI agent generate the functional code compressing the path from intent to code.

▸ Skill disruption isn't limited to coders Tools are inveigling themselves into analysis, documentation, testing, customer support workflows and internal ops. Claude's Cowork, for example, is a collaborative agent positioned as everyday work infrastructure, whether legal or accounting or marketing.

So, it's not just the market hallucinating. Something structural is happening. However grim it sounds, IT services and the India story built around it won't die. But the business models and structure, as well as the unit of value, will radically change.

Demand for software is effectively infinite as enterprises keep digitising everything, and the bottleneck is nearly always the IT department. It's Jevons paradox: if you can remove bottlenecks, you don't reduce demand but increase it manifold. Every internal process, no matter how niche, will soon be digitised and agentic. Goldman Sachs predicts the US software spend could triple to $2.8 tn by 2037.



From 'Software-as-a-Service', SaaS becomes 'Service-as-a-Software'. Not selling access to a tool but delivering an outcome via an agentic layer that lives inside workflows

What does change, however, is how software is bought and sold. Per-seat SaaS pricing reportedly makes less sense when users include autonomous agents, and the unit becomes 'tasks completed', 'queries', 'actions', 'tokens' and outcomes, not seats. So, SaaS changes from being 'Software-as-a-Service' to 'Service-as-a-Software'. Not selling access to a tool but delivering an outcome via an agentic layer that lives inside the customer's workflows. You don't buy the software but you buy the work getting done.

This is where IT budgets don't shrink but *migrate*. You stop paying for headcount-shaped effort, and start paying for throughput, reliability, compliance and measurable business impact.

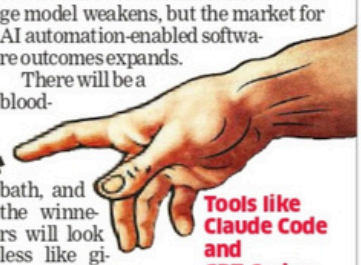
This disruption is not limited to the business model, but will impact the way IT services industry is structured. If the fundamental production unit becomes 'small teams + agents', the advantage of sheer scale weakens.

Instead of a world dominated by a few mega vendors-integrators, we'll likely have thousands of smaller, nimbler, AI-first software-and-services firms delivering narrow, high-value capabilities. 'Delivery capacity' isn't just hiring. It's deploying and governing fleets of software agents.

Consulting and IT will converge. For decades, every IT services firm wanted to become a consulting firm—higher margins, stickier relationships, upstream influence. Now, the mirror flips: every consulting firm wants to become an IT company, because advice without build-and-run capability is just a slide deck.

So, what should IT services leaders do? AI will absolutely disrupt the industry—by compressing effort, repricing delivery, and shifting power toward those who can own outcomes. The arbitrage model weakens, but the market for AI automation-enabled software outcomes expands.

There will be a bloodbath, and the winners will look less like giant staffing pyramids and more like 'human + AI agent factories' with smaller human cores supervising larger fleets of agents and a new set of metrics. Stock prices are already reacting to that transition shock. The industry's job is to turn that shock into a new AI-based OS and business model for delivery, pricing and trust.



Tools like Claude Code and GPT-Codex have done more than just help developers. They've democratised the very act of creation

It's not a funeral for the IT industry, but a baptism by AI fire.

The writer is founder-MD, The Tech Whisperer

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Yes, We Certainly Canada-India



Ajay Bisaria

Mark Carney's visit to India this week will offer a chance to turn a diplomatic thaw into strategic renewal. This will be Carney's third meeting with Narendra Modi in 10 mths — extraordinary, for two countries that, until late 2024, were mired in mutual suspicion, exchanging recriminations, expelling diplomats and allowing political rhetoric to spill over into business and mobility.

The stars had begun to realign from rupture to reset when Carney and Modi met in Alberta last June. The next logical step — renewal — should now be anchored in the rapid conclusion of the long-pending Comprehensive Economic Partnership Agreement (CEPA), under negotiation since 2010, but repeatedly derailed by political turbulence.

The 2023-24 diplomatic crisis left deep institutional scars. Trust collapsed after Canada accused India of 'transnational repression' and electoral interference, even as India argued that Ottawa offered undue space to extremist actors. Repair began through sustained diplomatic engagement in 2025.

NSA Ajit Doval's February visit was pivotal. By placing contentious issues inside a structured security mechanism, both sides depoliticised them. A joint work plan has created space for collaboration aimed at addressing transnational crime and, potentially, degrading infrastructure that sustains Khalistani extremism.

The 'Trumpian shock' forced Ottawa to rethink its strategic anchors. Justin Trudeau's departure and Carney's rise brought a mandate to mitigate the existential risk of a volatile US, while diversifying Canada's relationships. Rebuilding ties with India, therefore, became geopolitical imperative. Shared vulnerabilities in the face of tariff weaponisation helped both sides rediscover pragmatic common ground.

Carney arrives in India today, already the poster boy of a new 'middle-powers resistance'. His Davos message, urging middle powers to stitch together new networks of trust in an era of collapsing guard rails, resonates differently in New Delhi. India has long felt that 'rules-based order' has been unevenly applied — its fraying appears less a breakdown than long-overdue correction of major-power exceptionalism.

Yet, this divergence may well enable alignment. India and Canada value sovereignty, resilience and strategic autonomy. Both are hedging against uncertainty in Washington. Both have become active deal-makers — India has concluded 9 trade agreements since 2020; Canada has secured deals with the EU, Britain and others while confronting an unpredictable Canada-US-Mexico Agreement (CUSMA) review. For India, Canada remains the last G7 economy it gets a deal with.

Carney's recent visit to China underscores a new realpolitik. Despite fallout of the 2018 detention of Canadians Michael Kovrig and Michael Spavor, and lingering election interference concerns, Canada secured a mini-trade deal and a strategic partnership with Beijing. Now, with Trump tariffs reimposed at 10% from Tuesday after the Supreme Court verdict — while White House works to update this rate to 15% as announced by Trump last Saturday — India and Canada are re-evaluating their postures.

When Modi and Carney agreed in 2025 to relaunch CEPA negotiations — with a target of doubling bilateral trade to $50 bn by 2030 — the moment felt ripe. Carney's visit widens that opportunity. Canada urgently needs to diversify beyond its near-total reliance on the US, which absorbs 98% of its energy exports and about three-quarters of goods trade. Its ambition to ensure that half its trade is non-US aligns with India's trajectory as the world's fastest-growing major economy, and top future market for energy, digital services and infra.



Sweet renewal time

A well-crafted CEPA could provide a stable framework for trade, investment and mobility, and ensure a tailwind for business. It could facilitate deals in uranium supply, LNG and critical minerals, while lowering trade barriers and easing project timelines.

Even with political turbulence, Canadian institutional investors — 'Maple 8' pension funds and firms like Brookfield and Fairfax — remained steadfast. Their investments in Indian airports, logistics, RE and urban infrastructure have crossed $100 bn. This figure could triple by 2030, with an assist from CEPA that provides predictable protections in taxation, dispute resolution and exit pathways, even as Indian IT and engineering firms are expanding strongly in Canada.

An accelerated CEPA, fast-tracked in 2026, with an interim understanding by mid-year, will stand as a symbol of the new partnership. This agreement, paired with sectoral breakthrough deals in critical minerals, uranium, defence and AI, can redefine the next decade of bilateral engagement, and live up to the promise of the strategic partnership India and Canada have had on paper since 2015.

The writer is former Indian high commissioner to Canada



Rearrange Indian Airport Slots



Amit Bardhan

Airport slots are among the most valuable assets in commercial aviation. A slot is the right to take off or land at a specific airport on a particular date and time. Airlines must request slots months in advance from slot coordinators, and final approvals involve AAI and DGCA.

Slots are scarce, especially at congested airports (level-3) where demand exceeds capacity. Slot availability depends on infrastructure constraints, including runway capacity, taxiways, terminal throughput and ground handling resources. These constraints cannot be relaxed at any time. At airports such as Delhi, Mumbai and Bengaluru, demand far exceeds supply. Airlines seek slots at these hubs because they are revenue-critical, and prime-time slots are valuable. Expectedly, airlines compete aggressively to secure them.

Slot coordinators prepare draft schedules in consultation with airlines and other stakeholders. Yet, opacity persists at key conflict points. The system is designed to manage congestion, not to optimise network-level outcomes or align with strategic national priorities. For instance:

▸ **Single focus** Slot utilisation is tracked at the airport level (number of landings and take-offs). But network-level efficiency — how slots contribute to connectivity, competition or regional access — is neither measured nor published. The system optimises airport-level throughput, not national connectivity. This limits the ability of policymakers and airlines to coordinate or optimise strategically.

▸ **Grandfathering** Slot allocation is guided by a priority rule known as 'grandfathering'. Incumbent airlines retain their slots if they use at least 80% of them in the previous season. While this provides stability, it also entrenches incumbents. Grandfathering acts as a barrier to entry. New entrants struggle to secure prime-time slots, even though policies nominally encourage competition.

Now and then, additional slots become available through airport expansion or airline exits, such as after GoAir's collapse. But new airlines often lack the aircraft, crews or capital to deploy capacity quickly, allowing large incumbents to capture these slots. Consequently, at Delhi and Mumbai, IndiGo holds roughly half of all domestic slots.

Most of the 717 domestic airport slots IndiGo relinquished in January — after the DGCA directive requiring a 10% reduction in the airlines' winter schedule due to operational disruptions last December — were reportedly non-prime or 'red-eye' slots. This partly explains why other airlines have shown little interest in acquiring them.



More elbow room for more airlines

Capacity constraints, such as availability of aircraft and pilots, also limit their ability to respond. The current slot allocation framework does little to encourage competition. More competition is beneficial for fares, service quality and innovation. But slot governance mechanisms in India do not actively promote it. In practice, they reinforce market concentration.

GoI's UDAN scheme aims to expand regional connectivity by subsidising and incentivising flights to underserved airports. While UDAN has had some success, its strategic integration with slot policy has been limited. Many UDAN airports, especially in northern and western India, have underperformed.

Passengers prefer flights connecting through major hubs, and regional airlines operating smaller aircraft require multiple slots at congested airports to build viable networks. Without priority access to hub slots, regional connectivity remains structurally disadvantaged.

In much of Europe, market mechanisms are allowed to play a role, with slots traded, creating price signals about scarcity and value. These mechanisms have their own risk for a developing country like India. In China, the government exercises tighter control to enforce its strategic vision through slot allocation.

In India, slot allocation is centrally controlled, and stakeholder coordination conferences are held twice a year to serve as consultative forums. Yet, these mechanisms have limited capacity to promote competition or incorporate long-term strategic vision. India must re-evaluate its approach to slot governance. This could involve implementing market-driven solutions, reinforcing competitive protections, incorporating regional connectivity goals, or increasing the clarity surrounding network usage.

Navi Mumbai International Airport and Noida's Jewar International Airport offer a rare policy window to reset slot governance. As these airports become fully operational, incumbent large airlines such as IndiGo should be encouraged to shift a portion of their operations from Mumbai and Delhi, respectively.

Slots vacated at the legacy airports could then be prioritised for new entrants and regional carriers. Such a rebalancing would ease congestion at existing hubs while lowering entry barriers for smaller airlines, thereby strengthening competition and regional connectivity. Without deliberate policy intervention, however, the risk is that incumbents will replicate their dominance at the new airports.

The writer is professor, Faculty of Management Studies, University of Delhi

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

KC Has Work Cut Out for AI & People

Charting contours of human-tech JV

The irony of being appointed chief people officer of OpenAI will not be lost on Arvind K C. His job will be to lead a team of highly motivated individuals with rare skills to create products that will displace workers at enterprises that AI firms see as clients. OpenAI and its rivals are working on an array of automated workflows that can be embedded in businesses, which will supplant existing employee skills, but will also create a demand for new skills. Agentic AI that can accomplish several business processes without guidance still requires human intervention to build protocols and audit systems. Friction must be deliberately introduced in automated workflows to provide human employees with context in error management. Ethical questions also need to be answered by humans, including assigning levels of delegation.



Employees in AI firms sit at the other end of the scale, where their skills, now, are irreplaceable. This makes management of such talent pools a complex undertaking. There is an element of 'flying by the seat of your pants' to this endeavour because of the lack of precedents, while the target keeps shifting. Human resources are the key variable in an industry whose energy and computation needs follow strict physical laws. And the investor frenzy over AI makes it difficult to weed out the good ideas from the bad for the industry.

AI firms will themselves be the guinea pigs for the technology they are creating. As early adopters of automated business processes, their managers will have a unique insight into the interaction of human and AI at the workplace. Some of the answers enterprises are seeking about AI will emerge from the boardrooms of companies like OpenAI. This should work both for tapping AI's potential and testing its limits. Prototypes for business management in an era of synthetic intelligence will emerge from the technology industry. KC, all the best. You've got your work cut out for you, AI and people.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

What Dunk-Egg Can Tell Us About Man-AI

At a time when crowdsourced content, algorithm-churned plotlines and VX-AI are becoming the default go-to, HBO's miniseries, The Knight of the Seven Kingdoms, bucks the trend. It reminds us that at the core, everything is about the telling of the story. Based on George R R Martin's novellas, Ko7K is not just another extension of the Game of Thrones universe, but a showcase of the enduring power of narrative shaped by imagination that goes beyond 'mere' heuristic.

Martin's writing, steeped in irony and melancholy, is not the sort of material that lends itself to consumer research. His tales of Dunk and Egg — an unlikely knight and his precocious squire — are small in scale compared with the dynastic wars of GoT. Yet, they pulse with humanity, making the episodes more popular than anything from the franchise. Equally vital is the acting. In an era when studios flirt with AI-generated scripts and digital avatars, Ko7K demonstrates the delicacy of human performance. A raised eyebrow, a faltering pause — and there *are* many pauses — these are not programmable flourishes but human spurs. AI is yet to summon the ineffable spark of, say, vulnerability. What endures are moments when an actor's humanity bleeds through the screen. When viewers aren't entertained but understood.



Ko7K, the last episode of the first season that dropped last Monday to universal acclaim, is a powerful vehicle to drive home the point that great storytelling remains key for consumers — whether of streaming shows, brands or, indeed, politics — to be wowed beyond novelty value. Consider Ser Dunk, the hedge knight of human imagination, and Egg, the AI apprentice, to be the ultimate duo, while keeping in mind that the latter will, in the future, be king. At least in the story.

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

DELHI TECHNOLOGICAL UNIVERSITY
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DTU DELTECH UNIVERSITY

GLOBESPOTTING Shifting geopolitics has prompted a keener approach by India in West Asia

Smart Salaam in Jerusalem



Indrani Bagchi



Getting more selfie-assured

'India stands with Israel firmly with full conviction, in this moment and beyond,' said Narendra Modi in the Israeli Knesset on Wednesday. 'No cause,' he added, 'can justify the murder of civilians. Nothing can justify terrorism.' This has been India's policy for a very long time. But in West Asia, particularly in Jerusalem, the statement was replete with significance.

India's geopolitical play in West Asia has acquired new depth and scope. For a country that has spent decades balancing between Persian and Arab, Shia and Sunni, Iran and Saudi Arabia, and Iran and Israel, this is a new moment. Shifting geopolitics of the Gulf/West Asia has prompted a keener approach by New Delhi. It's not without its risks. But India no longer has the luxury of living life on the sidelines of global geopolitics.

The May 2025 India-Pakistan conflict didn't merely expose how deeply China was integrated into Pakistan's operational systems, but it also showed the extent to which Türkiye was involved. Meanwhile, Donald Trump's open endorsement of Pakistani army chief Asim Munir prompted New Delhi to make their own conclusions. This was followed by the Pakistan-Saudi Arabia mutual defence pact in September, which also apparently had Washington's blessings.

The pact, which showcased Riyadh's nervousness after Israel's hit on Qatar, also appeared to range Saudi Arabia against India. That was somewhat of a shock, particularly since India had been investing in the Saudi relationship. Israel was the other country that felt the adverse impact of this defence pact, given Pakistan is the only nuclear weapons power in the Islamic world. (It has been believed forever that Saudi financial support helped the Pakistani nuclear programme.)

The subsequent blow-up of the Saudi-UAE relationship over Yemen (and Sudan, to an extent) created new fault lines in West Asia — and, inevitably, new coalitions of the willing. It brought UAE ruler Zayed al Nahyan to New Delhi in January. Armed with a letter of intent for a defence and security partnership, a new alliance is being given shape.

We can see the desert winds changing course. Just a little further afield, the Horn of Africa is in the middle of its own geopolitical flux. New Delhi is a big swing player there. India, Israel and the UAE are big players in Ethiopia, which serves as a lynchpin in eastern Africa. Ethiopia's landlocked condition and its traditional rivalry with Somalia may be slowly tilting it towards Somaliland, which Israel has just recognised. India is not likely to go that far yet. But it may not be averse to opening channels of communication there. Decades ago, this region used Indian rupee as legal tender.

Trump has been the external catalyst to these geopolitical shifts — the US is defining its power and remit much more narrowly, moving more towards an isolationist approach than as arbiter of a global order. Europe has felt the heat. As has West Asia. India needs to move fast, secure its own coalitions without leaving this vital region to the tender mercies of China.

Think I2U2. Think IMEC. And now, think 'hexagon alliance', which is where the shifts are heading. IMEC, announced in 2023 and inspired by the Abraham Accords, and I2U2, may have seemed like it had died with the Oct 7, 2025, Hamas attacks and subsequent Israeli wars. But it has not only survived but has found new takers in the Mediterranean (Greece, Cyprus) and Europe (France, Italy). This region requires India to become the prime mover to build these new-age partnerships. For all those asking the question on Modi's Israel visit, 'Why now?' the answer is blowing in the wind.

So, India doubling down on its Israel and UAE relationships goes beyond the bilateral. In the ongoing global shifts, India is choosing sides, and building stakes. India needs to balance Saudi Arabia, and neutralise Pakistan. It needs to balance Chinese influence in this region. The US will remain a premier power and occasionally on India's side. So, everyone in this region is investing in geopolitical insurance.

We can see the areas of emphasis — defence, space, tech, including emerging technologies, advanced manufacturing, diverse but shorter and more resilient supply chains, energy and new markets. India is looking to fill the gaps in its defence and security. But so are Israel and the UAE. Space cooperation will form a big part of these partnerships, as will air defence like Iron Dome, or even BrahMos (which the UAE may acquire).

Investment within these partnerships is likely to increase. Witness the UAE's investment in Dholera and in LNG. Israel-India FTA will provide Israel with a massive market, while India provides massive scale.

India doubling down on its Israel and UAE relationships goes beyond the bilateral. In the ongoing global shifts, India is choosing sides, and building stakes



Which brings us to Iran. Both India and the UAE enjoy very good relations with Iran, which adds to regional stability. Because no matter how you look at it, Tehran, weak and battered, is still a considerable power, and one can imagine a future where Iran can play a more beneficial role in the region. Saudi Arabia is the other big power where India is building a robust economic relationship. Riyadh has to make its own choices on security.

The region blows up with alarming regularity. That's the big risk for a country like India. Is it a risk worth taking? New Delhi is betting on it.

The writer is CEO, Ananta Centre



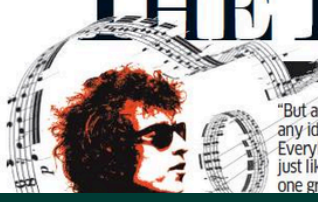
It's not without its risks. But India no longer has the luxury of living life on the sidelines of global geopolitics

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

DELHI TECHNOLOGICAL UNIVERSITY
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DEL TECH UNIVERSITY

Cash, Stabilising Catalyst



Rajesh Shukla

Budget 2026 resolves a key macroeconomic debate by pairing higher public investment with credible fiscal consolidation, opening a policy window. Focus has shifted from whether India can afford to invest, to whether such investment can ensure income stability and everyday confidence for households.

That challenge is visible in how families spend today. Consumption decisions are increasingly made with spreadsheet precision. Brands are rotated rather than rejected, discretionary purchases postponed, not abandoned. Grocery baskets are optimised around offers, appliances repaired rather than replaced, and even festivals are budgeted with restraint.

This behavioural shift will shape India's growth. The budget boosts public capex to ₹12.2 lakh cr while targeting a 4.3% fiscal deficit, a disciplined yet ambitious mix. The key question now is: can this space generate a jobs and consumption cycle that reaches households, not just balance sheets?

While consumption grows, the neo-middle class — about 40% of the population, nearly half in rural and semi-urban areas — remains the backbone of mass consumption. Positioned above vulnerability and mostly outside the I-T net, their spending shapes demand, employment and fiscal outcomes.

Consumption growth is becoming uneven, with more accruing to the upper-middle class (35% of the population) and top 10% wealthiest. While headline growth may stay strong, spending patterns of mass households will determine how growth is felt and sustained.

The neo-middle class is often framed as a question of confidence. But it's really about volatility. They adjust spending not because of doubt in India's prospects, but due to irregular incomes, costly medical shocks, rising rent and transport, and frequent job changes. Still forming about a third of India's consumption base, even small behavioural shifts can affect demand, and a few disrupted months can erase years of progress.

The next phase of public investment will be judged not by assets built but by income stability. Roads, ports and urban infrastructure matter because they should deliver predictable incomes. Without stable employment — if work remains casual, intermittent or mediated through insecure subcontracting — neo-middle-class households will keep spending defensively, even amid economic growth.

The budget's focus on derisking private investment reflects capital's caution. The challenge is to apply the same logic to labour and households. For the neo-middle class, the real constraint isn't taxes or credit — it's exposure to shocks. Without insurance against health costs, job changes and income gaps, precaution will outweigh aspiration.

This reframes how future budgets and policy follow-through should be assessed.

▸ Employment quality matters as much as quantity Public capex aimed at attracting private investment should be assessed by the stability and continuity of jobs it creates. Projects that provide steady monthly incomes and reduce churn generate stronger consumption effects than those dependent on fragmented or informal labour.

▸ Social infrastructure will shape demand sustainability Reliable primary healthcare, skilling systems linked to placement and wage progression, and efficient urban services reduce the need for precautionary savings. When households feel better able to absorb shocks, discretionary consumption can return organically.

▸ Geography of growth shapes its durability Neo-middle-class households, concentrated in small towns and peri-urban areas, face uneven services and high labour mobility. Capex that boosts connectivity without improving local services may raise asset values but not everyday welfare, widening the gap between measured growth and lived experience.

The smart buyer's insight matters because it's forward-looking. Consumption hasn't collapsed. Households adapt, trading down, delaying upgrades and stretching product life. Macroeconomically, this shows resilience; from a policy view, it signals caution. Substitution maintains demand but slows the shift from recovery to a self-reinforcing growth cycle.

The budget has done the difficult macro work of restoring fiscal discipline while sustaining investment momentum. The next question: how growth is transmitted to households. The coming years will test whether public spending can move from building assets to underwriting income stability for households that live month to month, not quarter to quarter.

The budget's success should be judged less by deficit ratios and more by behavioural shifts. When neo-middle-class households stop behaving like procurement managers, constantly optimising, postponing and hedging, and begin upgrading with confidence, the jobs and consumption flywheel will become visible in everyday life. That transition, more than any single budget number, will determine whether India's growth is merely sustained or genuinely shared.



More living room

The writer is MD-CEO, People Research on India's Consumer Economy (PRICE)

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016



The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a



WASTE GENERATION

The global official legal waste management market was valued at $1.2 trillion in 2024. According to a report by the UN, that's about three times more than the value ($410 billion) estimated for 2011. Industrial waste is the largest waste category globally, followed by agricultural waste, construction and demolition waste, and municipal solid waste. Hazardous waste, medical waste, and e-waste contribute much less but are more costly to manage...

Estimates of global legal waste generation

Amount in kg/capita/day



Estimated global average for municipal solid waste from 2016; estimated yearly global average for the other waste types from 2011-2017

Source: Global Analysis on Crimes that Affect the Environment

SANJEEV RAJ JAIN

WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel



"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."



"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"



"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

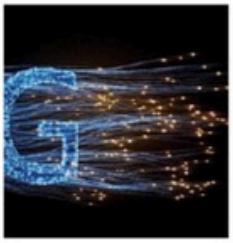
To see Dylan as a

No More Buffering in Net Neutrality Debate

Align 5G innovation rules with access for all

Telecom regulators across countries, including Trai, are having to review their stance on net neutrality in light of 5G networks that allow tiered offerings. The scope of monetising slicing capabilities, such as defined upload or latency criteria, has been a key driver for operators to upgrade their networks. Telecom companies argue that 5G network slicing is based on technology and not on content, and does not run afoul of the original regulatory intent of keeping internet traffic free of discrimination. Moreover, they add that the neutrality debate took place when network slicing was not an option, and some of the conclusions are due for a fresh appraisal.

The EU and the US are reinterpreting net neutrality principles with proposals to lump 5G network slicing into a basket of specialised telecom services. These moves have run into opposition from critics who see neutrality in isolation from advancements in technology. There remains a risk that an immutable position on neutrality could delay investor confidence and network upgrades if monetisation plans are blocked. Trai, which has not revealed its mind in the current round of conversations over the matter, will have to balance commercial flexibility with equitable internet access. And it may have to do so simultaneously with other regulators as the race heats up for 6G telecom networks.



The existing neutrality framework emerged amid public outcry, and any move perceived as discriminatory could still face opposition. There will be consumer resistance if the perceived value is not clear or if the internet experience is degraded. Enterprises have their own set of issues with security, privacy and service quality. Yet, uncertainty over large-scale adoption should not be allowed to hold telecom investment hostage. Services provided by differentiated telecom networks need innovation that is being delayed by the neutrality hurdle. The matter needs to be resolved transparently without compromising the interests of the general internet user, who is unlikely to become a customer of specialised 5G services.


WWW.ECONOMICTIMES.COM

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD. NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it.. Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Out-of-Syllabus Bits In School Syllabus

It's unwise to bite the hand that decides your fate in court. GoI, specifically NCERT, responsible for contents of its latest social sciences textbook, 'Exploring Society: India and Beyond, Vol II', found itself in hot water after the Supreme Court found a section, 'Corruption in the Judiciary', not just an assault to the judiciary's reputation but a 'deep-rooted conspiracy' to inculcate in the minds of school-going 13-14-yr-olds ideas that could leave them prejudiced forever. The removal of all copies of the book from public access thereby ensures that alleged shortcomings in the judiciary are kept out of sight, and out of impressionable minds.



For the rest of us who are not school-goers, judicial corruption is a concern. Former CJI B R Gavai had stated in July 2025: 'Sadly, there have been instances of corruption and misconduct that have surfaced even within the judiciary. Such occurrences inevitably have a negative impact on public confidence, potentially eroding faith in the integrity of the system as a whole,' a quote that finds its way in the NCERT textbook. The blanket ban by a 3-judge bench led by CJI Surya Kant is, thankfully, limited to the Class 8 textbook.

One can presume that at that age, curious as they may be, youngsters will be protected from such warts-and-all news and notions freely available on various platforms. For a student, a textbook has the quality of a testament to it. And appearance of such unsavoury information, valid as it may be, in a *government* textbook, can be construed as an indictment — in other words, political motive — that young learners can do without. Outside the school syllabus, of course, it would be most effective to weed out purported malpractices, rather than simply put a lid on them.

Unlock your daily dose of sharp editorial insights from Mint, Business Line, Business Standard & The Economic Times — all in one click, right here

List of Newspapers Subscribed by DTU Central Library
Access link

Design by: Annu Sharma (annusharma73958@gmail.com)

Compiled by: Annu Sharma, Vinita Joshi, Mukul, Abhinav Uniyal

Scan here to access all resources and services of the Central Library, explore our publications under Central Library, and stay connected with every update