DTU CENTRAL LIBRARY

EDITORIAL INSIGHT



MAY 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
05 May 2026

Euro-zone inflation jump seen as temporary

Mark Schroers
Jana Randow

Euro-zone inflation will jump to 2.7 per cent on average this year but return close to the European Central Bank's 2 per cent target already next year, according to the institution's quarterly survey of professional forecasters.

Respondents revised up their expectations for 2026 significantly — from 1.8 per cent in the previous round — while they see price gains of 2.1 per cent and 2 per cent in 2027 and 2028. At the same time, they forecast slightly slower economic growth than before.

A separate ECB poll — the corporate telephone survey — concluded that the broader pass-through from higher energy costs due to the Iran war "might be more gradual than in the past" but also warned that things could get worse if the fighting isn't over soon.

The data come after the ECB last Thursday kept interest rates unchanged while signalling that an interest-rate increase will be considered at the next meeting. Bundesbank President Joachim Nagel said Friday that such a move will be needed if there's no significant improvement in the outlook for inflation and growth. While some of his colleagues echoed such comments, others struck a more cautious tone, with Greece's Yannis Stournaras saying that a risk of a recession is "real" and Finland's Olli Rehn arguing that there are "no obvious signs" yet of war-induced higher inflation becoming entrenched in the economy through higher wages and prices.

The ECB's analysis is now focused on the risk of so-called indirect and second-round effects — such as a build-up of pressure on salaries and a rise in inflation expectations among consumers and companies.



NO SIGNS YET. Of war-induced higher inflation becoming entrenched REUTERS

The corporate telephone survey said March's advance in oil prices was being transmitted rapidly to selling prices for most oil-dependent goods and services, but it also highlighted that at least large firms tended to be better hedged against fluctuations in energy prices than in 2022, limiting the impact.

If the Middle East war isn't concluded soon, however, "it was likely to induce supply chain disruption, putting significant further upward pressure on prices and curtailing demand," it said. Particular concerns surrounded potential shortages of hydrogen and helium. "Supply disruption could generate inflationary pressure more akin to that witnessed during Covid-19," the survey said, while stressing that there were several mitigating factors such as weaker global demand.

According to the ECB "for most contacts, the principal concern was the impact that the war would have on consumer confidence and therefore final consumer demand." BLOOMBERG

businessline
bl.portfolio

05 May 2026

How India's politicians invest

MARKET EXPOSURE. In the 5 States that went to the polls, a mere 1% of their total assets disclosed sits in capital markets



BALAJI VAIDYANATH
KRISH JAIN
RONAK SINGHVI

Before every State election, candidates in India must file a sworn declaration of their assets with the Election Commission. It is a remarkable document, a public, legally binding account of what each person owns. We went through 7,325 of them, from candidates who contested the elections in Assam, Keralam, Puducherry, Tamil Nadu, and West Bengal.

₹289.4 crore. That is how much of the ₹29,032 crore in total disclosed assets sits in India's regulated capital markets. The rest, 99 per cent of it, is in land, buildings, jewellery, bank deposits, and cash.

Land comes first. Everywhere. Across all five States, real estate accounts for 55-67 per cent of everything disclosed. Keralam still has 67 per cent of its candidates' disclosed assets sitting in immovable property.

What's left over tells its own story. Jewellery accounts for 28 per cent of movable assets in Keralam and 35 per cent in Puducherry. Bank deposits dominate in Assam. Just 461 of the 7,325 candidates, fewer than one in sixteen, have disclosed anything at all in a mutual fund, listed equities, ETF, index fund, PMS, REITs, INVITs, or US equities. The other 6,864 have nothing in any of those categories.

Tamil Nadu alone accounts for ₹149.9 crore of the ₹289.4 crore total, more than the other four States combined. Its mutual fund disclosures (₹89.7 crore, 88 candidates) and listed equity disclosures (₹59.4 crore, 108 candidates) both dwarf the numbers from any other state. Tamil Nadu is also the only State where US equities appear at all.

West Bengal and Keralam together add ₹112.1 crore. Assam leans towards mutual funds; Keralam does the opposite, preferring direct equity. Puducherry, with the highest average disclosed assets of the five States, contributes just ₹2.4 crore in public market instruments.

INSTRUMENT BREAKDOWN

Mutual funds and listed equity dominate across all five States, with 304 candidates disclosing ₹147.2 crore in mutual funds and 240 disclosing ₹134.4 crore in listed shares. Tamil Nadu accounts for the bulk of both. ETFs and index funds have been disclosed by 39 candidates (₹2.3 crore). PMS appears in two Keralam affidavits (₹3.8 crore). REITs and INVITs in two (₹1.6 crore). US equities in four, all Tamil Nadu (₹10.8 lakh). These are not large numbers. The point is that they exist.

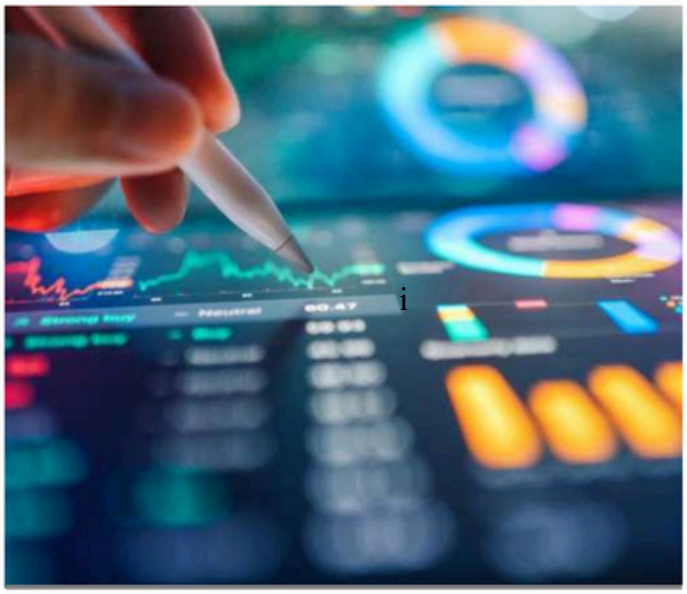
The headline numbers aside, four specific disclosures are worth singling out.

Four candidates, all from Tamil Nadu, have declared holdings in US equities, Dr M Sudhakar (TVK, Katpadi), Dr Sathish Christopher (TVK, Radhapuram), Mohammed Safi A (Independent, Panruti), and Vignesh Nandagopal (Independent, Madhuravoyal). Combined value: approximately ₹10.8 lakh. Small in absolute terms; notable in that it exists at all.

Portfolio Management Services, which require a minimum ticket of ₹50 lakh, show up in two filings. Both are from Keralam: Adv. Gireesh Neyyar (BJP, Parassala) and Moses Henry Motha (AAP, Ernakulam), with a combined disclosed value of ₹3.8 crore.

REITs and INVITs appear in two affidavits. Rohit Sing (Guddu) of the (INC, Dabgram-Fulbari), disclosed approximately ₹1.6 crore. Dr Shyam Krishnasamy (PT, Tirunelveli), disclosed approximately ₹20,000.

Krishna Kalyani (AITC, Raiganj) — his affidavit includes ₹1.76 lakh in Bitcoin. In a dataset of 7,343 filings, he is the only person with a crypto wallet.



Assets overview by State

State	Candidates	Total assets (₹ crore)	Invested in public markets (₹ crore)	% of candidates invested (Count)
Assam	717	2,436	25.0	12.8% (92)
Kerala	862	2,350	47.1	7.4% (64)
Puducherry	290	2,081	2.4	5.9% (17)
Tamil Nadu	3,983	20,135	149.9	4.1% (164)
West Bengal	1,473	2,031	65.1	8.4% (124)
All States	7,325	29,032	289.4	6.3% (461)

Declared liabilities not deducted. Source: Myneta.info; affidavit.eci.gov.in

Only ₹289.4 crore of the ₹29,032 crore in total disclosed assets sits in India's regulated capital markets. The rest, 99 per cent of it, is in land, buildings, jewellery, bank deposits, and cash

PARTY PATTERNS

AITC leads on the share of party assets allocated to public markets at 4.6 per cent, with 40 of its 170 candidates (24 per cent) disclosing ₹43.2 crore. BJP leads on absolute value, 80 of 378 candidates have disclosed ₹52.9 crore. INC, with 384 candidates, shows 16 per cent participation and ₹23.4 crore, just 1 per cent of the party's total disclosed assets. CPI(M) and DMK both show single-digit participation rates with negligible amounts.

A GLOBAL COMPARISON

For context, consider the 2024 annual financial disclosures filed by four members of the US Congress, Nancy Pelosi (Democrat, House) disclosed between 53 per cent and 60 per cent of her total assets in public market instruments. Ron Wyden (Democrat, Senate) disclosed between 64 per cent and 73 per cent. Ron Johnson (Republican, Senate), whose entire market portfolio is two index ETFs, disclosed between 27 per cent and 28 per cent. Ted Cruz (Republican, Senate) disclosed between 80 per cent and 87 per cent. The comparable figure for 7,343 Indian election candidates across five States: 0.97 per cent.

A NOTE ON INTERPRETATION

How candidates label their holdings is their own call. The ECI sets no standard for classifying a holding as a public market instrument. Our categorisation is based on how we read what candidates wrote.

The valuation rules are specific but unverifiable. Listed shares are to be disclosed at current market value; non-listed at book value. Whether candidates actually followed this cannot be confirmed from the data.

The affidavit is not a complete picture. It covers the candidate, spouse, HUF, and named dependants. Holdings routed through other family members or companies the candidate does not directly own are not captured.

Put simply: 461 candidates, ₹289.4 crore, 1 per cent of total disclosed assets. Most of their wealth is in immovable property. India has spent the better part of a decade pulling retail investors into its capital markets. SIP accounts have reached 100 million. The political class has, by and large, watched from the sidelines. These 7,325 affidavits describe a cohort sitting on ₹29,032 crore with a near-zero allocation to anything that requires a demat account. If any wealth manager or financial advisor is looking for an underserved segment, they need look no further than India's political class. The pitch writes itself: you have zero exposure to the best wealth-creating opportunity in modern India. Help them diversify.

Vaidyanath is the CIO and CEO of NAFA Asset Managers. Jain and Singhvi are Research Analysts

businessline
bl.portfolio
05 May 2026

Need to recalibrate CSR

Corporate charity risks becoming closed-loop system

M Muneer

Somewhere between 2013 and now, in the labyrinth of policymaking, a good idea took a very Indian detour. The idea was elegant: if companies grow, society should grow with them. Thus arrived the 2 per cent CSR mandate — a polite instruction that companies above a certain size must spend a slice of profits on social good. A moral spreadsheet, with a conscience column. Like most noble ideas in India, it was swiftly upgraded into a business model.

Before the CSR Act, corporate philanthropy largely flowed outward towards independent NGOs, sectoral foundations, and community organisations. The number of large corporates running their own foundations was limited, and partnerships with external NGOs were the norm. Today, estimates suggest that 60-70 per cent of CSR spending by large listed companies is routed through their own trusts, foundations, or implementing agencies. Thousands of corporate foundations have been created in the last decade alone.

FLEXIBLE ACCOUNTABILITY

Structurally, when the same entity controls the purse, the project and the press release, accountability becomes a flexible concept. CSR, in many cases, has become less about redistribution and more about reclassification.

The numbers tell a charming story. CSR spending has ballooned past ₹25,000 crore, yet the slice reaching independent NGOs keeps shrinking. The money has just found its way into large, photogenic projects and corporate-run foundations, where costs of execution run higher.

And then comes the regulatory subplot. While corporations have mastered the art of recycling CSR funds within controlled ecosystems, independent NGOs and individual donors find themselves in an increasingly intricate maze. Compliance requirements have tightened. Reporting standards have multiplied. Foreign funding regulations have grown stricter. Individual giving incentives under provisions like Section 80G have become more procedural and less attractive in practice.

The message, intentional or otherwise, is oddly asymmetrical: large corporations may innovate with their interpretation of social good, but smaller actors must comply with it in triplicate.

Government has adopted a curious philosophy — trust the balance sheet, scrutinise the volunteer.



CSR PROJECTS. Beginning to resemble commercial ventures

Worse, some CSR-funded projects begin to resemble commercial ventures with philanthropic branding. Hospitals built under CSR operate on premium pricing models. Educational institutions charge fees that exclude the very communities they were meant to serve. It's a bit like donating a swimming pool to a village and then charging entry fees.

The CSR mandate, in spirit, remains one of the most progressive ideas in corporate governance. But its execution needs recalibration with intent and courage. First, introduce a mandatory allocation norm within CSR — say, at least 30-40 per cent of CSR funds must be deployed through independent, third-party NGOs. Not affiliated, not controlled, not conveniently connected to any corporation. This would restore balance and better use of funds.

Second, enforce transparency with teeth. Corporate foundations should disclose not just spending, but outcomes, beneficiary profiles, and pricing structures assessed by independent agencies. If a CSR-funded hospital charges market rates, it should not be marketed as social inclusion, and licence must be cancelled.

Third, simplify and incentivise individual giving. Reinstate stronger tax benefits, reduce compliance friction, and create digital public infrastructure for verified NGO donations. If UPI can move billions seamlessly, so can philanthropy.

Fourth, rationalise regulation across the board. Apply consistent scrutiny to all actors — corporate, individual, and institutional. Regulation should be risk-based, not size-biased.

Fifth, protect and enable grassroots NGOs.

The writer is a Fortune-500 advisor, start-up investor and co-founder of the non-profit Medici Institute for Innovation

businessline
bl.portfolio
05 May 2026

SEBI's proposed broker rules will boost resilience

As the market moves to quick settlement cycles and fund transfers, the regulatory focus is shifting to risk management

P Saravanan
A Paul Williams

The Indian brokerage industry is currently navigating its most significant regulatory transformation in a decade. On April 24, the Securities and Exchange Board of India (SEBI) released a landmark consultation paper proposing a comprehensive overhaul of the Variable Net Worth (VNW) requirements for stockbrokers.

This move marks a decisive shift from a formulaic, one-size-fits-all capital requirement to a sophisticated risk-based supervisory framework that aligns with the evolving market's microstructure.

A MULTIDIMENSIONAL APPROACH

The core of SEBI's proposal involves replacing the archaic metric of 10 per cent of the average daily client cash balances with a more robust aggregate requirement based on three distinct risk pillars. Under this new framework, brokers must maintain 10 per cent of the average credit balance of all clients over the previous six months, a calculation that holds true regardless of whether those funds are held at the broker level or have been transferred to Clearing Corporations.

Beyond fund exposure, the regulator introduced a slab-based requirement directly linked to the scale of a broker's active client base. For instance, entities managing between 10,000 and 50,000 clients would be required to maintain an additional ₹50 lakh in net worth, with incremental increases for every subsequent 50,000 clients. Finally, the proposal addresses the operational risks inherent in franchise models by mandating additional capital for clients onboarded through Authorized Persons (APs), with requirements ranging from ₹5 lakh to ₹50 lakh, based on the breadth of the AP network.

Why the overhaul is necessary: This regulatory pivot was primarily catalysed by the successful implementation of an Upstreaming Mechanism. Current norms require brokers to transfer client funds to Clearing Corporations (CCs) by the end of each day, a practice that has significantly enhanced the safety of client assets but rendered the old VNW formula essentially obsolete.

While market margins protect against price volatility, robust net worth is essential to absorb residual risks, such as systemic technological glitches, cyber-attacks, or large-scale operational failures. In an era dominated by high-frequency trading and massive retail participation, the number of active clients has become a more accurate proxy for risk than stagnant cash balances.



MARKETS. Managing risks ISTOCKPHOTO

The impact of this proposal is likely to lead to a significant re-stratification of the industry. For major discount brokers and large institutional players, net worth requirements will increase significantly because of their massive client base. However, because most top-tier brokers already maintain capital levels well above the regulatory minimums, their primary challenge will be to optimise capital allocation rather than seeking fresh infusions of capital.

The situation is markedly different for small and mid-sized regional brokers operating on thinner margins. These entities may find the new slab-based requirements financially taxing, which could trigger a wave of industry consolidation. We may see smaller players merging or transitioning into sub-broker roles under larger entities to bypass steep capital overheads.

However, for the end investor, this transition represents a substantial increase in protection. By linking capital to the number of accounts a broker handles, the regulator ensures that a larger financial cushion is available to facilitate the smooth resolution or transfer of accounts in the event of a systemic crisis.

The SEBI invited public comments on this proposal until May 15, after which a phased implementation timeline is expected to help smaller firms shore up their balance sheets. The long-term trajectory indicates that India is moving toward the global standards of Risk-Based Capital (RBC).

As the market continues to evolve with T+0 settlement cycles and instantaneous fund transfers, the regulatory focus is shifting from "where the money is" to "how much risk is being managed". This proposal is not merely a technical adjustment; it is a fundamental re-rating of the Indian brokerage sector. As regulators tighten these requirements, the industry must prepare for an era that is more capital-intensive, technologically resilient, and ultimately more secure for all market participants.

Saravanan is a professor of finance and accounting at IIM Tiruchirappalli and Williams is the Head of India at Sernova Financial

businessline
bl.portfolio
05 May 2026

An agenda for risk mitigation

CURRENT CONCERNS. India should reduce vulnerability to FPI, by reducing CAD and securing stable means of financing it



ASHIMA GOYAL

In the last column I had analysed why the impact of oil shocks may not be as large as markets seem to be pricing in. But there are other reasons why markets tend to overestimate risks for India.

DIVERSITY AS RISK MITIGATION

There is a belief that India has missed the AI bus, with investors preferring to go to countries in the race. But quite a few Indian AI applications have been highlighted recently. In past tech-led booms the major gains have come from applications. Small language models (SLMs) distilled from large ones and trained on more relevant data are cheaper to run.

Productivity gains of 30 per cent are feasible and will raise incomes and demand. Software companies will play a large part in adapting and applying such SLMs and in other customisations.

Household participation in equity markets has risen and the current volatility is thought to be endangering both household participation and their savings. But the equity and mutual fund share of household financial savings is still only 15 per cent, and physical assets dominate household net worth giving them a good mix of assets.

Equity is not bought from leveraged funds, so there is no pressure to sell when markets are down. Having been through several cycles, households know better than to do so. Their mutual fund SIPs are sustaining. Households, and those who invest for them, believe in the India growth story and understand how to buy in dips. The large derivative trade is predominantly through regulated institutions who understand the risks.

In a $3.92-billion economy even a small percentage of GDP coming into stock markets is large in absolute amounts. In 2025 domestic equity ownership has overtaken that of FPI, which, at about 15 per cent, is at a 20-year low. Comparatively, in the US 18 per cent of domestic equity is held by foreigners. In China it is 3-5 per cent. India will do well to keep this number low. More domestic participation will reduce dependence on FPI and increase returns on household savings. It has already reduced volatility of stock market indices, which kept rising through the Ukraine conflict and have only shed some gains now after more than a year of external shocks and FPI exit.



SAVINGS PATH. Gross domestic savings remain above 30 per cent GETTY IMAGES

Indian private investment, domestic savings and consumption demand are all criticised as inadequate. But investment ratios of above 30 per cent are the 5th highest in the world and only behind China's 40 per cent among large economies. This is mostly private since public investment to GDP ratio is only 4 per cent.

The unorganised sector is enumerated as part of the household sector in India. This sector is borrowing and investing. Household net financial savings to GDP ratio fell, therefore, but the savings in physical assets ratio rose. Gross domestic savings remain above 30 per cent since corporate savings are rising. In the past, savings ratios have risen with growth. The current account deficit, a measure of foreign savings used, remains low at about 1 per cent.

The demand response to the GST tax cut last year has shown corporates that there is demand in India at appropriate prices and the government has tools as well as intention to moderate external shocks. Corporate investment has also picked up as manufacturing is set to benefit from free trade agreements (FTAs), green substitutions, demand for defence exports and construction. Agriculture and service exports add to Indian diversity. Even so, India's consumption/GDP percentage of about 60 makes it less dependent on exports as a source of demand, compared to China where it is about 40.

International institutions have shrugged off their responsibility of maintaining global financial stability and do their best to convince EMs that volatility is due to something 'structurally' wrong with them

GLOBAL SHOCKS

It is strange that there is no onus on the international financial architecture to reduce the volatility emerging markets (EMs) face from global events. Maintaining stability of the international financial system is the mandate of international institutions. But they have shrugged off responsibility and do their best to convince EMs that volatility is due to something 'structurally' wrong with them.

Believers in free markets continue to advise EMs to reduce reserve accumulation and intervention: Currencies should float even if they tend to overshoot. Markets themselves like reserve accumulation, but not the reverse. Practical central bankers, however, know multiple instruments, including buffers, have to be used to manage external shocks and persistent misalignment. Diverse actions reduce risk!

Reserves fell only in six out of 30 years when outflows reduced the capital account surplus to below the CAD. The last 2 Trump-regime volatility years are included in the six. Why shouldn't reserves accumulated in so many surplus years be used to moderate depreciation in the few years of outflows?

Strategically, intervention is avoided at the onset of outflows so they take a loss. In 2025, however, the rupee was allowed to over-depreciate in the hope that it would help solve balance of payments pressures. The rupee depreciated with the dollar although other currencies were appreciating, yet this did not improve either CAD or inflows. The 40 country real exchange rate (REER) depreciated 10 per cent over its long-run equilibrium level to which it has always returned after past outflow episodes. In theory real depreciation should encourage exports and discourage imports. But Indian exports largely go to competitive markets where currency gains have to be shared, while there is immediate full price increase in commodity imports.

A falling nominal exchange rate discourages foreign inflows, since they expect the fall to continue. They prefer coming in only when they are confident a reversal has set in. Benefits from rupee reversal outweigh those from higher interest rates or lower hedging costs.

After the Middle-East conflict long dollar positions increased in the belief the rupee would continue to depreciate, although it was already over-depreciated. Measures are required to arrest what can become a self-fulfilling cycle.

More nominal depreciation is unlikely to deliver real depreciation since it would only further raise the price of oil imports and inflation, which causes the real appreciation. It is better if the 100 REER value is reached through nominal appreciation than through inflation.

India does need to reduce its trade deficit but a competitive real exchange rate can only be one component of its strategy. Others include trade diversification in products, sources and destinations, more FTAs, a big push for green energy and reduction in logistics costs. The Middle-East conflict will give a boost to all of these. Already net oil imports/GDP has trended down from 8.5 per cent to 5.5 per cent. Oil exporters should worry.

India also needs to reduce its vulnerability to FPI volatility by reducing the CAD and increasing the more stable means of financing it. The stock of FDI to GDP in the US was about 20 per cent in 2024, in China it averaged 21.6 since 2005; in 2024 had fallen to 19.3. India's 14 per cent value can be increased towards 20 per cent by allowing more Chinese FDI.

Analysts and rating agencies who focus only on broad averages and past vulnerabilities miss the many sources of change and resilience. Post-pandemic outcomes, therefore, have tended to outperform expectations.

The writer is Professor Emeritus, IGIDR

businessline
bl.portfolio
06 May 2026





PRATIM RANJAN BOSE

Daunting task for BJP in West Bengal

ECONOMIC REVIVAL. The BJP has to revive the State's moribund economy and overhaul the bureaucracy. But it faces a serious funds crunch

The BJP has wrested a two-thirds majority in the West Bengal election. For a party with overwhelming presence in the rest of the country, this is not just another win. It's a homecoming. BJP's earlier avatar, the Jan Sangh, was founded by legendary educationist Dr Syama Prasad Mookerjee from Kolkata.

His untimely death in 1953 and the rise of the Communists weakened the space for BJP. The 2026 win will contribute significantly to strengthening the party's ideological position.

Typical of the State's political tradition, BJP's rise is largely attributed to negative voting against the Trinamool Congress. Bengali Hindus, however, overwhelmingly voted for change. The outcome will strengthen the nation's security apparatus.

West Bengal is not merely a border State but also maintains connectivity to 8 per cent of India's landmass in the North-East, accounting for nearly half of the India-China border. A tectonic shift in the political landscape will, therefore, have definite geopolitical significance.

STRATEGIC STATE

The strategic importance of the State had gone up dramatically in the last few years with the rising interests of the US-led West in the Bay of Bengal region and tensions in Bangladesh and Myanmar. India-China rivalry remains a strategic constant.

Mamata Banerjee's politics of confrontation and tepid interest in growth and infrastructure development was a serious impediment to India's strategic planning. West Bengal missed the infra-building rush of the country over the last decade. Land was not provided even for border fencing.

The growing muscle of Islamists with connections across the border was an imminent concern. West Bengal witnessed a dozen or more riots in the Mamata era. The police force became politicised and misused, impacting law and order.

Given West Bengal's history of political violence, coupled with the sustained decline in its economic fortunes over the last half a century, the State became a drag on the national economy. BJP has to revive the State's fortunes and the job will not be easy.

Decades of Left rule (barring a few years of the Buddhadeb Bhattacharjee government) and TMC, destroyed the economy.

The Left rose to power through destruction of industry and so did Mamata. The results were visible in this poll season when high voter turnout in Bengal triggered a house-help crisis in the rest of the nation.

From third in terms of relative per capita income, Bengal now stands 24th. The decline is visible in a 200-300 per cent difference in agri-wages between West Bengal and Kerala, Tamil Nadu or Gujarat. The gap is wider if compared to North Bengal.

No wonder that Bengalis are crowding out the low-skill job markets from Kashmir to Kanyakumari. The comparison with neighbouring Bihar is revealing. Bihar suffers from high population growth. Bengal, on the other hand, reports India's lowest total fertility rate (TFR) — lower than China. Population has been shrinking in cities, starting with Kolkata, where TFR is lower than Japan.

At least two generations of small families have triggered aspirations which remained unfulfilled. Jobs are low-paying and offer limited prospects for upward mobility. Politics has patronised dole-oriented, sub-optimal living.

Given West Bengal's history of political violence, coupled with the sustained decline in its economic fortunes over the last half a century, the State became a drag on the national economy. The BJP's task will not be easy

The decimation of Bengal has been all-encompassing. Bihar not only sends out its poor, it is also churning out white-collar professionals in great numbers. Bengal's bureaucracy and police administration are run by Biharis. Kolkata, however, lost much of its national eminence in areas like law and finance.

FARM DISTRESS

The rural economy is struggling from the ill-effects of land reforms. The small land parcels have become uneconomic. Strict land ceiling and share-cropper rule limit prospects of land consolidation.

The poor give land to the rich on an annual lease. The rich do everything to keep it under their control, but in the absence of ownership they do not make major capital expenditure. Crop diversification and value creation prospects suffer. Bihar does not face such constraints.

The Buddhadeb Bhattacharjee government of CPI(M) tried to reverse the trend by allowing entry of corporates in agri-marketing. His party blocked it. Mamata Banerjee's politics thrived on the status quo. Less said about her industrial policy the better.

In a bizarre decision in 2025, West Bengal retrospectively scrapped all industrial incentive schemes offered to businesses over the last three decades. The trigger lies in a lack of resources.

Lack of industries and low income have limited the scope of central tax share. The own-tax collection (approximately 45 per cent) is disproportionately dependent on liquor sales for growth. Own tax revenue buoyancy is low (below 1).

With its promises to double the doles offered by Mamata and implement the Seventh Pay Commission for State government employees and pensioners within 45 days of assuming power, the BJP government will be in a financial crunch from day one.

The saffron party promised to build industrial hubs on land available in the steel city of Durgapur, the port city of Haldia and Singur. This is surely doable but not easy. Any positive impact will take at least a decade to reflect in the overall economic health of the State.

The biggest problem lies in the availability of resources. The problem starts from the bureaucracy, which lacks quality officers, thanks to political interference. BJP has to undertake a thorough but careful overhaul of the system. A roughshod approach may end up creating more problems.

The challenge is huge. People have high expectations from the BJP. Can the party fulfil them?

The writer is an independent journalist

businessline
bl.portfolio
06 May 2026

Fundamentals are under some stress

War effects are working their way through trade, economy and financial channels. A structured response is called for

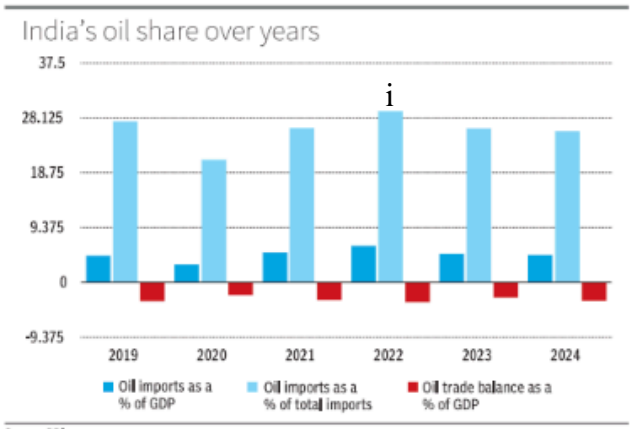
Saumitra Bhaduri
Shubham Anand

The ongoing pause in hostilities in West Asia has brought immediate relief to the people in the region, but the aftershocks to global energy infrastructure and supply chains persist. The war has disrupted the flow of crude oil and fertilizers creating bottlenecks in logistics and trade. Brent crude remains elevated, and India's economic outlook is clouded by persistent volatility.

Oil makes up 26-27 per cent of India's imports, and the oil trade deficit has averaged close to 3 per cent of GDP in recent years (*see figure*). In FY26, India's current account deficit was about 0.8 per cent of GDP, cushioned by services exports and remittances. But in a supply shock, that cushion shrinks fast because oil demand is relatively price-inelastic in the short run. Therefore, any price spike quickly inflates the import bill.

Next, the rupee, which had been stable for two years has come under pressure. By March 2026, it fell past the 95 mark against the dollar, nearly 10 per cent depreciation over the fiscal year. This was driven by higher oil prices and persistent capital outflows as global investors reassessed risk. In March alone, foreign portfolio outflows topped ₹1.3 lakh crore. While a weaker rupee can help exporters, it also raises the cost of essential imports and adds to inflation.

Despite these pressures, India's foreign exchange reserves remain strong, covering more than 10 months of imports. Short-term debt relative to reserves is also low, around 20 per cent. These buffers provide protection, but their resilience depends on how long global volatility persists and how deep the shocks go. For instance, remittances have provided a strong buffer, but these are at risk as nearly 38 per cent come from the Gulf.



Source: RBI

RBI'S RESPONSE

Against this backdrop, the RBI's Monetary Policy Committee (MPC) has chosen to keep policy rates unchanged.

The RBI has acted with targeted measures such as limiting banks' foreign currency positions, easing capital rules, and improving access to working capital for small businesses. Its move to limit net open positions of banks in onshore markets helped the rupee recover a bit. While these actions have provided short-term relief, relying heavily on foreign exchange intervention and engineered stability is not a viable long-term strategy.

The stress on the Indian economy is coming through several channels. First is supply disruption. Energy-intensive sectors are directly affected, but the impact quickly cascades to other sectors. The non-availability of fertilizers and other chemicals may affect the output of agricultural and industrial products, compounding the inflationary impact. Second, logistics costs are rising, as storage and transport are highly energy intensive. Increased logistics costs cascade through the economy, raising the prices of all final products.

Third, Indian exports are taking a hit from both demand and supply sides. The war has affected not only direct trade, but has also caused a slowdown in other major markets. With West Asia accounting for over 16 per cent of India's exports in 2023-24, any sustained disruption will hit export earnings.

Fourth, fiscal slippage against the budgeted 4.3 per cent of GDP remains a risk, owing to lower excise duty and corporate tax collections, reduced dividend payouts by oil marketing companies (OMCs), and a higher subsidy burden.

Policymakers must remain vigilant. The outcome of the conflict, US tariff investigations, and the monsoon's performance will all shape the next steps of monetary policy. Until there is more clarity, the RBI's cautious approach is justified.

Resilience will depend on maintaining a strong services surplus and remittance inflows, while expanding manufacturing so the non-oil tradable base grows. Attracting stable, long-term capital and encouraging local currency financing will be crucial. Structurally, energy security must be addressed.

Bhaduri is Professor and Anand is Ph.D scholar at Madras School of Economics (MSE), Chennai

businessline
bl.portfolio
06 May 2026

Can the WTO get back on track?

UNCERTAINTY AHEAD. The Yaounde Ministerial Conference has mired the WTO in a deeper deadlock than ever



ABHIJIT DAS



TRADE AGENDA. The forthcoming meeting of the WTO General Council is likely to provide pointers on the trade body's future

With the meeting of World Trade Organization's General Council scheduled to be held on May 6-7, WTO members have an opportunity to pick up the pieces after the failure of the 14th Ministerial Conference (MC-14) held in Yaounde recently. While on the issue of Investment Facilitation Agreement (IFA) a pathway for breaking the deadlock might be in sight, on some other issues the developments at MC-14 may have made the task of putting the WTO back on track more difficult. These developments are discussed below.

At MC-14 India continued its resolute opposition to the inclusion of IFA as an Annex 4 plurilateral agreement at the WTO. India also signalled the possibility of taking this issue forward by undertaking multilateral negotiations on guardrails for plurilateral agreements. At MC-14 some other countries also adopted a similar approach on this issue. This holds the promise of bringing clarity and certainty on IFA and systemic issues related to plurilateral agreements.

Let us turn to issues on which developments at MC-14 may have deepened the divide among the WTO membership. First, at MC-14 it became evident that the US was interested in an outcome on just one issue — moratorium on customs duties on electronic transmissions. Unlike the past ministerial meetings where the members agreed to a two-year extension of this moratorium, at Yaounde the US insisted on a longer period of the moratorium. Almost all countries, including India, showed little appetite to resist the US demand and quickly acquiesced to a four-year moratorium. At the end, on account of the stiff opposition of Brazil and Turkiye to this unreasonable demand of the US, no decision could be taken. If the US had confined its ambitions to what had been agreed to on this moratorium at some of the earlier ministerial conferences, a deadlock could have been avoided at Yaounde.

Second, at MC-14 the US strongly opposed the extension of the moratorium on another issue of particular interest to many developing countries: non-violation complaints related to disputes under the agreement on intellectual property rights (TRIPS Agreement). In past ministerial conferences, WTO members had agreed to two-year extension of this moratorium, which mirrored the period of extension of the moratorium on customs duties on electronic transmissions. This provided an assurance to WTO members, especially the developing countries, that they would not be sued for resorting to various flexibilities under the TRIPS Agreement. With the US aggressively seeking at least a four-year period of moratorium on customs duties on electronic transmissions but firmly opposing the moratorium on non-violation complaints under the TRIPS Agreement, the stage is set for another negotiating logjam.

Perhaps the most controversial issue is the declaration made by a group of 66 WTO members to implement the Agreement on Electronic Commerce through interim arrangements

ELECTRONIC COMMERCE

Third, and perhaps the most controversial, issue is the declaration made by a group of 66 WTO members to implement the Agreement on Electronic Commerce (AEC) through interim arrangements, with the ultimate objective of subsequently adding it as an Annex 4 plurilateral agreement at the WTO. Controversially, the AEC stipulates that even when it is implemented through the interim arrangements and is not yet part of the WTO, it will be serviced by the WTO secretariat with the Director-General of the WTO (DG) administering certain aspects of the agreement. This is highly problematic for many reasons.

First, WTO rules do not provide for the DG and the secretariat to administer even limited aspects of agreements that are outside the WTO. What is envisaged under the interim arrangements of the AEC amounts to the DG unilaterally arrogating to herself role and responsibilities going beyond the WTO rules. Second, this development represents a surreptitious attempt by certain WTO members to curtail the role of the entire membership but expand the powers of the DG through the backdoor. Third, this would divert resources away from activities mandated by WTO rules and instead direct them towards initiatives with questionable legal status. Finally, this would take forward the attempts by some developed countries to delegitimise the WTO and push forward their agenda of WTO reform, which would further bend the organisation in line with their interests.

In conclusion, developments at the Yaounde Ministerial Conference have mired the WTO in a deeper deadlock than before. It remains to be seen whether developed countries limit their vaulting ambitions and seek to get this inter-governmental organisation back on track, or they manufacture another crisis for pushing their agenda of remoulding the WTO to further serve their interests at the cost of most developing countries. The forthcoming meeting of the WTO General Council is likely to provide pointers about the future of this organisation.

The writer is an international trade expert and author of the book 'Strategies in GATT and WTO Negotiations'. Views are personal

businessline
bl.portfolio





06 May 2026

Implications of Manus

Slow erosion of rule of law in tech geopolitics

GBS Bindra

An attempt by Meta Platforms to acquire Manus, an artificial intelligence start-up, and its subsequent blocking by Chinese authorities, marks more than a routine regulatory intervention. It signals a deeper shift in how states are exercising power over global technology flows, not merely to regulate markets, but to shape them in alignment with strategic and political priorities.

Taken in isolation, China's move is consistent with its long-standing emphasis on digital sovereignty. When viewed alongside recent US actions against TikTok, however, a more concerning pattern begins to emerge: the gradual side-lining of rule-based processes in favour of discretionary state power.

TIGHT CONTROL

For years, China has maintained a tightly controlled technology ecosystem, justified on grounds of national security, data governance, and political stability. The reported Manus decision fits within this broader framework. What makes the current moment distinct, however, is not China's behaviour alone, but the convergence of approaches across geopolitical rivals that once claimed fundamentally different philosophies of governance.

The US, historically a champion of open markets and a rules-based order, offered an instructive example in its posture towards TikTok, owned by ByteDance. The effort to compel divestiture of TikTok's US operations, under the threat of a ban, was framed as a national security imperative. While such concerns may be valid, the process extended beyond established mechanisms such as the Committee on Foreign Investment in the United States (CFIUS), combining executive pressure and legislative intervention in ways that raised questions about transparency and procedural consistency. When legal frameworks appear to be stretched or supplemented in this manner, the predictability they are meant to provide weakens.

It is within this evolving context that China's actions must be understood. When one major power normalises interventionist behaviour under broad and sometimes opaque justifications, it lowers the threshold for others to follow. The result is the emergence of a global environment in which legal principles risk becoming secondary to strategic imperatives. The implications are far-reaching. At its core, the rule of law provides predictability, fairness, and accountability. It assures investors that decisions will be governed by transparent criteria rather than shifting political considerations. It enables firms to plan cross-border investments with confidence that regulatory processes will remain consistent. When state action begins to appear selective or contingent, that assurance weakens.



TECH FIRMS. Operate in fragmented regulatory environment

The effects are already visible. Global technology firms increasingly operate in fragmented regulatory environments, where compliance involves not only adherence to formal rules but also anticipation of political sensitivities. Capital flows become more cautious, and innovation ecosystems risk becoming siloed. Smaller firms, lacking the capacity to navigate such uncertainty, are disproportionately affected.

This is not to suggest that economic decision-making can be insulated from geopolitical considerations. It rarely has been. The more relevant question is whether strategic interests are pursued through mechanisms that offer transparency, consistency, and recourse, or through ad hoc exercises of power that leave affected parties with limited avenues of challenge.

Institutional frameworks do exist. CFIUS, despite its limitations, provides a structured review process.

For India, the erosion of predictable regulatory norms presents a complex challenge. Balancing openness with strategic caution becomes more difficult in an environment where major powers themselves appear to be redefining the boundaries of acceptable intervention. The Manus episode may fade quickly from public attention. The broader trend it reflects will not.

The writer is Distinguished Fellow at the Avinyum Foundation and former Managing Director of CGI India

businessline
bl.portfolio
07 May 2026



AMARENDU NANDY
SAYANTAN KUNDU



Bengal looking for change in economic policy

GROWTH DRIVER. The State needs a new industrial policy that focuses on clusters where land, infrastructure, skills and administrative authority can easily align

The Bharatiya Janata Party (BJP) has won a majority mandate in West Bengal, ending 15 years of Trinamool Congress (TMC) rule. The economic policies of the TMC years saw a steady increase in welfare and transfer programmes (94 social welfare schemes since 2011), with clear populist imprints. While no serious observer can deny that these financial doles became important to many families, especially women and girls, they came at a cost.

Over the years, the penchant for populism, buoyed by repeated electoral success, narrowed the imagination of governance. The citizen was increasingly imagined as a beneficiary waiting to be compensated, not as a worker to be productively employed, an entrepreneur to be enabled, or a taxpayer whose future income depended on real economic growth. The result was a brand of politics rich in guarantees but poor in economic transformation and capital asset creation. A large part of Bengal's electorate, thus, grew impatient with policies that did not sufficiently expand opportunities for them. Should the new government miss this signal, it may fall back on the same political-economy model it has defeated.

To be clear, the BJP is not inheriting a failed State. Bengal remains India's sixth-largest economy, with GSDP at ₹21.32 lakh crore, almost five times the 2010-11 level. In FY25, its GSDP grew 6.80 per cent, slightly above the national estimate of 6.37 per cent. It has also built a visible social floor. The infant mortality rate, at 17 per 1,000 live births, is well below the national average of 25. Multidimensional poverty, estimated at 11.89 per cent as per NITI Aayog's 2023 report, compares favourably with the national rate of 14.96 per cent.

However, these numbers mask underperformance on other, more structural, counts. Bengal's per capita NSDP in FY25 was ₹1.63 lakh, well below India's per capita net national income of about ₹2.05 lakh. Its large MSME base (around 89 lakh units employing 1.36 crore people) remains substantially informal and low in productivity. The debt-GSDP ratio of 38.4 per cent positions it above the median State, while its own tax and non-tax revenue mobilisation remains below the median. The State received only $1.79 billion in FDI equity inflows from October 2019 to December 2024, compared with $13.84 billion for Tamil Nadu.

The State's economic structure is heavily service-oriented (58.3 per cent of GSVA), while industry contributes only 21.6 per cent and agriculture 20.1 per cent. A large services share is not necessarily a weakness, but Bengal has neither become a high-wage services economy on the scale of Bengaluru, Hyderabad, or Pune, nor rebuilt a manufacturing base capable of absorbing marginal labour into more productive work. It has therefore remained caught between a still-large agrarian base, a thin industrial sector, and services that have not generated enough upward mobility. That is the macroeconomic challenge the new government must confront.

Foremost, Bengal needs a new industrial policy. Almost every other challenge the State faces, from fiscal stress to unemployment to agrarian stagnation, has a partial solution in a serious re-industrialisation drive. On that account, the new government needs to begin with the most urgent constraint — land.

The districts closest to markets, ports, labour pools, and suppliers are also where large contiguous land is hardest to get, due to fertile farmland and fragmented landholdings. Farther west, though land pressure eases, connectivity, skills, urban services and supplier networks are thinner. Bengal's new industrial policy, therefore, cannot treat the State as one economic geography. It must treat different regions differently.

In the older industrial and peri-urban belts, more intensive use of existing industrial space should be prioritised through the redevelopment of closed and underused factories, vertical MSME estates, common testing and effluent facilities, and negotiated pooling to bring fragmented ownership together without coercion, at fair market prices. In the western districts, the government will need freight links, reliable power, worker housing, training institutions, supply networks, and functioning towns.

For too long, Bengal's politics compensated citizens for the failures of an economy that offered too few pathways to upward mobility

Bengal has often announced industrial destinations before creating the conditions for industry. The new government should reverse that order.

LAND VALUE-SHARING

It is probably true that the Singur wound, now nearly two decades old, still shapes investor psychology as well as political behaviour. The new government must therefore move from land acquisition to land value-sharing. In peri-urban and older industrial belts, long leases, annuity payments, serviced plots, and continuing stakes for landowners may be more effective than one-time compensation.

The political test will be whether it can persuade landowners, farmers, and local communities to see industrialisation as a source of future income rather than dispossession. TMC, as a responsible opposition, must refrain from regressive politics on land deals that can transform Bengal's industrial landscape and brand image.

The industrial policy must also focus on a few clusters where land, infrastructure, skills and administrative authority can easily align. These could include food processing linked to agriculture, petrochemicals and downstream industries around Haldia, engineering and auto components in the Asansol-Durgapur belt, labour-intensive manufacturing in older industrial districts, and logistics hubs in north Bengal. Kharagpur can support electronics and precision manufacturing if industry links are built around technical institutions. Kolkata's New Town should be pushed to attract global capability centres, fintech, health technology, and research-linked services, rather than remain a mere real-estate story.

But clusters alone will not suffice unless the everyday state works better. Bengal's industrial decline was not caused by one factor alone. Labour militancy, political conflict, weak infrastructure, land disputes, slow approvals, poor urban governance and loss of investor confidence all played their roles over decades.

The new government must therefore create a time-bound clearance system that is actually binding on departments, strengthen commercial dispute resolution, digitise land records, and make power, logistics and municipal services reliable in industrial areas.

For too long, Bengal's politics compensated citizens for the failures of an economy that offered too few pathways to upward mobility. While the new government must not dismantle the social floor, it must build the ladder above it, where farmers see value in industrialisation, workers see mobility in it, firms see reliability in it, and the government itself sees beyond the next election.

Nandy is Associate Professor of Economics & Public Policy at IIM Ranchi, and Kundu is Assistant Professor of Finance at IMI Kolkata. Views are personal

businessline
bl.portfolio





07 May 2026

Driving gig workers' safety

App-based prevention of traffic violations possible

Gopal Krishna Roy

The rapid growth of app-based delivery services, especially in urban areas, has created significant employment opportunities. However, it has also exposed delivery workers to significant safety risks on the roads. Recognising these vulnerabilities, the Code on Social Security, 2020, formally brought gig and platform workers within the scope of India's social security system, requiring aggregators to contribute a small portion of their turnover to a social security fund. Moreover, several State governments have also introduced laws to provide social security and accident insurance for these workers.



RISK PRONE. Gig workers operate under time pressure

SHARED RESPONSIBILITY

However, a comprehensive approach must involve shared responsibility with workers adopting safe practices, platforms designing safer operational systems, and governments establishing and enforcing safety standards. This multi-stakeholder approach, supported by appropriate technological solutions integrated into the apps, is necessary to move beyond compensation after incidents and towards risk prevention.

Many app-based delivery workers operate under time pressure from tight delivery timelines and incentive structures, which can unintentionally encourage speeding, unsafe turns, and traffic violations. These actions increase the risk of injury not only for the workers themselves but also for other road users, creating broader social costs. In economic terms, such risks constitute a negative externality. Traditionally, economic theory suggests that negative externalities can be addressed by making those responsible bear the associated social costs, often through compensation, penalties. However, this approach has is limited scope in the present context. The priority should be to discourage unsafe behaviour before harm occurs. This requires better monitoring of work through platform apps and aligning incentives so that earnings and access to work are linked to compliance with safety norms.

Relying solely on traffic police enforcement is inadequate. Platform companies already assign orders, track worker movement, and determine incentives through their apps, which gives them the ability to influence safety behaviour. Technology integrated within these apps can be used to support preventive monitoring. For example, platforms can monitor route compliance against approved routes, track speeding and traffic signal violations, and verify adherence to basic safety requirements, such as helmet use. This would allow unsafe behaviour to be identified and addressed as part of regular platform operations. Importantly, such algorithmic supervision already exists in another form. Delivery workers are routinely penalised through lower ratings, reduced incentives, or fewer work opportunities when delivery delays occur. A similar approach can be extended to safety compliance, where unsafe riding behaviour affects performance ratings.

At the same time, government agencies can require platforms to incorporate safety monitoring standards and hold companies accountable for compliance. This would ensure that responsibility is shared between workers and platforms. Furthermore, delivery time commitments must reflect real-time traffic conditions and legal routes. Concerns raised by worker groups and policymakers have highlighted that very short delivery commitments, such as 10-minute delivery targets, can create pressure to take unsafe shortcuts.

Also, the government must bring gig and platform work under the scope of the Occupational Safety, Health and Working Conditions Code, 2020. Applying these requirements to platform companies would mandate the creation of safety departments. Such a framework would shift the focus from compensating accidents after they occur to reducing risks through prevention and shared responsibility.

The writer is Assistant Professor, Madras School of Economics, Chennai

businessline
bl.portfolio
07 May 2026

The great white collar wipeout?

From offices to battlefields, machines are taking over faster than expected, leaving millions of workers exposed

THE WIDER ANGLE.



PARAN BALAKRISHNAN

Remember the lamplighters, the men who, as darkness fell in cities like London and Paris, walked along the streets lighting one lamp after another? They vanished without a trace, replaced by centrally controlled electrical systems that made their work obsolete.

We've lived through technological upheavals before in recent decades and yet employment has climbed. Armies of banking employees disappeared from behind counters, but they were usually able to find other jobs in that era of steady growth. Technology displaced roles, but expanding economies absorbed the shock.

Today, though, we appear to have reached a crunch era compounded by unstable geopolitical forces. There's the Russia-Ukraine War, the Persian Gulf conflict and Donald Trump's America-first unpredictability. And it's all happening as change approaches at unprecedented speed.

Consider agentic AI, a term coined only in 2024 to describe systems that can decide what needs to be done and do it. Only months ago, many people were first hearing of tools like Anthropic's Claude and realising how fast and easy they are to use. At the same time, some of the people building these systems are issuing stark warnings.

"No-one knows what will happen next" but "some areas are, like, totally gone," says OPENAI chief Sam Altman. Anthropic CEO Dario Amodei says AI could drive unemployment among knowledge workers as high as 20 per cent globally in fields such as coding, finance and law, and eliminate large swathes of entry-level white-collar jobs. That matters because those roles are traditional middle-class gateways. As AI completes complex tasks in minutes that once took skilled teams weeks, the fear is this wave could decimate the middle class.

JOBS AT RISK

At Infosys, Nandan Nilekani says companies will need top-to-bottom reinvention. Cognizant has announced 15,000 layoffs, mostly in India. At Salesforce, 4,000 customer service roles have been cut after AI began handling half of all support interactions. Across sectors, the pattern is clear: small teams can now do work that once required many engineers and managers.

For India, this carries a deeper risk. IT services, outsourcing and back-office operations created vast numbers of mid-skill, entry-level white-collar jobs. If AI now handles much of this work, companies hire fewer people. Surveys



AI. Jobs threat looming GETTY IMAGES

suggest 17 per cent of companies have already laid off contact centre workers because of AI. These are large-volume roles, and AI doesn't just replace them in one company but across thousands, leaving far fewer alternative employers. For a country that needs to generate jobs at scale, that creates both a volume problem and a skills mismatch, with demand rising for highly skilled workers even as entry-level roles disappear.

Companies such as Coinbase, Atlassian and HP have all announced AI-linked layoffs. Freshworks is cutting 11 per cent of staff as AI writes more than half of its code. Duolingo is reducing headcount as AI takes over translation. Education firm Chegg has cut 22 per cent of its workforce after losing users to AI tools. At IBM and elsewhere, AI systems are replacing HR and administrative jobs. For India, there's an added concern that its role as a global outsourcing hub could weaken if work is automated at source rather than sent overseas.

Elon Musk warns AI and robotics could eventually replace all jobs altogether. Yet not everyone agrees. Meta chief scientist Yann LeCun argues new technologies historically create as many opportunities as they destroy.

It's clear almost every industry, even the military, will be altered beyond recognition. This is already visible in Ukraine, where drones and robots are being used to attack troops, with efforts under way to make them fully autonomous. China, too, is changing warfare rules. At the Malan Airbase in Xinjiang, it's developing unmanned aircraft, meaning future ace pilots may be engaged in something closer to video games.

India's Border Security Force, meanwhile, has set up drone laboratories, while in Gwalior it has tied up with IITs to train students. The army now runs training schools where even lower-level soldiers are taught to operate and defend against drones.

All of this points to a moment that feels different from earlier technological shifts. Now, with geopolitical instability and AI advances colliding, the transition may be far sharper. For India, the challenge is greater because of the sheer numbers entering the workforce and the shrinking pool of roles that once absorbed them.

businessline
bl.portfolio
07 May 2026



Remedies for digital payment frauds

KEEPING VIGIL. Static safeguards, targeting discrete acts of fraud, will only spur fraudsters to probe other vulnerabilities

GETTYIMAGES/ISTOCKPHOTO



BENI CHUGH
SARADA MAHESH

The recent rise in fraud in the financial ecosystem is a cause for concern. The RBI's 'Report on Trends and Progress of Banking in India', notes that the value of fraudulent activities in banking operations has risen from ₹11,261 crore in 2023-24 to ₹34,771 crore in 2024-25.

Apart from the obvious monetary losses, frauds cause a crisis of confidence and trust among customers that threatens the momentum of financial inclusion and the growth of the sector.

Considering these drastic and cascading effects of frauds, the RBI is deliberating important policy interventions to address frauds in digital payments.

First, the RBI's draft framework on limiting customer liability in digital transactions ("liability framework") recognises authorised push payments (APP) as a customer risk and proposes a redress mechanism for it. APPs comprise payment transactions that the customer may have authorised willingly but unintentionally.

This includes social engineering ploys where fraudsters manipulate customers to either share transaction credentials enabling the fraudster to transfer monetary sums to themselves or directly transfer monetary sums to the fraudster. The liability framework proposes a one-time compensation of up to ₹25,000 or 80 per cent of the transaction value for victims of low-value APP fraud.

Further, the compensation is conceived as a low-burden mechanism, a de facto guarantee to remedy bona fide APP losses of up to ₹50,000.

Interestingly, this compensation is dispensed by the financial system. Banks vet complaints, establish their veracity and the RBI offers the compensation. It may reduce the proclivity of the customers to approach the legal system to seek redress for low-value APP fraud, thus, shielding the legal system from becoming overwhelmed by low-value, high-volume complaints that are expensive to investigate.

The one-time compensation, though illustrative of the central bank's resolve to make good to victims, does not offer any enduring solution for the customer who gets defrauded repeatedly. Its low-effort nature also does not have the effect of disciplining the customer by accounting for their role in enabling the fraud, which is characteristic of a good remedial measure. In addition to providing a remedy for APP frauds, the RBI has also proposed preventative safeguards to curb APP fraud. The RBI's discussion paper titled 'Exploring safeguards in digital payments to curb frauds' suggests four such measures: a lag in fulfilment of transactions above ₹10,000; an additional authentication system of trusted persons for older customers; commensuration of credit to accounts based on a relationship of trust established with the bank; and a customer-led kill-switch for digital payments.

Chase system-level resilience instead of individual fraud categories. This requires diverse financial and non-financial actors such as telecom operators and e-commerce entities to work together

These safeguards underline the RBI's 'stop and think' approach, encouraging customers to pause and reconsider the riskiness of the transaction at hand.

However, the application of these interventions is anchored in static demographic categories of age, physical condition or the sophistication of the remitter. These indicators alone may not be useful for detecting fraud.

RECHARACTERISING THE ISSUE OF FRAUD

Conventionally, fraud has been characterised as a static issue where bad actors exploit the gaps in the system and/or use their comparative operational advantage to cheat people out of money. Typically, static systems do not learn from or react to changes in the environment in which they operate.

However, fraudsters are known to improvise in response to policy developments. If policies make it difficult for fraudsters to cheat 70-year-old citizens, they will focus on the 68-year-olds. Put simply, static preventative safeguards do not terminate frauds, they only incentivise the fraudster to identify other exploitable vulnerabilities. This ever-evolving nature of fraud offers four lessons for designing fraud prevention policies:

First, static rules will be gamed. Fraud prevention needs to be reimagined as a system of continuous recalibration instead of a system rooted in 'static' customer risk profiles. For instance, AI & ML tools can gauge the riskiness of a transaction by combining real-time, user-centric indicators such as recent account activity, device information and user behaviour patterns with aggregate patterns like emerging geographical hotspots, complaints and network traffic. Such assessments can detect fraud better than KYC-based risk profiles.

Second, chase system-level resilience instead of individual fraud categories. This requires diverse financial and non-financial actors such as telecom operators and e-commerce entities to continually work together to identify emerging frauds and close gaps in the system.

Third, defend at scale. This can be supported by building tools to continuously gather, harvest and share intelligence across the diverse stakeholders and using AI to build detective and predictive capabilities.

Finally, design adaptive policy interventions. Interventions should automatically recede from use when obsolete forms of fraud no longer pose active customer risk and vice versa.

RBI initiatives such as the Digital Payments Intelligence Platform, already embody some of these characteristics. It remains unclear where such initiatives sit alongside the remedial and preventative measures being discussed in the current policy proposals. Absent such clarity, it would appear that policies that seek to tackle discrete instances of fraud, such as the measures that have been just announced, may have limited effectiveness.

Chugh is Head - Future of Finance; Mahesh is Senior Research Associate, Dvara Research

businessline
bl.portfolio





07 May 2026

Worthy proposal

Brokerage net worth should be linked to number of clients

The surge in retail equity investors and the manifold increase in cash and derivatives trading since the pandemic has ramped up the risks faced by stakeholders — namely, stockbrokers, investors looking for quick returns and the markets ecosystem. The existing rules of the Securities and Exchange Board of India on net worth requirements for stockbrokers do not adequately cover risks in this regard.



In a welcome move, the regulator has proposed an improved formula on net worth requirements. Spelt out in a consultation paper, the formula addresses higher risk arising from aggressive client acquisition by the broking fraternity. Existing regulations lay down that brokers must maintain a minimum net worth, which is the higher of the base net worth or variable net worth. Base net worth is currently ₹1 crore for trading members and the variable net worth is fixed at 10 per cent of average daily cash balances of clients across exchanges, computed over the previous six months. However, with the new rules requiring brokers to move clients' funds to clearing members, the average daily cash balance with brokers has dropped. The variable net worth norm is not in line with the operational risks faced by them. The paper instead proposes that the variable net worth be linked to daily average credit balance and the number of clients a brokerage has. Substituting cash balance with credit balance is a good idea, since the latter is a better marker of a broker's volume of business.

Linking brokers' net worth to number of clients appears aimed at deterring brokers from trying to grow their client base too rapidly. SEBI proposes a variable net worth of ₹50 lakh for brokers with direct clients between 10,000 and 50,000 and ₹50 lakh for every additional 50,000 clients. If the clients are acquired and serviced through authorised persons (AP), brokers must maintain higher reserves. For instance, if 50,000 clients are acquired through APs, the variable net worth requirement increases to ₹2.25 crore. The regulator would be right in doing so since supervision and compliance requirements are lower for APs. They are not directly supervised by SEBI, but are registered with the stockbrokers, who take the onus of monitoring their business. SEBI's proposals suggest that there could be higher default risk in clients acquired through APs. While larger stockbrokers can easily meet the additional reserve requirement, smaller ones may run up against a liquidity crunch.

The proposals will also help slow down entry of new equity investors. The number of unique investors registered with the NSE has increased from 3.1 crore in March 2020 to 12.9 crore in March 2026, at a compound annual growth of 26 per cent every year. Stockbrokers and the APs have driven the entry of new investors in recent years. By linking variable net worth to number of clients, SEBI seems keen to rein in the frenetic pace of client growth. This is desirable to suck out market froth.

businessline
bl.portfolio
08 May 2026



JAMES K GALBRAITH

The Iran standoff and the future of oil



IRONICAL EFFECTS. Although the US and Iran are at war, their economic interests appear to coincide as far as oil prices go

REUTERS

More than nine weeks into the three-day war on Iran — recently declared "over" by the White House even as threats continue — it is not yet possible to disentangle rationales and pretexts. What was said in meetings, and by whom, even when a full accounting emerges, will not necessarily be dispositive, because some unstated reason may still underlie whatever argument was made.

We do know that Donald Trump's presidency is dominated by a real-estate culture. The president, his family, key cabinet members, advisers, and donors are drawn from the world of hotels, luxury resorts, and casinos. They are not lawyers, elected officials, or lifelong bureaucrats, let alone college professors. Prices and asset values are their bread and butter. So, let us suppose that they have thought this through in terms of the economics of oil.

Our analysis can start with the fact that the US is now the world's largest oil producer, owing to fracking in the Permian Basin of West Texas and southeastern New Mexico. With the estimated break-even price for Permian crude (about $65 per barrel) higher than the oil price was between July 2025 and February 2026, the well count in the Permian has fallen by about one-third since 2023, with production reaching a record in 2025, thanks to improved efficiency. Arguably, the pre-war price was too low for sustained profitable drilling, and so for the private-equity interests who had moved into the Permian Basin in 2020-21, when oil properties were very cheap.

The effect of the war's first month was to take oil supplies from the southern Gulf largely offline, reducing global oil flows by about 10 per cent. From these basic facts, a valuation formula that Jing Chen and I present in our book *Entropy Economics* predicts a price increase of 60 per cent. In the event, West Texas Intermediate (WTI) crude rose by 60 per cent — from around $65 to $104 per barrel — during the first month of the war.

From the US producers' perspective, this was a good result — a bit too good. When prices rise above $90 per barrel, cost-push inflation begins to bite at home, and Asia and Europe begin to suffer painful shortages (not only oil, but also sulphur, urea, and helium). And if the price goes much higher, demand begins to fall. As the war continued, prices surged above $110 per barrel until April 8, at which point the US declared a ceasefire, and they fell.

No one can ever be sure what Trump is thinking, but he may have realised that another attack on Iran will not work. The Islamic Revolutionary Guard Corps has made clear that it would retaliate by destroying critical infrastructure across the entire Gulf and in Israel. According to our formula, a full shut-off of the Persian Gulf would drive the WTI price to about $155 per barrel, which would collapse the market and bring prices back down the hard way. The best result for the US side, then, is an open Gulf with a reduced flow, yielding a US price between $80 and $100 per barrel.

The problem is that if Iran controls the flow, this optimal price for the US is also very good for Iran. Indeed, Iran upped its production in March, taking market share from the blocked and damaged southern Gulf. The irony is striking. Although the two countries are at war, their governments' economic interests appear to coincide. Of course, from the US-Israeli perspective, the wrong country is benefiting from a partial shutdown of the Strait of Hormuz.

The Trump administration thus responded with a blockade, though without enough ships to catch all the Iranian ones. The choice of a blockade implies hope for a deal, whose unstated purpose could be to stabilise the price in the desired range for the rest of Trump's term. This would be a win-win for the US and for Iran. But it would likely mean sacrificing the US-allied Arab monarchies in the Gulf and delivering a strategic defeat for Israel. The United Arab Emirates's departure from OPEC might be read as a reaction to this possibility; so, too, might Israel's pressure to renew the war.

The choice of a blockade implies hope for a deal, whose unstated purpose could be to stabilise the price in the desired range for the rest of Trump's term. This would be a win-win for the US and for Iran

GIGANTIC GAME OF CHICKEN

The result is a gigantic game of chicken, with the world economy on the block. Even a leaky blockade might, over time, force Iran to fill its oil storage, and then to curtail production. With that potential leverage, Trump has an interest in drawing out the face-off for as long as possible. But naval deployments cannot last indefinitely, and one damaged aircraft carrier is already heading home.

If Iran can hold out, the US eventually will have to fold, and the oil price will fall as production recovers. By tolling traffic through the Strait, Iran can then prosper at a lower price level, even with an entirely open Gulf and all taps flowing. As for the US, its own energy independence, and Europe's recent dependence on US oil and liquefied natural gas, will gradually decline. Much of the world would then have to turn to Russia and to the Persian (now very "Iranian") Gulf.

Trump and his people therefore face a dilemma. They could collapse the world economy now (and maybe they will); they could walk away (and maybe they will), accepting both an immediate defeat and longer-term erosion of the US position; or they can stall and hope for a deal. And if an unpalatable deal is the best Trump can get, his interest is to stall for as long as possible and pray for a miracle.

His prayer is unlikely to be answered, though. Iran is tough, and time is (mostly) on its side. The Iranians know that the usual American endgame (not unique to Trump) is to walk away from defeat, take the humiliation, and move on. In that case, the oil price will fall, and eventually the private-equity interests in the Permian Basin will go bust. It may take a while to get there, with flip-flops and bombast along the way; but short of a global calamity (still a distinct possibility), this seems to be the way out.

In principle, the US could take another path over the longer term. Voters could kick out the speculative class now in charge, and the country could develop a national energy policy — and start producing, pricing, and allocating energy for the benefit of the whole US population. It could even return to the international community as a partner, rather than as a would-be imperator.

Then again, one should never bet on something just because it is possible.

Galbraith, professor at The University of Texas at Austin, is the co-author (with Jing Chen), most recently, of 'Entropy Economics: The Living Basis of Value and Production' (University of Chicago Press, 2025).
Copyright: Project Syndicate, 2026

businessline
bl.portfolio
08 May 2026

Demand for emerging market junk bonds on a high

Srinivasan Sivabalan

Global investors are favouring junk-rated bonds over investment-grade debt in emerging markets by the widest margin in eight years, as the winding down of the Iran war revives the hunt for yield.

A rally in bonds triggered by the ceasefire has compressed the risk premium on emerging-market high-yield debt over US Treasuries faster than the equivalent spread for investment-grade sovereigns. That has narrowed the gap between the two spreads to 311 basis points, the tightest since May 2018, according to JPMorgan Chase & Co. data.

Investors have been piling into high-yield emerging-market bonds since late 2022, generating double-digit annual returns, as countries that defaulted during the height of the Covid pandemic bounced back with the help of International Monetary Fund bailouts and fiscal reforms. That rally, briefly interrupted by the war, has resumed as investors move to lock in higher returns before the next round of global monetary easing.

'A relatively swift end to the crisis would likely reduce earlier fears around a prolonged period of high oil prices and the associated risk of a broader economic slowdown," Nick Eisinger, head of EM sovereign strategy at JPMorgan Asset Management, said in a message.

The additional return bondholders demand to own EM high-yield securities rather than US Treasuries has narrowed 91 basis points to 403 since the end of March, JPMorgan data show. The corresponding risk premium for investment grade has fallen 25 basis points to 92.



INVESTORS. Lap up high-yield debt

The latest dollar-bond rally in emerging markets has been led by countries that were in default or distress just a few years go. Lebanon has handed investors 15 per cent total returns in the past five weeks, whole Mozambique, Lebanon and Republic of Congo have also given double-digit returns.

While S&P Global Ratings and Fitch Ratings have warned that a prolonged conflict in the Middle East could undermine emerging-market credit risk, many investors remain confident that the governments can withstand the shocks thanks to their fiscal and current-account improvements in recent years.

"FX reserves are more robust than before, and several countries are in IMF programmes with a possibility to upscale," said Eisinger. "Refinancing risk is generally lower and fiscal deficits have improved, while the weighted current account (ex-China) is in surplus relative to a deficit in 2022."

BLOOMBERG

businessline
bl.portfolio
08 May 2026

Helping MSMEs cope with ESG compliance



SUNIL KUMAR SINHA

EXPORT EDGE. Blended finance as well as a cluster approach to deploying ETPs and renewables could help, in addition to existing schemes



GETTY IMAGES

The latest Free Trade Agreement (FTA) that India has signed is with New Zealand. Prior to this, India concluded similar trade agreements with the UK and EU while a trade deal with the US is currently under negotiation. These trade deals promise significant benefits for Micro, Small, and Medium Enterprises (MSMEs) through reduced and/or zero-duty access on labour-intensive exports, lowered trade barriers, and enhanced global supply chain integration.

However, they also come with significant structural and operational challenges and expose Indian MSMEs, which often operate on low margins, limited technology, and thin capital buffers, to non-tariff barriers. These non-tariff barriers range from stringent environmental, social, and governance (ESG) standards (including carbon footprint requirements like EU's Carbon Border Adjustment Mechanism) to Sanitary and Phytosanitary-SPS measures. Thus, while FTAs are reducing/eliminating tariff barriers, it is the non-tariff barriers that are going to become more critical for realising the full benefit/potential of FTAs.

The Economic Survey of 2025-26 states that MSMEs accounts for 48.6 per cent of India's exports and are vital for fostering local value addition and enabling India's effective integration with global manufacturing supply-chain. However, global buyers and regulators increasingly demand verifiable ESG (Environmental, Social, Governance) practices across supply chains because resource-intensive manufacturing sectors have very high environmental and social footprint.

As a result, buyer procurement rules, new laws in importing regions, and investor scrutiny — all of which are rapidly moving ESG from a "nice to have" to a market access precondition. Thus, compliance related responsibility is increasingly falling on upstream players in the value chain that is MSME producers and suppliers.

Non-compliance to ESG issues is now being factored into financing and insurance also as banks, insurers and export credit agencies are beginning to price in ESG risks into their calculation and due diligence.

ESG FACTOR

Compliance gaps on ESG therefore have now become material enough to raise cost of capital for MSMEs and/or even deny them buyer contracts.

Current level of awareness and preparedness about ESG issues among MSMEs is uneven and generally low. Though many mid-sized exporters and aggregators have invested in environmental and social compliances to meet global buyer demands, they are finding it difficult to remain profitable.

Also, exploring domestic markets where low cost is often the primary purchasing factor for consumers makes switch from global to local market difficult for these exporters. This challenge of meeting rising investments in ESG compliance, therefore, can make MSME exporters uncompetitive both in the global and domestic market.

The regulatory environment, consumer demand for ethical sourcing and buyers to increasingly demand ESG certification/performance is going to get stronger with each passing day. Therefore, if India wants to take full advantage of the recently signed FTAs and emerge stronger from the current disruptive geo-political environment, then a policy framework with a clear road map for enabling MSMEs to meet the emerging global compliance has to be put in place.

This is important lest MSMEs exporters begin to feel that they are losing orders to competitors due to non-compliance on ESG and/or other parameters that are often non-negotiable. Global buyers, driven by their own regulatory environments and consumer demand, increasingly require suppliers to demonstrate strong ESG performance, transparency and traceability standards.

If India wants to take full advantage of the recently signed FTAs, then a policy framework with a clear road map for enabling MSMEs to meet the emerging global compliance has to be put in place

Strong ESG alignment offers long-term benefits such as energy savings, enhanced brand reputation, and access to green financing. However, MSMEs are mostly focused on immediate survival. Their inability to make the upfront ESG investment (wastewater treatment, cleaner dyeing, pollution control, better worker welfare facilities, digital traceability etc.) creates a significant barrier to their long-term resilience. Although the government has taken several steps such as export credit support, market diversification and is negotiating trade agreements with various countries, a more targeted approach is needed for MSME exporters.

MEASURES SUGGESTED

To improve their ESG preparedness the following may be done:

(i) Access to blended finance so that they get concessional finance windows or guarantees (public/private) for their ESG investments;

(ii) Cluster approach for capital and infrastructure which include common effluent treatment plants (ETPs), common chemical-storage facilities, and renewable energy off-take;

(iii) Capacity building via buyer-industry partnerships so that their knowledge of evolving compliance framework improves and they learn how to operationalise them. For example, EU due-diligence rules require businesses to determine that their products are deforestation-free and must therefore provide information to support the claims. Similarly, Higg Index, GOTS, OEKO-TEX, BCI are globally recognised, independent certification system for the textile and leather industry that tests for harmful substances and verifies sustainable production. Obtaining these certifications improve the market access and competitiveness of manufacturers/suppliers.

(iv) A two-stage ESG compliance mechanism needs to be put in place so that compliance intensity would match company size and risk. Baseline practices such as worker contracts, employment records, proper disposal of hazardous waste, monitoring of energy/water usage, safety protocols for chemical handling, record keeping of safety incidents etc. become mandatory for all and a more rigorous and exhaustive ESG reporting is done by larger entities using Global Reporting Initiative/Carbon Disclosure Project/Task Force on Climate-related Financial Disclosures template. This tiered ESG compliance approach would help larger entities to convert baseline practices into contractual requirements and push their suppliers base, predominantly MSMEs, towards ESG maturity.

Getting exporting MSMEs ESG-ready isn't just compliance, it's essential to preserve export markets, secure jobs, and move India's MSMEs up the value chain.

The writer is Professor of Economics at Institute of Development and Communications (IDC), Chandigarh. Views expressed are personal

businessline
bl.portfolio

11 May 2026

Strengthening GCCs to offset external shocks

Building a talent pipeline, nurturing innovation and improving physical infra can help India become a major GCC destination

Nilanjan Banik
Pradeep Racherla

We have exogenous and endogenous variables in economics. The recent West Asia conflict is an example of the former. Prior to the conflict, India's economy was in a Goldilocks situation — estimated GDP growth of 7.6 per cent in FY25 paired with a benign inflation rate of around 2 per cent.

The conflict has dramatically altered the outlook. Our heavy dependence oil, LNG, and LPG imports will impact growth, inflation, the balance of payments, and government finances. With global crude oil prices at elevated levels of $85-90/barrel in FY26, growth may slip to 6.7 per cent (against the projected 7 per cent).

There will be a second-order effects on inflation due to higher raw material costs across several industries. Meanwhile, concerns over AI are weighing on the competitiveness of our IT and services sector. In the past decade, surpluses from services exports were sufficient to offset the deficit incurred from energy imports. But that buffer may erode.

One element that will act as a strategic bulwark against fiscal fragility is the emergence of Global Capability Centres (GCCs). The 1,700 or so GCCs employ 1.9 million professionals and generated $64 billion in export revenue in FY24. GCCs have evolved from back-office operations into innovation powerhouses driving R&D, AI, and fintech for multinational giants across several industries including banking and financial services, technology, and pharmaceuticals. GCCs' dollar-denominated revenues provide a steady forex inflow, insulating the rupee from volatility.

Unlike remittances or trade exposed to tariffs, GCCs ensure recession-resistant growth, with revenue projections hitting $110 billion by 2030. By localising high-value jobs, they can reposition India as an economic and geopolitical safe haven.

POLICY MEASURES

There are several endogenous measures that policymakers should undertake to position India as a premier GCC destination, both at Central and State levels.

Pillar one — building the talent pipeline: entry-level graduates are plentiful, but job-ready graduates are scarce. The gap between university curriculum and industry expectations remains wide, particularly in areas such as artificial intelligence, cloud architecture, and advanced analytics.

Most GCCs in India have historically functioned as execution arms, but global mandates are shifting. Boards now want their India centres to lead product development, drive innovation, and own profit and loss responsibility.

That demands a new crop of mid- and top-level leaders — those who understand a company's strategic context, navigate cross-cultural complexity, and can advocate for India as a centre in global conversations.



EVOLVING. GCCs in India are now driving innovation GETTY IMAGES

Hyderabad offers an instructive lesson. Concerted investment by companies like Microsoft, Google, and Amazon, combined with deep university partnerships has produced a talent layer capable of stepping into such roles. The government has created an enabling platform through significant funding and support to develop institutes of global repute (e.g., ISB, IIT). The model is replicable, but it requires the government, universities and companies to re-imagine partnerships.

Pillar two — plugging into and nurturing local innovation: GCCs no longer import solutions from headquarters; they generate intellectual property in India.

This shift is possible when GCCs genuinely develop the local innovation ecosystem, not just reside within it. Bengaluru's experience is instructive. The density of startups, deep-tech firms, and national research institutes allows GCCs to tap into a laboratory of ideas. Several GCC leaders in India describe structured programmes through which they co-develop prototypes with local startups, licence early-stage technologies, and absorb entrepreneurial talent that would otherwise leave for Silicon Valley.

Pillar three — physical infrastructure as a strategic imperative: Reliable power and data connectivity, accessible housing for a young workforce, and seamless last-mile connectivity are the baseline expectations of GCCs' location decisions today.

Not all cities and towns in India are attracting GCCs. The top six cities — Bengaluru, Hyderabad, Delhi NCR, Mumbai, Pune, and Chennai — together account for around 90 per cent of total GCCs.

Hyderabad's HITEC City offers a compelling case study in what purposeful infrastructure planning can achieve. Combining uninterrupted power supply, fibre-dense connectivity, and flyover access, gives the city a quality-of-life credibility that has attracted many Fortune 500 GCCs.

Pillar four — smart policy, competitive taxation, and regulatory clarity: The fourth pillar is where government has the most direct lever to pull. GCC leaders are not seeking tax giveaways; they seek predictability. The recent thrust by Telangana and Karnataka to publish dedicated GCC policies with single-window clearances is a step in the right direction.

The writers are Professors, and co-founders of the Center for Economic Policy at Mahindra University

businessline
bl.portfolio





11 May 2026

Bond truths

Retail exposure to foreign bonds not a great idea

Online bond platforms, when first launched, were expected to spur retail participation in bond markets, replicating the equities experience. But they have managed just ₹1,500 crore in monthly volumes by end-2025. The Securities and Exchange Board of India (SEBI) is now looking at ease of doing business for online bond platforms. It has recently proposed two relaxations which aim at widening their menu. These are however unlikely to materially boost volumes.

SEBI seeks to allow online bond platforms to offer foreign debt securities through platforms regulated by the IFSCA (International Financial Services Authority). The rationale is that as online bond platforms are registered as stock brokers which deal in IFSCA-regulated products, this facility should be available to them too. Whether this will spark retail interest in foreign bonds is however questionable. Unlike stocks — where foreign markets are currently more attractive than India's — Indian bonds offer one of the most attractive yields globally for investors seeking a good balance of risk and reward. Sovereign bond yields for advanced markets such as the US, UK, Australia and Germany hover at 4-5 per cent, while Indian gilts trade at 7 per cent. Should investors fish for higher yields, their options narrow to risky markets such as Russia, Brazil, Mexico and so on. Investors may seek out foreign bonds for currency diversification, but this requires taking directional calls on exchange rates.

Bonds seem safe, but can expose investors to capital losses if they get the direction of rates wrong. Given that retail investors in India struggle even to understand domestic rate cycles, expecting them to decipher global macros to take a call on foreign bonds and currencies seems a tall order. Three, investments by domestic investors in foreign securities are capped by LRS (Liberalised Remittance Scheme) limits. Currently, overseas equities and real estate are the rage with more affluent Indians for their high returns, leading to significant foreign exchange outflows. Whether investors would take to low-return debt instead, and whether this is even desirable from a policy perspective, is moot. SEBI is also proposing to allow online platforms to add Section 54EC bonds, which are free of long term capital gains tax, to their menu. This will allow investors to own 54EC bonds in a more convenient form and may add to business volumes for the bond platforms. However, 54EC bonds are issued only by a handful of government-backed entities.

Overall, if the intent is to promote retail participation in bond markets, it is important to address poor information flow on bond yields and adverse taxation of debt income. Today, while it is quite easy for individual investors to access transparent quotes and order books to trade stocks, bond market trades remain opaque. The taxation of interest from bonds at slab rates, has been the key trigger for Indian investors seeking out equities in search of better returns.

businessline
bl.portfolio



12 May 2026

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

An economic agenda for Bengal

LOOKING AHEAD. The new BJP govt can start with unlocking land for industrialisation and improving urban infra



PRATIM RANJAN BOSE

The BJP is emotional about its Bengal victory. In a private conversation, a senior leader recently said the party would love to make the State more developed than Gujarat. This ambition is now the greatest asset of the failed State which is known for giving a long rope to its rulers.

The Suvendu Adhikari government has started working at a breakneck speed. The BJP central leadership has readied a host of plans, ranging from infrastructure activities to a facelift for Kolkata and industrialisation. This piece is an attempt to indicate some of the low-hanging fruits.

First and foremost, the urban land ceiling must go. The total fertility rate of urban West Bengal is equivalent to that of the European Union (1.3 live births per woman). The TFR of Kolkata is way lower and its population is shrinking.

The ageing population is selling landed assets as part of fiscal consolidation, but the urban infrastructure, including the quality of real estate, is significantly inferior when compared to smaller towns in southern and western India.

One of the hurdles is stringent urban land ceiling. Relaxing this ceiling is a solution, subject to zonal restrictions and regulations. Water and sewerage are now in the hands of bankrupt municipal bodies. On top of that, former chief minister Mamata Banerjee didn't allow imposition of water tax.

WATER WOES

The pitfalls are evident. Even in Kolkata, which is not large enough for a metropolis, the municipal corporation fails to supply treated water across the city. The sewerage system is either centuries old or has not seen adequate investment.

Over the last three decades, Kolkata grew eastward. Most large housing societies, costly private schools and hospitals are located along the Eastern Metropolitan Bypass. Most of them source water through deep tubewells. All societies have waste treatment plants but very few are functional.

The solution may lie in forming dedicated State bodies for water and sewerage — on the lines of Hyderabad. This will reduce the headload on municipal bodies, improve their fiscal health and ensure better planning and investments.



FOCUS NOW. Reviving the State's economy must be top priority for the new govt PTI

INDUSTRIAL HUBS

Better urban infrastructure is a prerequisite for investments. The BJP manifesto promised four industrial hubs, including a defence hub. Three locations are already identified — one each at Haldia, Singur and Durgapur, which have abundant industry-ready land available.

Singur, near Kolkata, will welcome any effort towards industry at the abandoned Tata Nano plant which Mamata returned to "farmers". It is now unfit for agriculture. Haldia has excess land available with the port authorities. Roughly 700 acres of unused land once belonged to state-owned Bengal Salt, and is available at nearby Tajpur.

Durgapur, now aided by an airport, can open up endless opportunities. The closed facilities of the state-owned Mining and Allied Machineries Corporation (MAMC) and Fertiliser Corporation, including their vast and abandoned townships, can unlock thousands of acres of industrial land.

Durgapur Chemicals is shut, so is Bharat Ophthalmic Glass. Durgapur Projects Limited closed parts of its plants. There are not enough staff members to live in its vast township. Mamata Banerjee's Trinamool-backed encroachers occupied a good part of the staff quarters.

The BJP manifesto promised four industrial hubs, including a defence hub. Three locations are already identified — one each at Haldia, Singur and Durgapur, which have abundant industry-ready land available

The 60-km Durgapur-Asansol corridor is the State's oldest industrial zone. Also, Asansol and Darjeeling-Siliguri (North Bengal) are education hubs. Students from Bangladesh, Nepal, Bhutan and lower Assam come to Darjeeling for school education.

QUALITY HEALTHCARE

That said, neither area has quality private healthcare. Patients in North Bengal travel to Bihar and Nepal for speciality healthcare. There is no private university comparable to the standards and repute of the Kalinga Institute of Industrial Technology in Odisha.

Acquired and unused land, well connected by highways and rail, is available in large quantities in North Purulia (very close to Asansol) and Kharagpur (where the Tata Nano plant was originally planned), midway between Kolkata and Jamshedpur (Jharkhand). The entire area is accessible from Kolkata, which is barely three hours by road.

The closed industries in Kolkata and Howrah have huge parcels of unused land. Privately owned Jessop & Co and National Instruments Limited are cases in point. A bare relocation of the Central Glass and Ceramic Research Institute in Jadavpur can unclog a major artery.

Land acquisition is an over-hyped issue in Bengal. The problem is not as big as it seems. However, due to political sensitivity, the BJP government must avoid it for now. It can instead pay attention to making use of unused land, which will improve both the optics and the growth momentum in the short term.

Bengal is crying for private investment of scale. The tax revenues from the city are far lower than those of any other metro. In terms of the erstwhile central excise collections, Kolkata (including the two riverine ports in Kolkata and Haldia) was comparable to Visakhapatnam and Vadodara.

We need a dramatic transition.

The writer is an independent journalist

businessline
bl.portfolio





12 May 2026

Austere times

PM's nudge no substitute for increase in user prices

Prime Minister Modi's exhortation to cut back on the usage of petrol, diesel and purchase of gold should be seen as an urgent response to protect the economy from the effects of the Iran war. His focus is unmistakably, and rightly, on a widening current account deficit, at a time when capital flows have turned fickle and weakened the rupee. There can be no real case against austerity in such times. Governments the world over are doing the same in various ways. However, the more crucial question pertains to the manner in which austerity goals are met.



The Centre would do well to bear in mind that prices, taxes and tariffs alone will work; moral suasion can make a marginal difference only. The Prime Minister has focused on four broad product categories whose imports are rising sharply, and account for 38-40 per cent of total imports, at $775 billion in FY26. These are: fuel, gold, edible oils and chemical fertilizers. Petroleum imports were $173 billion in FY26, but will likely top $200 billion in FY27, given our consumption of 2 billion barrels annually at current crude oil prices. Gold imports were $72 billion in FY26, against $58 billion a year ago, rising 24 per cent. Edible oil imports were up over 12 per cent at $19.5 billion. A 61 per cent jump in fertilizer imports is a grave concern, at $16 billion in FY26 – an item whose imports could rise sharply in view of turbulence in global oil markets and our reliance on the Gulf region for supplies.

In view of this disconcerting build-up, PM Modi has urged urban residents to use public transport, work from home, avoid international travel and commute by metro or EVs. He has urged restraint in buying gold and suggested a sharp cutback in chemical fertilizer use. Meanwhile, the CAD, which had already widened to 1.3 per cent of GDP in the October-December quarter of FY26 (1.1 per cent in Q3FY25) in the wake of the tariffs impact, is under stress. The trade deficit too climbed by $25 billion in FY26, adding to the strain on the capital account.

With the elections over, the Centre must raise fuel prices to adjust demand, just as countries the world over have done. In the short run, the move will raise inflation and hurt growth, but it will bring about the desirable adjustment in demand. The status quo will widen CAD and raise inflation through the rupee depreciation route — a more destabilising prospect. Besides, the fiscal deficit will rise, hurting growth and ushering in inflation. Gold demand can be curbed by raising import duties, tweaking capital gains rules and checking loopholes in FTA deals. Edible oils use can be curbed through tariff adjustments. As for fertilizer imports, relative support prices that favour dryland, less input-using crops such as millets and pulses must be considered. Finally, the Centre must realise that for its goals to be met, it must lead by example. Checks on official travel and austerity in events can have a signalling effect in these difficult times.

businessline
bl.portfolio

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DELTECH UNIVERSITY

ASEAN's elusive search for financial safety

The ASEAN+3's Samarkand decision for a safety net to guard against financial volatility is still shrouded in uncertainty



GETTY IMAGES

MACROSCAN.



CP CHANDRASHEKHAR, JAYATI GHOSH

On May 3, Finance Ministers and Central Bank Governors from the ASEAN+3 grouping (consisting of 10 ASEAN members and China, Japan and South Korea) issued a statement, following meetings in Samarkand, Uzbekistan.

It recognised that the "conflict in the Middle East" had increased risks for the East and Southeast Asian region, requiring attention to the possibility of "excessive volatility and disorderly movements in financial markets and shifts in global liquidity conditions."

In response, the ASEAN+3 governments are working to amend the Chiang Mai Initiative Multilateralisation (CMIM) arrangement, a network of dollar swaps backed by reserves of central banks in the region.

The amendment, when implemented, would transition the CMIM from being a "contributory arrangement", with members pledging to release promised funds when any other member requests emergency financing, to being a "Paid-in Capital" Fund, where contributions are actually made upfront and transferred to a special legal entity, making it immediately available as and when required by balance of payments stressed countries.

This would bring the regional arrangement closest to an Asian Monetary Fund, or a regional alternative to the IMF — an idea that was mooted by Japan after the 1997 South-East Asian financial crisis and shot down by the US and the IMF, for fear of loss of their influence.

There is still some uncertainty as to whether the transition would go through. ASEAN+3 members have even now agreed only on three of the four principles that would govern the creation and functioning of the entity that would host and manage the paid-in corpus — these are that this legal entity must be independent of the member countries; it must recruit and deploy expert managerial and other personnel (to match the IMF perhaps); and that the system must be designed for effective coordination between its surveillance and lending functions.

STUMBLING BLOCKS

But divergent national interests, the ASEAN statement confesses, have held back agreement on the fourth principle of ensuring a 'sound management structure', involving the all-important decision-making systems and oversight frameworks of the proposed independent entity.

This is no small matter. The effort to create a regional financial safety net in East and South-East Asia, has a long and tortuous history.

It began almost five decades back in August 1977 when, faced with the uncertainties generated by the oil shocks, central banks and monetary authorities from the original ASEAN members (Indonesia, Malaysia, The Philippines, Singapore and Thailand) committed to providing "immediate short-term swap facilities to participating ASEAN member countries with temporary international liquidity problems."

The Arrangement provided for "the sale of US dollars against the domestic currency of the requesting participant," along with a forward purchase of the same amount of domestic currency by the requesting participant for US dollars.

The facility was backed by "pledges to provide", with members agreeing to share the burden of supporting requests for emergency balance of payments financing.

The arrangement has changed much over these five decades. One continuous change has been an expansion of the implicit 'corpus' backing the ASA, which began in 1977 at a small and inadequate $100 million, touched $2 billion in 2005. That was inadequate, since this was a period when, following liberalisation of the capital account, the balance and payments vulnerability of LMICs increased because of recurrent exit of foreign finance in a trajectory characterised by boom-bust financial flow cycles.

That necessitated substantially increasing the dollar commitments that back any meaningful financial safety net. At that time such a hike could not have been supported by just the ASEAN countries. But since the collateral effects of the South-East Asian crisis also affected the more developed countries in the region — China, Japan and South Korea — they were willing to support the safety net, resulting in the creation of the ASEAN+3 and the integration of the ASA into the Chiang Mai Initiative (CMI) in 2009.

The CMI had two pillars. One was an enhanced ASEAN swap arrangement, with contributions now set at $1 billion. The second pillar was a network of "bilateral" swap arrangements under which countries could request a swap of their currencies for dollars up to an agreed amount.

The CMI provided for negotiation of 33 bilateral currency swap arrangements of which 30 were between each of the Northeast Asian nations (China, Japan and South Korea) and each of the 10 ASEAN members and three were between the Northeast Asian nations themselves. This helped raise the dollar surpluses committed to backing the ASEAN financial safety net to a much higher $120 billion in 2009 and $240 billion in 2014.

The initial understanding was that of the total pool of $120 billion, 80 per cent would be contributed by the Plus 3 countries and the rest by ASEAN countries

CMIM contributions as of 2009

	$ billion	%
Plus three	96	80
China total	38.4	32
China	34.2	28.5
Hong Kong	4.2	3.5
Japan	38.4	32
South Korea	19.2	16
ASEAN	24	20
Indonesia	4.77	3.79
Malaysia	4.77	3.79
Philippines	3.68	3.79
Singapore	4.77	3.79
Thailand	4.77	3.79
Vietnam	1	0.83
Cambodia	0.12	0.1
Myanmar	0.06	0.05
Laos	0.03	0.03
Brunei	0.01	0.03
ASEAN+3	120	100

However, the system was still one involving bilateral swap arrangements, besides being backed only with "pledges' rather than an actual corpus into which dollar funds were transferred.

BILATERAL VS MULTILATERAL

In fact, the problem with the CMI was the large bilateral component of what was a multilateral arrangement. This meant decision making and implementation were cumbersome, slow and uncertain.

This inadequacy appeared stark after the 2007 financial crisis and was addressed by ASEAN+3 Finance Ministers in May 2009 with a decision that the arrangement must be multilateralised and transitioned to the Chiang Mai Initiative Multilaterised (CMIM).

The initial understanding was that of the total pool of $120 billion, 80 per cent would be contributed by the Plus 3 countries and the rest by ASEAN countries.

One issue was how the commitments to the pool would be distributed, since that would determine the relative influence (in the form of voting rights) of the different players, especially the plus-3 countries.

Given the need to balance the influence of contesting powers China and Japan, China (along with Hong Kong) was allotted $38.4 billion in contributions and proportionate voting rights, which equalled that of Japan (see table). That distribution remained when the "pledged corpus" was increased to $240 billion in July 2014 with no other change of significance.

SURVEILLANCE ISSUE

There was one more hurdle to cross. If and when large loans were provided, there was need for some degree of surveillance to ensure that the country "borrowing" dollars via the swap would be in a position to return the dollars and settle the transaction when the swap agreement expires.

Neither China nor Japan would have liked to give the other the right to surveillance of the funding it provides through the now-multilateralised "pool" of bilateral swaps. To address this problem, while the rules governing individual swaps were left to be bilaterally negotiated, it was agreed that there was "need to establish a link with the IMF for surveillance and monitoring, as a substitute for regional conditionality and monitoring".

Beyond a specified borrowing limit, a borrower from the CMIM was required to have entered into an agreement with the IMF and be subject to the latter's conditionality and surveillance to be eligible for support. Initially any swap in excess of 10 per cent of the agreed amount in an arrangement required IMF surveillance. That was raised to 20, 30 and 40 per cent subsequently.

With hindsight we now know that nothing came of these cooperation efforts.

Countries preferred to turn to the US Federal Reserve or bilateral swap agreements outside the CMIM in times of emergency.

On the other hand, the CMIM has not been activated even once since its inception, despite balance of payments volatility.

The principal explanation for that failure was the subordination of the regional agreement to the IMF.

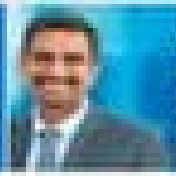
If obtaining a small sum from the CMIM safety net required IMF endorsement with a conditional loan, countries may as well opt for a direct and large loan, and the accompanying conditionality and surveillance, from the IMF.

Seen in this background the Samarkand promise to transition the CMIM from a "promise-to-pay" swap system to a Paid-in Capital (PIC) structure, which would make the war chest more easily accessible to balance of payments distressed countries while significant, is by no means transformational.

What needs to be addressed is the ability of the regional arrangement to be able to take decisions on lending without having to rely on surveillance by the IMF.

This makes the still absent agreement on the "fourth principle" on decision making structures and surveillance mechanisms extremely significant. If that is not resolved, either the PiC structure will not be formalised, or it will take a form in which once again utilisation will be minimal.

businessline
bl.portfolio





12 May 2026

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Trump's China challenges

Iran, trade issues will dominate Trump-Xi talks

Sridhar Krishnaswami

Less than a week before his much awaited visit and in a summit with his Chinese counterpart Xi Jinping, US President Donald Trump has firmly rejected any notion that China is challenging the US over the war with Iran stressing his "very good" relationship.

"We haven't been challenged by China. They don't challenge us" adding that Xi "wouldn't do that... I don't think he'd do that because of me". Separately, US Secretary of State Marco Rubio has said that Beijing was the worst hit by the closure of the Strait of Hormuz urging China to push Tehran to open the crucial navigation line.

It is not as if Iran is suddenly making the headlines ahead of Trump's impending visit to China. Since the war started on February 28, Beijing has been expressing its opposition to the hostilities and in the aftermath of the shutting down the Hormuz has been calling upon Iran to keep the vital international waterways open.

China is the largest buyer of Iranian crude in the upwards of 80 per cent and the billions of dollars in revenue generated reportedly bankrolling about 45 per cent of Iranian government's budget. More important, it is said that 50 per cent of all China's imports come through the Strait of Hormuz.

China is Iran's largest trading partner with official bilateral trade pegged at around $14 billion, which is said to exclude "significant" unofficial oil transactions through third country intermediaries to evade American sanctions. And in 2021 Tehran and Beijing signed a 25-year cooperation agreement that pledged $400 billion investment in Iran's energy, infrastructure and technology sectors.

CHINA'S INTERESTS

But media reports speak of very little of this having come through primarily because of hesitancy of Chinese companies due sanctions restrictions. In fact China's interest in seeing a quick end to the war in Iran is also because of its extensive economic interests in the Middle East especially in Saudi Arabia and the United Arab Emirates that go far beyond energy to include investment, technology and market opportunities for Chinese companies.

Even without the war in Iran, Trump would have had a plate full during the summit for China is one of the largest export markets for the US and for China, the US is its top export market. The biggest trade friction has been Washington running a trade deficit in the upwards of $200 billion which has been coming down; but a surplus of about $34 billion in services. Often forgotten in all the rhetoric on trade surplus, tariffs and sanctions is China's huge holding of US Treasury bonds — a whopping $760 billion. China is the second largest foreign creditor to the US after Japan.



US President Donald Trump and Chinese President Xi Jinping (file photo) REUTERS

In spite of a close relationship with Iran, China has been measured in its role in the Middle East war. Undoubtedly Beijing has called for cessation of hostilities and keeping the Hormuz open; but offering only diplomatic support to Tehran at international forums like the United Nations. There have been some unverified reports of China supplying weapons or components for Iranian missiles but even Trump has sought to downplay these purported transactions.

"I wrote him a letter asking him not to do that, and he wrote me a letter to say that, essentially, he's not doing that", Trump said in a recent interview. In fact Beijing has always carefully distanced itself from Tehran's regional policies, especially regarding its proxies like the Hamas, Hezbollah and the Houthis.

Xi will want to come away with as much as he can on Taiwan and the South China Seas with nations eagerly perked up to see how the two leaders address outstanding concerns in a vital part of the world. Coming to an agreement with Iran including keeping the Strait of Hormuz open may get Trump the "big, fat hug" from Xi but the rest of Indo-Pacific is hopeful of its interests protected at the summit.

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

businessline
bl.portfolio
13 May 2026

Decoding banks' return to health

TAKING STOCK. Model of debt induced consumption led growth is not sustainable for long. It is subject to income shocks



C RANGARAJAN
B SAMBAMURTHY

The banking landscape in 2025 is significantly different from what it was a decade ago. It is marked by consolidation of public sector banks and regional rural banks. New category of banks like small finance banks (SFBs) and payment banks (PBs) were licensed so as to deepen financial inclusion. Digital Public Infrastructure (DPI) added a transformative layer for distribution of financial services.

Twelve operative SFBs account for only1.4 per cent of the commercial banks' business. PBs' business model is narrower than what is considered as narrow banking.

They are not permitted to lend and can accept deposits only up to a maximum of ₹2 lakh per customer and that too only as savings or current account. The PBs deployed nearly a million business correspondents to serve in the villages. Many experts question the relevance and viability of PBs, given the huge success of UPI.

Not surprisingly PBs aspire to become SFBs and the latter aspire to graduate to universal banks to improve profitability.

TABLE 1

Performance parameters *(in %)*

Parameter	2015	2018	2025
Capital adequacy ratio (CRAR)	12.9	13.8	16.0
Return on equity (ROE)	10.4	-0.5	13.0
Return on assets (ROA)	0.8	-2.8	1.4
Gross NPA (%)	7.5	11.2	2.2
Net NPA (%)	4.4	6.0	0.5
Provision coverage ratio (%)	61.0	48.0	75.0
Net interest margin (NIM)	2.6	2.5	3.1
Credit-deposit ratio (%)	78.0	74.0	80.0

TABLE 2

Composition of credit *(all figures in ₹ lakh crore)*

	2015	2025	Absolute increase	% increase
Credit	62	190	128	206
Personal	13	62	49	370
Services	14	52	38	270
Agri	8	19	11	137
Industry	26	41	15	57
Large industry	21	27	6	28
Infrastructure	10	13	3	30

EMERGENCE OF FINTECHS, DPI

DPI democratised access to finance with private sector innovation on the top of public infra. UPI is the most visible and impactful innovation in recent times and this real time mobile payment system clocked over 220 billion transactions.

Aadhaar enabled payment system (Aeps) provided digital assisted payment system to over 95 per cent of six lakh villages through micro ATMs.

Open Credit Enabled Network (OCEN), Account Aggregators (AAs), Unified Lending Interface (ULI), fintechs, over thousand lending apps, and UPI have created a new digital ecosystem for small ticket loans. Loans are available at the push of a button in minutes and seconds. But speed at the cost of underwriting quality creates stress in loan portfolios and also over-leverage by small borrowers.

The aggregate net profit of commercial banks increased 14-fold to ₹3.7 lakh crore in 2025. There is an all-round improvement in the various financial parameters such as Return on Assets, NPAs and Capital Adequacy Ratio (see Table 1)

CRITICAL ISSUES

Government's infusion of growth and regulatory capital of about ₹3 lakh crore, and resolution of NPAs helped achieve this turnaround. This turnaround notwithstanding, some critical issues need attention to sustain growth, stability and inclusion and these are discussed below.

Declining share of bank deposits: The share of bank deposits in the household financial savings has been on the decline from 41 per cent in 2016 to 35 per cent in 2025. The share of market linked products like equity, mutual funds has shown significant increase from less than 1 per cent in 2016 to nearly 15.5 per cent in 2025. It is claimed that while aggregate saving may not be a function of interest rate, its distribution among different forms may be influenced by interest rate. Policymakers need to keep this in mind while deciding on the level of interest rate and fiscal incentives.

Housing loans which account for 50 per cent of personal segment need a reality check, though they are classified as secured

It is important to note that loans create deposits which remain in the system. But expansion of credit is constrained by capital adequacy and reserve requirements.

There is a difference between the macro conception of deposit growth and micro conception of deposit growth that is from the point of view of banks. While overall deposit growth is influenced by reserve money creation and reserve requirement, banks need to pay a close look at fixed deposit growth which is influenced by interest rate.

Alignment of credit growth rate to nominal GDP growth rate: Credit growth rate far in excess of expected nominal GDP growth rate is not sustainable and even counterproductive leading to high level of NPAs. The unsavoury experience of the decade ending 2015, bears this out. A couple of years ago, the authors in an Op-ed had argued that credit growth rate should be close to nominal GDP growth rate. RBI Governor Malhotra in a recent interview echoed a similar view and dismissed suggestion of 2X credit growth as normal. The Governor further added that RBI does not specify any credit growth rate. But in our view, RBI may signal comfortable credit growth rate range along with projections of GDP and inflation numbers.

Allocative inefficiency: While the aggregate credit grew by only 206 per cent in the decade 2015-25, personal sector credit grew by a whopping 370 per cent. Infrastructure credit grew by 30 per cent and the large industry grew by a measly 28 per cent. The share of personal loans had significantly gone up from 20 per cent in 2015 to over 33 per cent and that of large corporates went down from 20 per cent to 15 per cent in 2025. Even in absolute terms personal loans are very high at ₹62 lakh crore, and with NBFC exposure of ₹16 lakh crore aggregating to ₹78 lakh crore. Loans to industry at ₹41 lakh crore are far lower (Table 2).

This model of debt induced consumption led growth is not sustainable for long. These are also subject to income shocks. Loan is no substitute for incomes and wages. There are already signs of stress in this sector. Flow of credit to productive and manufacturing purpose deserves more attention.

Housing loans which account for 50 per cent of personal segment need a reality check, though they are classified as secured. An IBA report indicates that over four lakh dwelling units are stressed and there are long delays in completion of these projects with potential credit losses. Many a banking crisis including 2008 Global Financial Crisis had its origins in excessive lending to this sector. Besides it may create asset price bubbles. Lenders need to revisit the mortgage models for large complexes.

(This is the first of a two-part article)

Rangarajan is former Chairman of the Economic Advisory Council to the Prime Minister and former Governor, Reserve Bank of India. Sambamurthy is formerly Director and CEO, IDRBT and led a commercial bank. Views are personal

businessline
bl.portfolio
14 May 2026

Allow gold ETFs to unlock vaults

RIGHT FIX. When gold ETFs were allowed in 2006, full physical backing made sense. A relaxation now can reduce imports



V SHUNMUGAM

When the Prime Minister asks Indians to stop buying gold, it is not merely a moral appeal to household thrift; it is a warning signal from the macroeconomy. But gold does not obey sermons. The more anxious the nation becomes, the more instinctively Indians turn to the yellow metal — not as consumption, but as insurance. That is exactly the paradox now playing out: even as citizens are urged to pause gold purchases, fear has only sharpened their appetite for it.

The government's response has been to raise import duties on gold and silver from 6 per cent to 15 per cent, hoping to cool demand and conserve foreign exchange. But tariffs only feed into raising the symptom; they do not treat the disease. If India wants to reduce the import intensity of gold investment without denying savers their preferred hedge, the next reform must come from within the financial market itself: Gold ETFs should unlock their vaults and be allowed to use exchange-traded futures as part of their portfolio architecture. That would convert part of India's gold demand from a physical import problem into a financial risk-management solution.

In January 2026, gold imports amounted to $12 billion, nearly tripling December's figure. Demand for gold ETFs accounted for 16 per cent of that monthly expenditure. Gold ETFs, designed to reduce India's physical import burden, have become one of its major drivers. This irony is worth highlighting, and it also points to a potential solution



GOLD DEMAND. Emanates from two distinct markets that behave very differently STOCK

TWO GOLD MARKETS

Indian gold demand comprises two distinct markets that behave very differently. The first is socio-cultural gold — weddings, Akshaya Tritiya, Dhanteras, inheritance and religious observances woven into the calendar. Listed jewellers reported revenue growth ranging from 32 to 124 per cent in Q1 2026. These events are price-inelastic and emotionally non-negotiable, unaffected by macroeconomic policies and may take a generation to change from now on. You can't influence a wedding; it's best to leave it undisturbed.

The second category is investment gold. Demand for bars and coins surged 34 per cent to 62 tonnes in Q1 2026, the highest first-quarter total since 2013, nearly matching jewellery demand. Gold ETF assets under management rose dramatically by 191 per cent, from ₹59,000 crore in March 2025 to ₹1.71 lakh crore in March 2026. Commodity ETFs saw greater inflows than equity ETFs for the first time. Each rupee invested compelled asset management companies (AMCs) to source physical gold, with most crossing customs checkpoints as imported gold. Prime Minister Modi rightly focuses on this issue. The real question isn't if but how to address it.

115 TONNES GOING NOWHERE

By the end of March 2026, India's 26 Gold ETFs will hold 115 tonnes — worth $18.5 billion or ₹1.7 trillion — stored in vaults. These are fully imported, duty-paid, assayed, insured, with daily storage fees. They offer zero yield and track prices published every minute by exchanges, without requiring physical bars. Each new ETF unit purchased by an investor initiates another import cycle.

When SEBI initially allowed Gold ETFs in 2006, full physical backing made sense because commodity derivatives were outside its regulation. Physical gold served as a trustworthy anchor. This was a sensible approach in 2006. However, defending it in 2026 appears to be institutional inertia masquerading as prudence.

THE RULEBOOK CHANGED

On a close reading of SEBI's circulars one can't help but notice how far the regulation is ahead of actual practice. The SEBI circular issued in May 2019 explicitly classified Exchange Traded Commodity Derivatives (ETCDs) with gold as the underlying asset as eligible gold-related instruments for Gold ETFs. It also excluded them from the 10 per cent single-commodity ETCD cap that applies to all other schemes. The latest investment guidance clarified this further, allowing Gold ETFs to allocate up to 95 per cent of their net assets to gold and gold-related instruments — including GDS, GMS, and ETCDs.

In February 2026, the capstone was introduced. SEBI's master circular required Gold ETFs to determine their NAVs based on exchange-polled domestic spot prices, which are also used to settle physically delivered gold derivatives. As a result, the NAV benchmark and futures settlement price now align with the same figure.

Read that again. The regulator aligned ETF valuation with exchange derivatives pricing. Legal approval for futures has been in place since 2019. The valuation bridge was introduced in April 2026. The door has been open for years, but AMCs seem to consider it a wall.

WHAT NEEDS TO HAPPEN

There is no need for a new circular law or product. AMCs to release physical gold in tranches — 5 to 10 tonnes initially — through structured auctions to refiners, bullion banks and jewellers who would otherwise place import orders. Every tonne sold domestically never crosses a customs checkpoint. Proceeds fund long positions in gold futures on domestic exchanges across near- and next-month contracts, restoring 100 per cent gold price exposure. Investor sees no change in NAV behaviour. Physical gold and futures settle against the same exchange-polled spot price. Investor interest protected.

As physical gold re-enters the domestic supply, it eases pressure on refiners who might otherwise order from abroad. ETF investors receive collateral returns that are lost today

Futures require margin rather than full notional deployment. Surplus cash — after margin and variation buffers — can earn 6-7 per cent in Treasury Bills or TREPS. Currently, investors earn zero on the cash equivalent of vaulted gold. A futures sleeve offers collateral return in addition to complete gold exposure. It is not a compromise but a better product.

Position discipline is essential. Domestic exchanges see gold futures open interest averaging 16-18 tonnes, while ETF holdings of 115 tonnes far exceed this amount.

No ETF should hold more than 15-20 per cent of open interest in any given contract month. Positions are distributed across different maturities, with rolls carefully scheduled and capped.

Exchanges need to support this with liquidity incentives such as tighter spreads and fee waivers during rollover periods. This is about strengthening market infrastructure, not charity.

WHAT SEBI SHOULD DO

Existing norms are adequate, but one gap remains as balance sheets transition from physical to financial gold. Monthly factsheets should separately report physical gold holdings, ETCD exposure by contract month, the basis between futures and exchange-polled spot, and collateral returns on surplus cash. Few AMCs have indicated that ETCD exposure is reserved for rare situations — a conservative interpretation of a permission meant to be operational. SEBI does not need to rewrite rules; it should confirm that a managed futures allocation is standard portfolio practice and require disclosures to ensure every shift is transparent to unit-holders.

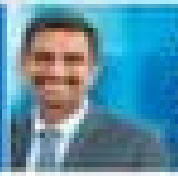
WHAT INDIA GETS

Executing this causes the payoff to compound. Investment demand is satisfied by existing vaulted metal stops, which trigger new imports. As physical gold re-enters the domestic supply, it eases pressure on refiners who might otherwise order from abroad. ETF investors receive collateral returns that are lost today. Exchanges attract institutional participants, deepening order books and improving price discovery. India shifts from a passive price taker to a benchmark setter in its bullion market.

The Prime Minister urged a sacrifice. Nonetheless, this strategy presents a superior solution — implementing a structural fix that benefits investors, the rupee, and the current account — without forcing any family to give up the grams they need for their socio-cultural obligations. The vault is full. The rules are ready. The exchanges are open. Let us unlock it.

The writer is Partner, MCQube

businessline
bl.portfolio





14 May 2026

Telecom insolvency

SBI seeks review on spectrum ruling

Debasish Chakraborty

The State Bank of India's decision to seek review of the Supreme Court's recent spectrum ruling has revived a dispute that extends far beyond telecom insolvency. At stake is a basic question — can the Insolvency and Bankruptcy Code, 2016 (IBC), designed to rescue distressed businesses and maximise creditor recoveries, override the sovereign character of scarce public resources such as spectrum?

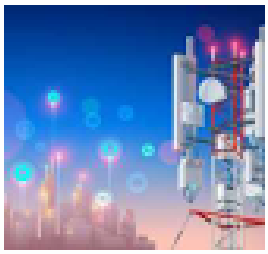
Running alongside that question is another equally important one — can large statutory dues owed to the State be pushed down the repayment ladder as mere operational debt while financial creditors recover first?

The Supreme Court's February 2026 ruling drew a clear conceptual line. Telecom spectrum, it held, is not an ordinary corporate asset available for unrestricted transfer through insolvency proceedings. It remains a national resource allocated by the State subject to statutory conditions, payment obligations and continuing regulatory control. A telecom operator enjoys a right to use spectrum, but not unfettered ownership over it. That distinction, though legally orthodox, has significant ramifications.

LENDERS' WORRIES

For lenders, the concern is immediate. Telecom borrowing is underwritten not merely by towers or equipment, but by the cash flows generated through access to spectrum. If those rights cannot be effectively dealt with during insolvency, recoveries become uncertain. Where recovery becomes uncertain, risk premiums rise. Banks and bondholders do not wait for jurisprudence to settle; they price the uncertainty in advance. The eventual burden is borne by the sector through higher borrowing costs and reduced investment appetite.

For the State, however, the concern is different. Spectrum usage charges, licence fees and AGR liabilities are not routine trade claims. They arise from the use of a public resource and form part of the consideration for that use. Treating such dues as ordinary operational debt raises a difficult policy concern: public revenue may take steep haircuts while private credit recovers ahead of it.



SPECTRUM. Recovery is uncertain

The IBC was built as a general code. But sectors such as telecom, mining, aviation and power function through licences, concessions and permissions that originate in sovereign authority. Their value is commercial, yet their resource is public. This dual character makes them resistant to a universal insolvency process.

The legal friction is therefore unsurprising. Creditors rely on the IBC's broad objective of value maximisation and speedy resolution. Regulators insist that insolvency cannot dilute statutory obligations or convert licences into transferable private property. Both positions have force.

The present uncertainty is costly. As the British economist Ronald Coase argued in *The Problem of Social Cost*, markets allocate resources efficiently only when property rights are clear and transaction costs remain low. Where rights are uncertain, bargaining becomes expensive, delay increases, and assets are abandoned rather than redistributed. That is precisely the danger here. If distressed telecom assets cannot be resolved smoothly, valuable spectrum may remain tied up in litigation while subscribers migrate, infrastructure declines and enterprise value erodes. A scarce national resource then becomes commercially idle.

Consumers are not untouched by these disputes. If borrowing becomes costlier and stressed companies cannot be resolved quickly, telecom firms may expand networks more slowly, face weaker competition, and delay new technology rollouts.

The review petition reflects market unease that the present framework does not adequately reconcile insolvency principles with regulated-sector realities.

A more practical way forward may be to re-consider clearer insolvency rules for sectors that depend on public licenses or natural resources.

The author is an advocate at the Delhi High Court.

businessline
bl.portfolio
14 May 2026



C RANGARAJAN
B SAMBAMURTHY



Global size via bank consolidation

CHALLENGES AHEAD. Big banks have the advantage of scale but small banks too perform well. NBFC model's vulnerabilities need to be addressed

We continue with the critical issues to be addressed by the banking system in the coming years.

Besides enhancing the ability to underwrite big ticket loans, the aspiration is also to have a couple of Indian banks in the global top league table.

Consolidation does not by itself improve liability structure and solve the ALM (Asset Liability mismatch) issue, an essential precondition to take up big ticket projects. Some of the amalgamated banks have attained size comparable to SBI of few years ago.

But these banks now need organisational upgrade and cannot be just an exercise in addition and subtraction of resources of amalgamated entities. Low hanging fruits of savings in tech and other operating costs are already plucked. They need to build in fintech like features for better customer service and risk management.

While not discounting the value of big banks, it may be useful to note that small banks are not inherently disadvantaged. For example, a case study by NIBM points out that a relatively small bank, like Bank of Maharashtra has scored well above almost all the big banks in terms of various financial metrics consistently over period of over four years. This drives home that leadership and governance are as important as scale. This also underscores that banks of all sizes and focus have a role and place in contributing to the growth of real economy.

RRB CONSOLIDATION

It is also critical to analyse if in the process of consolidation, the local character of RRBs has been lost. For example, in Uttar Pradesh with a population of nearly 24 crore, 36 RRBs were merged into one RRB. Uttarakhand with a population of about 1.2 crore has also one RRB.

The four regions in UP are not evenly developed. The credit/deposit ratio of UP at around 60 per cent trails behind national average of 80 per cent. So is the case of Bihar which has much lower credit/deposit ratio of only 55 per cent.

Some of these States need more banks and not less. It is important to review the outcome of such mergers and corrective action taken, if the original purpose with which these banks were set up has been lost sight of.

WRITE OFF OF BAD LOANS

The reduction of gross NPAs was largely achieved by write off of loans. During the last five years ending 2025, the write offs were quite staggering at ₹9.2 lakh crore and only about ₹2.10 lakh crore was recovered from written off accounts.

Haircuts in some of the large accounts were as high as 75-90 per cent of the claims against the borrowers. The real test of the efficacy of the new amendments to IBC passed by legislature recently lies in faster resolution of stressed loans and lower haircuts.

The test of performance of banks therefore lies in less accumulation of non-performing loans.

RISK MANAGEMENT

Probability of Default (PD) and Loss Given Default (LGD) were very high in recent years and this was manifest in huge haircuts ranging from 75 per cent to over 90 per cent in resolution and recovery. Lenders need to revisit and upgrade their risk management practices to significantly reduce credit losses.

Lending particularly to business entails multi-layered risks. Inherent risk lies in the top layer and this is essentially base value of the risk. The default and delinquency risk are inherent as credit appraisal and decision is driven by projections and assumptions on various dimensions of business and the over all economy. Animal spirits amplify opportunities and risks.

Even after mitigation of inherent risks, there is always a residue and this residual risk is embedded in the second layer. Lenders need to mitigate this risk through online and real time monitoring of business performance and effective and mandated use of funds.

The reduction of gross NPAs was largely achieved by write off of loans. During the last five years ending 2025, the write-offs were quite staggering at ₹9.2 lakh crore and only about ₹2.10 lakh crore recovered

Risk may be redistributed outside the banking system through securitisation and insurance products like Credit Default Swaps (CDS). These may be the building blocks for mitigation of Expected Loss provisions as mandated by latest RBI guidelines.

ON TAP LICENSING

It is over a decade that RBI granted licenses to new banks.

RBI may put in place a licensing system to authorise one or two new banks on an annual basis so that over a decade we have 15-20 new banks which may encourage innovation and competitiveness and also help in deepening and widening banking access.

IMBALANCE IN FUNDING

Most of the NBFCs are non-deposit taking category and they depend heavily on banks and wholesale markets for deposits. As of September 2025, the aggregate loans of NBFC stand around ₹52 lakh crore which was funded by borrowings of about ₹45 lakh crore and public deposits are a paltry ₹1.2 lakh crore.

This best illustrates vulnerability and imbalance in funding. This creates huge ALM mismatches and liquidity issues may turn to solvency issues. The collapse of three large NBFCs exposes these fault lines.

Banks account for over 40 per cent of NBFC resources directly and indirectly and this close interlinkage is another source of problem. NBFCs have huge exposure of nearly ₹13 lakh crore to the power sector, far exceeding commercial banks' exposure of about ₹6 lakh crore and this sector contributed to huge NPAs of commercial banks in the earlier decade.

Between 2023-2025 September, aggregate credit of NBFCs grew much faster at 52 per cent as compared to commercial banks credit growth rate of 36 per cent and this only emphasises the need to address imbalance in funding.

RBI's scale-based regulation (SBR) is a welcome measure, but it does not address the fundamental vulnerability of the business model of NBFC. Even DFIs face this imbalance problem.

TECHNOLOGICAL CHANGES

The adoption of AI, including agentic AI in banking is gaining momentum. Banks need to reskill the entire workforce at strategic, operational and tactical levels. Digital frauds however are on the increase and it is important to further step up preventive as well as curative actions and avoid erosion of public trust in digital channels.

Bank credit is a supportive condition for growth of real economy. Growth of other sectors of finance notwithstanding, banking will continue to play a dominant role. At the current growth rate, bank credit may treble in the next 10 years or even earlier.

Hence it is vital that policymakers and bankers pay heed to the opportunities, issues and concerns that may confront the banking system and we have highlighted some of them.

(This is the second and concluding part of a two-part series)

Rangarajan is Former Chairman of the Economic Advisory Council to the Prime Minister and Former Governor, RBI; Sambamurthy is Formerly Director and CEO, IDRBT and led a commercial bank

businessline
bl.portfolio
15 May 2026

TVK will need to deal with economic challenges

LEGACY ISSUES. The new govt in TN has inherited a mountain of debt, sick public utilities, a stagnant agricultural base and an irrigation system that has stopped growing





A NARAYANAMOORTHY

The Tamil Nadu Assembly election of 2026 has imprinted a permanent mark on India's political history. Actor Vijay's Tamilaga Vettri Kazhagam (TVK) has achieved what many deemed impossible: storming into power and dismantling some six decades of bipolar Dravidian rule. However, as the initial dust of celebration settles, the new administration finds itself at a critical crossroads. While winning the election was a cinematic feat, the new government now faces harsh economic realities that require sound policy rather than just public appeal.

The most immediate challenge facing the TVK government is the State's fiscal health. Tamil Nadu currently has the largest absolute debt among all States. The outstanding debt is projected to reach approximately ₹10.71 lakh crore for the 2026-27 fiscal year. This has an intuitive impact on the State's spending capacity. The total annual debt servicing cost (interest plus principal repayment) alone is expected to touch a staggering ₹1.16 lakh crore at the end of March 2026. This debt trap effectively crowds out capital expenditure. If a significant portion of every rupee earned goes towards paying off past borrowings, the government's ability to build new schools, hospitals and infrastructure is severely restricted.

Furthermore, both the electricity sector (burdened by a debt exceeding ₹1.5 lakh crore as of March 2026) and the transport sector are grappling with a severe financial crisis. Adding to this pressure is the party's own electoral promises. The TVK manifesto includes substantial welfare commitments, such as the ₹2,500 monthly assistance for women heads of households, provision of six free LPG cylinders annually, monthly allowance for unemployed, etc. While these freebies are aimed at social upliftment, they represent a massive recurring expenditure that will further strain the State's already fragile fiscal condition.

THE GROWTH-REVENUE PARADOX

While the State's Gross State Domestic Product (GSDP) is resilient and projected to grow by nearly 15 per cent at current prices in 2025-26, there is a worrying disconnect between economic expansion and State income. Tax receipts have not increased in consonance with GSDP growth in recent years.

This paradox stems from several factors. First, the transition to the GST regime has limited the State's flexibility in revenue generation, with the tax-to-GSDP ratio witnessing a gradual decline in recent years, from 6.40 per cent in 2022-23 to 6.20 per cent in 2025-26. Second, the buoyancy of state-own tax revenues (SOTR) has remained sub-optimal, which was 7.92 per cent in 2011-12. The new government must investigate why the wealth of the State is not reflecting in its coffers. Is it due to leakages or an over-reliance on a few sectors or a failure to formalise growing segments of the economy? Without fixing this leaky bucket, the government will find it impossible to fund its visionary projects and freebies.

Unlike many other States, Tamil Nadu's economy is structurally heavily skewed towards the service sector, which hovers around 54 per cent to the GSDP since 2020-21. While this looks good on a balance sheet, it poses a socio-economic problem. The service sector comprising IT, financial services and professional consulting is capital-intensive and skill-heavy.

For the millions at the bottom of the economic pyramid mostly residing in rural areas, the trickle-down effect is minimal. High-rise tech parks in Chennai or Coimbatore do little to boost the daily wages of a rural labourer in Pudukkottai or a small-scale weaver in Kanchipuram. The disparity between a high GSDP and the stagnant income of the poor is widening. The TVK government must find a way to turn towards labour-intensive manufacturing and value-added agriculture to ensure that growth is inclusive rather than just arithmetic.

To succeed, the new administration must restructure debt and improve revenue buoyancy to create fiscal space, while simultaneously pivoting investment towards the long-neglected rural economy

AGRICULTURE IN DISTRESS

Nowhere is the crisis more visible than in the agricultural sector over the last five years or so. Despite the State's overall growth, agriculture has often languished, failing to keep pace with the rest of the economy. While the real growth of GSDP was 8-11 per cent in 2023-24 and 2024-25, the same was negative in agriculture in this period.

The State's monthly income from crop cultivation stands at a meagre ₹2,641, ranking 22 among States as per the latest data. There is a palpable sense of anger among farmers who feel abandoned by the State's policy framework. Rising input costs, volatile market prices, lack of market support, and absence of institutional support for high-value diversification have pushed the agrarian community to the brink. If the new government does not address this rural discontent, the political honeymoon of TVK could be remarkably short-lived.

Central to the agricultural depression is the irrigation crisis. Irrigated area in Tamil Nadu has been hovering around 34 lakh hectares since 1970-71; a stagnation that is virtually unmatched by any other major State. While neighbouring Andhra Pradesh and Karnataka have expanded their irrigated area significantly through new projects and rejuvenation of tanks, Tamil Nadu has remained trapped with dependency on dwindling groundwater and inter-State river disputes.

Without improving the irrigated area or modernising the existing irrigation sector through canal and tank restoration, achieving sustained agricultural growth is an impossible dream. The lack of new irrigated area over four decades is a structural failure that the TVK government must now rectify to ensure the State's food security and rural stability.

To conclude, the path to a golden age for Tamil Nadu is blocked by a mountain of debt, sick public utilities, a stagnant agricultural base and an irrigation system that has stopped growing. To succeed, the new administration must move beyond the allure of populist rhetoric, to the hard reality of rigorous economic management.

This requires a sophisticated balancing act: restructuring debt and improving revenue buoyancy to create fiscal space, while simultaneously pivoting investment towards the long-neglected rural economy.

The writer is an Economist and former full-time Member (Official), Commission for Agricultural Costs and Prices, New Delhi. Views are personal

businessline
bl.portfolio



15 May 2026

DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

Payment discipline, a must for making ECLGS work

A good credit design alone will not help in ensuring the scheme's success. The collapse of trade credit must be dealt with

Bhawarlal Chandak

The Cabinet's approval of ECLGS 5.0 is a timely response to geopolitical stress, rising fuel costs, and supply-chain disruptions affecting MSMEs and aviation. With 100 per cent government-backed guarantees, capped rates, and near-automatic sanctions, the scheme continues the borrower-friendly approach of earlier ECLGS versions.

ECLGS 1.0, launched in May 2020 for MSMEs, was perhaps the most accessible working-capital facility India had ever offered. Loans of up to 20 per cent of outstanding credit were available without collateral, with interest capped at 9.25 per cent for banks, no processing fees, and a 100 per cent sovereign guarantee eliminating credit risk for lenders. Banks were actively reaching out to eligible borrowers. Government machinery was promoting drawdown. Yet, after four rounds of ECLGS, which ended in mid-2023, MSMEs availed of guarantees worth ₹2.45 lakh crore, out of the corpus of ₹5 lakh crore that was set aside. The total sum disbursed was ₹3.6 lakh crore. The reasons for this need to be explored.

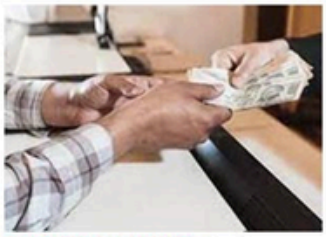
MSMEs and traders do not operate on bank credit alone. Their working capital cycle is built on a continuous chain of supplied on deferred payment terms to buyers ranging from large corporates and distributors to government departments. Bank working capital usually rests on the underlying trade credit system. The MSME's ability to service any loan depends on the speed and reliability with which its buyers settle dues. Covid-19 disrupted this payment chain and the legacy continues.

In this environment, a well-managed MSME made a rational calculation: borrowing more to extend fresh trade credit into a market already delaying or defaulting on dues would increase liabilities without assurance that the resulting receivables would be recoverable in full or on time.

Banks were, understandably, approaching the problem from a supply-side lens: credit is available, guaranteed, and cheap. MSMEs were approaching it from a receivables' reality: the problem is not absence of funds — it is absence of collections. This mismatch of perspectives, rather than any design flaw in the scheme, explains much of the utilisation gap.

CHALLENGE FOR ECLGS 5.0

The concern for ECLGS 5.0 is that the post-Covid payment environment has not fully normalised. What began as emergency-driven payment delays gradually shifted behavioural norms — for many buyers, an accepted working-capital strategy rather than an exceptional measure. When delays cross a critical mass, reputational deterrence weakens: many honest payers cannot be distinguished from defaulters, and no individual firm has an incentive to restore discipline alone. Trade credit, supply-chain financing, bank working capital, and NBFC lending are deeply interconnected; stress in one segment transmits across the system, slowing credit circulation and compressing the credit multiplier.



DELAYED PAYMENTS. A major problem area for MSMEs

India is fortunate to already possess the digital infrastructure to address this challenge. GSTN captures invoice-level transaction data across the supply chain. UPI, NEFT, and RTGS generate time-stamped payment trails. The Account Aggregator framework enables needed is one additional architectural step: systematically pairing each accepted invoice with its corresponding digital payment record.

Once a buyer accepts an invoice on GSTN, it becomes a digitally authenticated liability. Linking the related payment details — UTR, date, amount, and mode — to the same invoice creates a verified audit trail where invoices are either matched to payments or flagged as outstanding. Lenders would be able to assess not merely balance sheets, but actual cash-flow behaviour — the true determinant of an MSME's ability to service debt.

TreDS platforms could price invoice discounting based on verified buyer payment records, reducing financing costs for MSMEs with reliable payers. A transaction-backed credit profile for consistent payers would gradually replace collateral-dependence. ECLGS 5.0 is a well-designed, appropriately targeted scheme.

Its success in the case of MSMEs, however, will ultimately depend on a factor outside its own design: the health of the trade-credit payment ecosystem into which it is released. Credit availability alone, as ECLGS 1.0 demonstrated, does not guarantee credit utilisation.

businessline
bl.portfolio
15 May 2026

Precious saving

Increasing import duties on gold, the right step

The Centre's move to increase import duty on gold and silver from 6 per cent to 15 per cent and the duty on platinum imports from 6.4 per cent to 15.4 per cent was expected. Gold and silver imports ballooned in FY26, preceding the impact of the Iran war which broke out late February, putting the current account balance under stress. Since the war, the rupee has lost almost 5 per cent.

With gold prices having risen about 30 per cent over a year and holding firm now at $4,700/troy ounce, India is staring at the prospect of another year of high foreign exchange outgo on imports if it does not change its ways. At $83 billion in FY26, gold and silver already exceed 10 per cent of the total import bill. A drop in import volumes will be necessary to offset the double whammy of firm prices and a weak currency. The Prime Minister's appeal to households to postpone gold purchases should be seen in this light. Gold is largely viewed as a non-essential import with industrial demand limited to 13 per cent of its consumption. So, clamping down on consumption will not impact economic activity. To be sure, the volume of gold imports came down from 879 tonnes in FY22 to 721 tonnes in FY26, but the increase in gold prices resulted in a spike in value terms. Gold imports stood at $72 billion in FY26, up 24 per cent over FY25, while silver imports at $12 billion were 150 per cent higher than in the previous fiscal. The sharp increase in gold prices since 2024 appears to have stoked investment demand too, with demand for gold exchange traded funds as well as gold bars and coins witnessing an increase.

Duty increases can dampen both types of gold demand — namely, retail and investment. The Centre has done well to close an arbitrage possibility between FTA and general rates, by increasing the concessional duty on gold imported from the UAE (under the India-UAE Comprehensive Economic Partnership Agreement) from 5 per cent to 14 per cent. In the past, gold imports declined substantially in value terms in the months following Centre's import duty hikes. This was observed in 2013, 2019 and 2022. If that scenario plays out now, the import bill can be expected to decline $6-9 billion following the nine percentage points increase in the levy. Given the unrelenting pressure on the balance of payments due to continuing foreign portfolio outflows, increasing oil import bill, decline in inward remittances and impact of the war on exports, the Centre will have to use all tools at its disposal.

There is a downside to these duty hikes — the prospect of gold being smuggled into the country, as the price gap between domestic market and overseas market widens. The Centre will have to heighten its vigilance. The Centre may also want to consider another, better designed and implemented scheme of gold monetisation as a way to step up recycling of idle domestic gold.

businessline
bl.portfolio
15 May 2026







S ADIKESAVAN



Representative picture

Keonjhar incident, an institutional failure

MORAL DEFICIT. The apathy of bank officials, RBI's silence and inaction by the banking ombudsman has shown up the banking system in poor light

The image of Jitu Munda carrying the exhumed remains of his sister on his shoulder to a bank in Odisha's Keonjhar district will haunt India for a long time. Not because it was merely a story of how the poor are normally treated. What made this episode benumbing was that every institution of the State — and society itself — appeared to watch the spectacle, as it unfolded, with complete moral apathy.

Jitu Munda had walked to a regional rural bank branch seeking access to the modest savings left behind by his sister, Kalra Munda. Actually, the greater tragedy lay in what followed.

After the bank and the police intervened, he walked back with the same burden on his shoulder. No ambulance arrived. No police vehicle was offered. No local official intervened. No one in the bank also thought it necessary to arrange at least the basic assistance of arranging a vehicle for Jitu and the body to go back home. The bank branch certainly possessed discretionary powers to sanction a small amount towards emergency support. The police officer standing beside an official vehicle could easily have stepped in. The Mussorie-trained babus in the district administration could have acted. But the "system" collectively looked away.

The ₹19,000 lying in Kalra Munda's account has now been paid to the family. Donations reportedly amounting to nearly ₹15 lakh have poured in. The system's conscience, it appears, became active only after national and international media attention forced it to awaken.

Yet the larger questions raised by this episode remain unanswered.

RBI'S ROLE

The first concerns the silence of India's banking regulator, the Reserve Bank of India. Customer protection and financial inclusion have long been projected as central pillars of RBI's institutional philosophy. One therefore expected at least a public acknowledgment that a grave systemic failure had occurred. Even a brief statement assuring citizens that the matter was being examined for redress and non-recurrence, would have conveyed that the regulator recognised the enormity of what happened.

More importantly, there is no indication whether the Banking Ombudsman mechanism under RBI took "suo motu" cognisance of the matter. Must a poor and illiterate tribal first draft a formal complaint before the grievance redress architecture moves into action? If the Ombudsman mechanism cannot proactively respond to such an extraordinary case of exclusion and distress, then fundamental questions arise about the philosophy underlying the system itself.

The issue also raises concerns about regulatory communication and institutional design. RBI regulations mandate that banks "shall" obtain nomination details for deposit accounts. If a depositor declines nomination despite being informed of its advantages, such refusal must be recorded in writing and preserved by the bank. Was this procedure followed in the account of Kalra Munda? The public does not know.

There is a deeper issue as well. Can rural India reasonably be expected to navigate concepts such as "nomination", "legal heir" and "ombudsman" with ease? There is profound disconnect in even the regulator expecting rural India to make sense of a Scandinavian title that many educated Indians themselves barely understand. If institutions meant for the common citizens remain linguistically and culturally distant from them, "Inclusion" becomes more theoretical than real. There is need to democratise and decolonise the redress machinery.

Even a brief statement by RBI assuring citizens that the matter was being examined for redress and non-recurrence, would have conveyed that the regulator recognised the enormity of what happened

This incident also exposes the gradual retreat of institutional outreach by the regulator. There was a time when senior RBI officials, especially from Regional Offices, regularly travelled into rural India to understand conditions on the ground. Former RBI Governor D Subbarao had repeatedly emphasised such an outreach. Won't our system be more responsive if those on the Board of RBI visit at least one village every six months and bank branches nearby? They will then realise how "Antyodaya" works on the ground.

WESTERN GAZE

Today, the banking system's gaze often appears more fixed on Washington, Basel and global regulatory discourse, while India's own margins remain inadequately examined. It is revealing that no top brass of the banking or regulatory establishment appears to have visited Jitu Munda's village to understand how the system failed and what lessons to be learnt.

The second issue thrown up by this episode concerns the near absence of institutional support structures for rural citizens dealing with official systems. Why did the village-level government machinery not intervene to help this family navigate procedures? Kalra Munda died in January. So arranging a death certificate for the family should not have been a problem. Does the State possess any effective structure to assist poor citizens in handling paperwork relating to banks, welfare entitlements and government offices?

Despite repeated claims of simplification and digital transformation, official processes remain intimidating. Ease of doing business cannot remain confined to corporate India and entrepreneurs. For the ordinary citizen, ease of doing business means the ability to deal with banks, local administration and welfare systems with ease and without endless procedural obstacles.

Admittedly, on so many parameters, the RBI remains one of the country's finest institutions, and the present Governor has repeatedly stressed the importance of customer service. But financial inclusion cannot end with the opening of a bank account. True inclusion will be achieved only when the poorest citizen can remain engaged with the financial system without any difficulty.

For, what happened in Keonjhar, we can only collectively say "Lift a fistful of earth and pour it over our shameless heads, Bapu" (Quote adapted from an article by Gopalkrishna Gandhi)

The writer is a commentator on banking and finance

businessline
bl.portfolio
18 May 2026

The albatross around our neck: $ deficit

We face a shortage of dollars because we don't export enough. Also, our energy base is skewed against coal

LINE& LENGTH.



TCA SRINIVASA RAGHAVAN



GETTY IMAGES

Prime Minister Narendra Modi has talked about the 'return of mass poverty' and a 'decade of disasters'. He was talking to Indians in the Netherlands two days ago. Earlier in India he had asked Indians to spend less on imports of oil and gold.

And I thought to myself here we are again, folks, into our periodic economic *rahu kalam* when our prime ministers tell us to be patriotic and buy less from foreigners.

1955. 1965. 1974. 1980. 1991. 1998. 2012. 2020. And now 2026. That's nine times in 70 years.

On each occasion it's the shortage of the dollars which are needed to bridge the domestic supply gap. It used to be food until 1972. It's been fuel since 1980. China is also short of both. But has managed far better than we have.

So there are two questions worth asking: why do we have this domestic supply gap and why aren't we able to overcome the dollar deficit. Decade after decade?

Our domestic supply gap was mainly in agriculture. Then we started fixing that problem and by 1980 no one even noticed the massive drought of 1979. The food shortages were solved by the self-reliance that the green revolution initiated.

Then the fuel shortages started. And we haven't been able to fix the problem even after 45 years. We need dollars to buy it and we don't have enough of those. Why not? Because we don't export enough.

One could answer by saying that our energy dependence is the problem because our energy base is all wrong in that we have been avoiding coal when we have an abundance of it. Instead we have moved towards the other hydrocarbons, oil and gas. Reason: coal is dirtier than oil and gas.

Another answer, which our governments hate to hear, is that for over 60 years they have managed to make a dog's breakfast of industrialisation. This means we import a lot of industrial goods instead of exporting them. So we don't earn enough dollars.

HISTORY KEEPS REPEATING

So every time we become desperate, the government tells us to spend fewer dollars. 1955. 1965. 1974. 1980. 1991. 1998. 2012. 2020. And now 2026. It's the same absurd story.

Sensible in the current context each time and absurd in the totality. Our governments simply don't seem to be able or willing to solve the problem. And, as soon as the crisis is over we get distracted and start thinking it will not happen again.

But it does. 1955. 1965. 1974. 1980. 1991. 1998. 2012. 2020. And now 2026. And our response after each episode is over is to dance in the streets claiming victory. I have seen several generations of economists weep in frustration.

> **For over 60 years governments have managed** to make a dog's breakfast of industrialisation. This means we import a lot of industrial goods instead of exporting them. So we don't earn enough dollars

Not that the governments haven't tried. There have been at least a dozen high level committees to give suggestions. Absolutely nothing has come out that can be described as a success. Why?

And who should we blame, the politicians, the bureaucrats, the industrialists, Jawaharlal Nehru, PC Mahalanobis, the trade unions, the judiciary, who? All of them and none of them because when everyone is complicit, no one is complicit.

THE INVERSE RELATIONSHIP

Countries that succeed in achieving high rates of economic growth over several decades fail spectacularly in having democratic practices. The moment they become democratic, their growth rate starts to falter.

When Walter Rostow wrote his famous book on the stages of economic growth in 1960 he didn't give any weight to the political arrangements in a country. That has made people forget that politics matters in determining economic outcomes and that electoral politics matters even more.

This does not mean that all undemocratic countries achieve high rates of growth. But it does mean that the more democracy you have the more likely you are to be stuck in a low and highly variable growth boat.

There are no exceptions. You can either have a rights focused economy or a duties focused one. The former generally has lower rates of growth than the latter.

Be that as it may, we are, and will continue to be, a rights focused economy. So given this, the question is how do we avoid the mistakes of the last 70 years?

The answers have been known for at least four decades. We have paid heed to some of them but the majority have been ignored or discarded or half implemented. The result is a gigantic mess.

There is an illusion that we can sort out this mess. But as long as we simultaneously pursue dozens of objectives giving each equal weight, we will be chasing our own tails: a lot of activity and not enough to show for it.

Yes, it's been a decade of disasters so far with perhaps more to come. But these wouldn't have been harbingers of mass poverty had we got our mindset and policies right.

businessline
bl.portfolio



18 May 2026

How political narratives shackle economic policy

Knee-jerk, populist steps to shield people from economic crises cannot be easily undone. The fuel price hike is an example

Aditya Sinha

In July 1925, Keynes published a pamphlet titled *The Economic Consequences of Mr. Churchill*. Three months earlier, the Chancellor had returned Britain to the gold standard at the pre-war parity. The decision was defended in elevated language. Sound money, the dignity of sterling, the City of London restored. It was politically irresistible.

It was, as a great many economists had warned and as Churchill himself later conceded, the worst economic mistake of his life. Deflation cost British industry its competitiveness. Unemployment rose. The General Strike arrived the next year. The narrative had been beautifully constructed. It then took several decades to dismantle.

This is the recurring shape of the problem.

Through the third month of the Israel-Iran war, with crude past $100 a barrel and India importing some 45 per cent of its crude through the Strait of Hormuz, the price at the Indian pump did not move. Globally, retail petrol rose some 14 per cent. Private Indian retailers like Shell and Nayara raised their prices. The public sector oil marketing companies held the line.

A ₹3 hike arrived only this Friday morning, ending a freeze that had held since April 2022. Delhi petrol moves from ₹94.77 to ₹97.77, diesel from ₹87.67 to ₹90.67, with the Prime Minister appealing that citizens economise on travel and prefer the metro.

The interesting question is not why the prices have moved only this week. It is why they did not move for the better part of three months. The answer is in the press releases.

THREE PROPOSITIONS

Consider three propositions.

First, a political narrative, once announced, is its own constraint. The government had spent three months explaining that, despite global headwinds and one of the largest supply shocks in living memory, the Indian consumer was being shielded. The narrative was offered as political achievement. A government that has loudly defended a position acquires a sunk cost in continuing to defend it.

Second, the published rule is symmetric, whereas the political economy is not. The Kirit Parikh Committee in 2010 recommended that prices of petrol and diesel be "market-determined, both at the refinery gate and at the retail level".Petrol was formally deregulated on June 26, 2010, diesel on October 19, 2014. What happens in practice is that prices are deregulated or re-administered in an adhoc fashion. The legal text and the political instinct do not point in the same direction.



PAIN POINT. Oil dynamics

Third, the cost is not abolished, only relocated. Excise reductions, LPG and fertilizer subsidies and balance-sheet losses at the OMCs together amount to ₹40,000-45,000 crore a month, about 1.2 per cent of GDP.

The Centre's ₹1 lakh crore stabilisation fund will, at this run-rate, last 10 weeks.

On April 1, the commercial 19-kg LPG cylinder in Hyderabad was raised by ₹214.50, to ₹2,321; the domestic 14.2-kg cylinder remained at ₹965. The restaurant, the dhaba, the small manufacturer pay what the household does not. A pump-price freeze defended on the front page is a tariff on commerce levied on the inside pages.

This pattern is not unique to fuel. The onion export ban returns at every election. The political narrative is the urban housewife's kitchen budget, the cost is borne by the farmer in Lasalgaon. Farm loan waivers, repeated across States, are described as relief. The recurring damage to rural credit discipline is mentioned only in actuarial footnotes. Free electricity to agriculture is presented as support for the small farmer. The bill is paid by groundwater that will not be there in 2040.

In each case, a politically attractive decision is taken in a moment of pressure.

A narrative is built around it. The narrative congeals. The reversal becomes politically costlier than the original mistake. The longer-run consequence is a country that finds it increasingly difficult to do the right thing because it has already announced, in elevated language, that it has been doing the right thing all along.

The wise course in a supply shock is not to boast that the consumer has been shielded. It is to say, quietly and with figures, that an adjustment is being managed. Adjustments can be revised. Boasts cannot.

We have learnt, down the years, to perform the inverse manoeuvre. We retain the economic substance of administered pricing and dress it in the language of the market.

Sinha writes on macroeconomics and geopolitics

businessline
bl.portfolio
19 May 2026



India-New Zealand trade pact: Beyond a small market

TRADE PUSH. The FTA can boost Indian pharma and services, while New Zealand can gain in agri exports

GETTY IMAGES/ISTOCKPHOTO



VS SESHADRI

India and New Zealand signed their bilateral Free Trade Agreement on April 27, adding another partner to India's steadily expanding FTA network, which now covers all RCEP countries except China.

By itself, New Zealand may not appear a large market. With a population of just 5.3 million and annual imports from India of only around $700 million — barely 1.8 per cent of New Zealand's imports — the commercial gains may seem modest.

Yet, at a time when India urgently needs to diversify and expand exports — merchandise exports in 2025-26 financing only about 57 per cent of imports — every additional market matters. The presence of a 3,00,000-strong Indian diaspora in New Zealand and the scope for expanding services exports further strengthen the case for the agreement.

The FTA grants duty-free access from day one for all Indian products entering New Zealand. While New Zealand's average MFN tariff is low at around 2 per cent, and nearly two-thirds of its tariff lines are already duty free, some labour-intensive sectors important for India face significantly higher tariffs.

SECTORS TO BENEFIT

Garments, for instance, attract average duties of nearly 10 per cent, while several footwear and textile items also face higher rates. Indian exporters in these sectors will now obtain parity with competitors from China and ASEAN countries that already enjoy preferential access to the New Zealand market. Penetrating that market will still require sustained export promotion, but tariff-free access certainly helps.

Indian generic pharmaceuticals, currently accounting for exports of around $60 million, stand to benefit as well. Side letters accompanying the FTA confirm that New Zealand recognises approvals granted by regulators in Australia, the EU, Canada, Singapore, the UK, Switzerland and the US as comparable to their own. This could significantly expedite regulatory approvals for Indian prescription medicines, including generics and biosimilars, as well as medical devices already cleared by those regulators.

Other important Indian exports to New Zealand include shrimps, spices, tea, coffee, rice, gold jewellery, electrical machinery, auto components and refined petroleum products. Tariffs on these products vary, particularly for processed agricultural items such as spices. The move to zero tariffs across the board should therefore improve competitiveness for Indian exporters.

On the import side, New Zealand exports mainly primary products to India — wood and wood pulp, steel and aluminium scrap, coal and wool — many of which serve as industrial inputs. New Zealand is also a major agricultural exporter. Fresh fruits are among its leading exports to India, and the FTA provides limited tariff-rate quota access for apples, kiwifruit, albumins and Manuka honey.

Interestingly, the agreement incorporates seasonal safeguards reflecting New Zealand's geographical advantage. Apple imports under the tariff quota will be permitted only from April to August, and kiwifruit from April to mid-October — periods that largely do not coincide with the Indian harvest season. Minimum import price conditions will also apply.

Fresh fruits are among New Zealand's leading exports to India, and the FTA provides limited tariff-rate quota access for apples, kiwifruit, albumins and Manuka honey

As in India's recent FTAs with other partners, wine tariffs will be reduced gradually depending on price bands. Dairy products, however, remain fully excluded. Overall, around 29 per cent of tariff lines have been kept outside tariff liberalisation, broadly similar to the exclusion levels under India's ECTA with Australia.

SERVICES POTENTIAL

Services trade presents another important dimension. According to New Zealand's figures available at disaggregated levels, its services exports to India amounted to NZ$1.14 billion in 2025 (1 US$ equals around 1.68 NZ$) somewhat exceeding its merchandise exports. Nearly 95 per cent of this comes from travel services, especially education-related travel spending by Indian students.

India's own services exports to New Zealand are considerably smaller at around NZ$470 million, and computer and business services account for around only NZ$110 million. This area offers substantial growth potential. The FTA provides greater certainty regarding visas for intra-corporate transferees, installers and servicers, independent professionals, and accompanying dependants.

Additionally, the agreement creates a new Temporary Employment Entry visa pathway with an annual quota of 5,000 visas for skilled Indian professionals for stays of up to three years. Covered sectors include IT, engineering, healthcare, education and construction, while professionals such as AYUSH practitioners, yoga instructors, Indian chefs and music teachers are also eligible. There is also an Annex on student mobility and post study work visa and a separate understanding on holiday work visas.

One particularly noteworthy provision is New Zealand's commitment to facilitate $20 billion in FDI inflows into India over a 15-year period, echoing a similar feature in India's FTA with the EFTA countries. Achieving this target, however, will not be easy. New Zealand's cumulative FDI into India since 2000 amounts to only around $88 million. Considerable effort from both governments and industry bodies will be required to generate investor interest.

Two additional provisions could nevertheless create useful opportunities. First, the agreement provides for economic and technical cooperation in sectors such as horticulture, apiculture, livestock, fisheries, wines and organics — areas where New Zealand possesses significant expertise.

Second, India has committed to a fast-track arrangement allowing duty-free imports from New Zealand for products used exclusively for further processing and re-export. This facility could potentially extend even to dairy inputs otherwise excluded from the FTA.

The dedicated New Zealand investment desk that India is required to establish under the agreement should therefore work proactively to integrate these various provisions into concrete investment initiatives. There may be significant opportunities, for instance, for New Zealand investors and Indian partners to collaborate in export-oriented agro-processing ventures using duty-free New Zealand inputs for value-added exports from India.

Ultimately, FTAs are only enabling frameworks. Their success depends on the quality of follow-up — export promotion, investment facilitation and business-to-business engagement. India's mission in New Zealand can also play an important role in ensuring that this agreement evolves from a modest bilateral arrangement into a meaningful economic partnership. New Zealand's leaders have already termed it a 'once-in-a-generation pact'.

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

businessline
bl.portfolio





19 May 2026

Future shock

Q4 results strong but momentum under question

India Inc has sprung a surprise by reporting good growth for the January to March quarter of 2026. This is even as markets have been correcting on relentless selling by foreign investors. An analysis of Q4 results shows that 650 companies which have so far reported their numbers, managed a sharp improvement in revenue growth to 13.7 per cent with healthy profit growth of 17.8 per cent over the same quarter last year.

Revenue growth accelerated from 11.7 per cent in Q3 and 8 per cent in the preceding two quarters respectively, while profit growth has gathered pace from 11.2 per cent in Q3 and 6.5-7 per cent in the first two quarters. Operating profit margins improved to 30.3 per cent for Q4 FY26, compared to 26.3 per cent in the preceding quarter despite commodity inflation. However, these numbers don't reflect results from oil majors. Whether the earnings momentum will sustain as the real impact of ongoing energy shock and supply chain disruptions plays out, remains to be seen.

There are many takeaways from a macro economy perspective. One, both the urban and rural legs of the consumption economy fired in tandem this quarter. While good revenue growth for FMCG (14 per cent growth) and retail (12 per cent growth) showed healthy spends on staples; discretionary consumption also received a boost going by the sales growth momentum in automobiles (30 per cent revenue growth), e-commerce (141 per cent), realty (35 per cent), financial services (48 per cent) and jewellery (47 per cent). This suggests that the demand stimulus from the GST cuts announced in September 2025 have carried forward so far. Two, investment spending did well in pockets, going by revenue acceleration in segments such as railways (28 per cent growth), electrical goods (43 per cent) and power equipment (131 per cent). Three, India Inc's margins displayed resilience to spiralling energy, chemical and metal prices due to the war. However, companies were still using up inventories of industrial inputs. Rupee depreciation bolstering realisations for services exporters, could also have offset the margin hit taken by manufacturing companies. The real test of this will lie in whether current margins sustain once input inventories are depleted.

Four, companies reported improving interest coverage (7.5 times against 7.1 times at the same time last year), despite the rise in borrowing costs, suggesting that they remained frugal on debt. On the flip side though, India Inc continued to be reluctant to share its growth bounty with employees. As revenues expanded nearly 14 per cent and profits 18 per cent year-on-year, employee costs dropped to 13.8 per cent of revenues from 14.5 per cent a year ago. This shows wages growing more slowly than corporate profits — a worrying trend given that enterprise AI adoption has not even begun. Overall, while the fiscal year FY26 has closed on a positive note, FY27 may be a different ballgame, where inflation tests consumer spending, and increase in input costs squeezes margins.

businessline
bl.portfolio
19 May 2026

Getting retail investors to 'samba' with bonds

India can emulate Brazil in offering tax sops to bond investors to boost investments into infrastructure

Subodh Rai

India needs a massive infrastructure buildout to realise its Viksit Bharat vision. Funding that buildout, in turn, requires a rebalancing of investment flows to achieve a well-rounded financial ecosystem, with a symbiotic relationship between the bond and equity markets, along with higher retail participation.

Currently, retail investors in India, especially the middle class and corporate employees, are significantly more invested in equity markets compared with bond markets. The equity tilt exposes them to market volatility, such as those caused by the ongoing geopolitical and trade related uncertainties.

To mitigate this risk, retail investors should be encouraged to diversify into fixed-income products through bond markets that face lower volatility in yields and offer benefits of fixed long-term returns.

To be sure, returns on investments in infrastructure have been resilient to a large extent during periods of uncertainty. This makes bond market investments in targeted sectors such as infrastructure a promising avenue for retail investors. The experience of Brazil — also a developing economy — throws up some takeaways for promoting a culture of retail investments in bond market and, thereby, fuel infrastructure development.

BRAZIL'S SUCCESS STORY

Brazil has successfully channelled retail savings into the bond market by offering tax exemptions on 'incentivised debentures' that fund infrastructure projects.

In 2011, Brazil introduced a framework for issuance of debentures that provided the retail investors with an exemption for interest and capital gain income from specific bonds targeted to finance infrastructure expenditure.

Until 2016, the Brazilian Development Bank, BNDES (Banco Nacional de Desenvolvimento Econômico e Social), used to be the primary source of funding for infrastructure projects.

Since then, however, with increasing familiarity, incentivised debentures have gained traction with retail investors, and more projects turned towards them to raise funds. Over the past 7-8 years, these debentures have grown to garner the majority share in funding private infrastructure projects in Brazil, much higher than disbursements by BNDES.

BENEFITS FOR INDIA

This approach to offer tax benefits can be emulated in the Indian context. If a small portion of household savings is incrementally directed towards bond markets, it can bring a material change in the process of long-term nation-building.



BONDS. Luring investors

Our calculations show that if incremental savings equivalent to 10 per cent of retail systematic investment plan (SIP) inflow in equity mutual funds are channelled to the bond market, this can:

* Increase gross domestic product (GDP) by 30-40 basis points (bps) over the next few years, assuming multiplier effect for infrastructure investments (using multiplier as quoted in Official Budget debate in Rajya Sabha);
* Boost annual infrastructure investments by 2-3 per cent on the base of fiscal 2025.

Per our analysis, the incremental tax revenue that can be generated over the next few years from additional GDP unlocked by infrastructure investments would be approximately 0.05 per cent of the GDP (fiscal 2025 base) assuming a tax to GDP ratio of around 12 per cent.

That potential gain will significantly outweigh the upfront fiscal sacrifice of around 0.02 per cent of annual GDP, which represents the tax revenue forgone on the interest income being realised by retail investors over the lifespan of the infrastructure-targeted bonds.

Notably, India has implemented policies involving upfront fiscal sacrifices for sustainable self-reliant economic growth in the past, such as the Production Linked Incentive (PLI) scheme.

To encourage retail participation, the government could offer tax-free status to income on bonds that fund key target sectors such as infrastructure. This approach can provide an attractive fixed-income investment option to investors, while bringing in a diverse set of investors to bond markets.

A well-developed bond market can also fuel private sector investments in infrastructure projects, complementing the government's direct infrastructure investments and creating a multiplier effect on economic growth.

Thus, by adapting Brazil's success story to the Indian context, we can establish a more balanced and diversified financial ecosystem, better equipped to support India's long-term vision of a Viksit Bharat.

The writer is Managing Director, Crisil Ratings Ltd

businessline
bl.portfolio
19 May 2026



P SARAVANAN
A PAUL WILLIAMS



MOORTHY G

What TVK's win means for TN's economy

FINANCIAL TEST. Going by the party's poll promises, the welfare expenditure could balloon. New revenue streams are needed to finance this

Vijay's Tamilaga Vettri Kazhagam, in existence only since February 2024, created history by ending 59 years of unbroken Dravidian dominance shared between the DMK and the AIADMK, by winning 108 Assembly seats and forming a government with post poll allies.

The political disruption is extraordinary by any measure. However, for investors, analysts, and policymakers watching from Tamil Nadu's financial corridors, the more consequential story is now unfolding on a very different stage: the State's balance sheet.

Tamil Nadu is not an average Indian State but rather one with a unique identity. With only 4 per cent of the country's land and 6 per cent of its population, it contributes roughly 9.4 per cent of India's GDP. Its economy crossed ₹31 lakh crore in FY25, growing at 11.19 per cent in real terms, the fastest rate of any State that year. It is the country's automobile manufacturing capital, a rising electronics powerhouse, and an increasingly attractive destination for foreign investment.

THE WELFARE WAGER

TVK's election manifesto is unapologetically redistributive. The party promised ₹2,500 every month for women heading households, ₹3,000 per month for senior citizens and widows, ₹4,000 monthly unemployment allowance for graduates, a complete crop loan waiver for small farmers, 200 units of free electricity per year, six free LPG cylinders annually, and a ₹15,000 crore dedicated fund for MSMEs.

These are not narrow or niche pledges but broad commitments. They cut across virtually every demographic segment of Tamil society, from the paddy farmers in Thanjavur to the unemployed engineering graduates in Coimbatore. Estimates based on the TVK manifesto and existing State budget data suggest that Tamil Nadu's welfare expenditure could rise by more than 52 per cent, pushing the total annual bill to ₹1 lakh crore.

If this expansion is financed without building significant new revenue streams, the State's fiscal deficit could climb from the currently budgeted 3 per cent of GSDP to nearly 4 per cent. This one-percentage-point gap may seem manageable in isolation.

In practice, for an economy the size of Tamil Nadu, this translates to tens of thousands of crores in additional market borrowings.

STATE BONDS

The most immediate financial signal to watch will come from the State's bond market. Tamil Nadu raises money from capital markets through State Development Loans (SDLs). Tamil Nadu ranks among India's most active SDL issuers. If the new government's spending ambitions push annual borrowing significantly higher without a corresponding lift in revenues, the spread on Tamil Nadu's paper could widen.

This would raise the cost of debt servicing and gradually crowd out capital expenditure on roads, ports, and industrial infrastructure that sustained growth depends on.

There is a real irony embedded in this dynamic: welfare spending that is intended to uplift families today can, if poorly calibrated, chip away at the economic vitality that makes welfare affordable in the future.

The general consensus within the business community is that the State's manufacturing momentum and investment pipeline are unlikely to reverse

THE TALENT TRAP

If the fiscal math is TVK's first flashpoint with the business community, the proposed private sector job reservation policy is likely to be its second. TVK's manifesto includes a pledge to reserve 75 per cent of private sector jobs for Tamil Nadu residents.

On the surface, it sounds like a straightforward nod to local pride. IT firms anchored in Chennai, including large employers such as TCS, Infosys, Cognizant, and Wipro, have grown by drawing on a national talent pool without restrictions. A hard localisation quota would introduce exactly the kind of friction that competing destinations such as Telangana, Karnataka, and Maharashtra would be happy to exploit. Similar legislation in Andhra Pradesh and Haryana was struck down in the courts, and the same outcome seems probable in this case.

STAYING OPTIMISTIC

The general consensus within the business community is that the State's manufacturing momentum and investment pipeline are unlikely to reverse. According to most credible estimates, Tamil Nadu is on track to become a $1- trillion economy by 2031. It is embedded in the State's industrial geography, workforce, port infrastructure, and decades-long culture of policy continuity.

The State's per capita income stood at ₹3.62 lakh in FY25, nearly 1.77 times the national average. The party's manifesto includes an ambitious long-term target of building a ₹1.5-trillion Tamil Nadu economy by 2036, a goal that can only be reached if the investment climate remains compelling.

Every election manifesto is, at its core, a document of aspirations. The real test of governing intent comes when a government sits down to write its first budget.

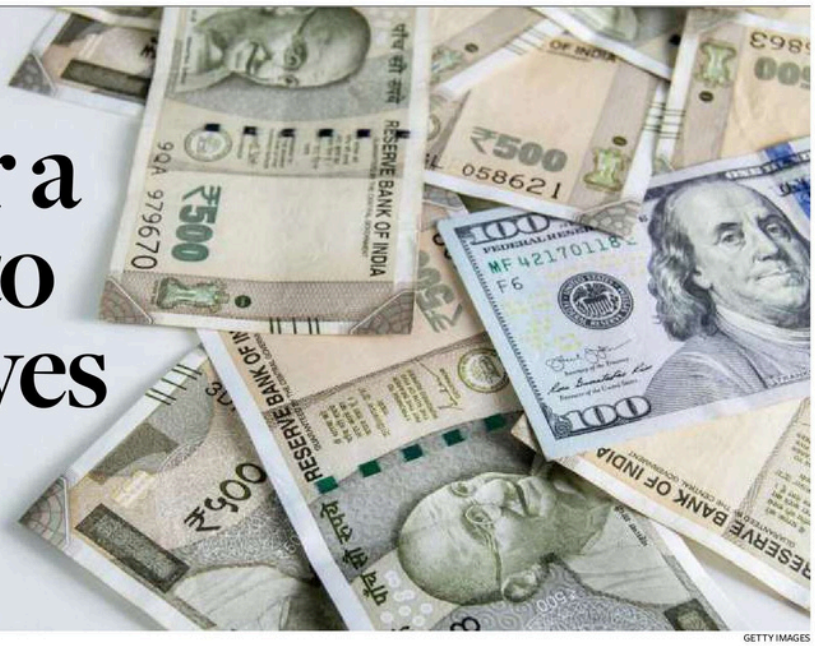
Vijay won this election on the promise of change, on the energy of a generation that felt unrepresented by the old Dravidian duopoly, and on the credibility of a man who walked away from one of Indian cinema's most lucrative careers to make a different kind of mark. The political achievement is genuine and historic. However, the financial test is just beginning.

Saravanan is a professor of finance and accounting at IIM Tiruchirappalli, and Williams is the head of India at Sernova Financial

businessline
bl.portfolio
20 May 2026

The case for a bond issue to boost reserves

FALL BACK OPTION. The issue of Resurgent India Bonds and India Millennium Bonds more than two decades back, and a forex swap in 2013, is instructive



GETTY IMAGES



MADAN SABNAVIS

The falling rupee is being watched closely with a clarion call being made to lower forex spending, which includes purchase of gold, foreign travel or use of petrol-diesel vehicles. There is also a discussion on the necessity of shoring up our forex reserves through either a bond issuance, or a swap that was done earlier. How serious is the issue today?

The declining rupee is a concern as the fundamentals of our balance of payments show that demand is higher than supply for forex. But is this leading to a crisis? The answer is 'no' because with reserves of around $690 billion, there is an import cover of 11 months. Anything above eight months is comfortable, and concerns can arise when it falls below this threshold.

The situation is not akin to 2013 when there was a sharp fall in reserves and the RBI came up with the swap plan. At that time India was part of what was called the 'fragile five' countries. In 1998, to deal with sanctions imposed due to Pokhran nuclear explosions, the RIBs (Resurgent India bonds) were issued. In 2000, India Millennium bonds were floated in the wake of an oil crisis. The present situation is not as alarming.

Even so, the government and the RBI must put in place a contingency plan, in case things get out of hand. Customs duty has been hiked to 15 per cent from 6 per cent, to curb gold imports. Curbing imports is a good idea, but takes time to work out as price may often not be a limiting factor. Imposing quotas is an option but that will send a different message to investors on the state of the economy. Besides, any quantitative restriction invariably leads to the emergence of a black market. Therefore, the primary focus has to be on getting in forex; curbing expenditure can only be a secondary option.

BOND DESIGN

For raising forex through bonds or deposits, various factors have to be considered while designing the product. The first is the availability of investible funds with an investor class. This applies to both Indian expatriates as well as foreign investors. The latter have been in withdrawal mode in the equity market. FDI repatriations have been increasing — a sign of a perceived lack of opportunities in India or preferences for other markets for surpluses generated. Hence, the main target would have to be expat Indians and NRIs. But does this segment have investable funds?

There are apprehensions over the flow of remittances or NRI deposits from the Gulf countries, due to the Iran war. This is mainly due to the earnings of this section coming down — which, in turn, means that this population cannot really be targeted. So, bonds or deposits will have to be directed at a more affluent segment, which can also include foreign residents looking for better returns.

With inflation rising worldwide, central banks could start raising rates, which has to be factored in when reckoning returns for these bonds/deposits.

Typically bonds issued must be for five years. Now, the deposit rate for NRIs is in the region of 4-4.5 per cent. The risk here is that the existing NRI deposits could shift to higher yielding deposits/bonds if terms are substantially better.

Similar tenure deposits in the US (with credit unions) earn around 3.5 per cent, Germany 2.25-2.75 per cent, UK 3.75-4 per cent, UAE 4-4.5 per cent. With inflation rising worldwide due to the oil prices, central banks could start raising interest rates, which has to be factored in when reckoning returns for these bonds/deposits.

The exchange rate risk has to be added to the rate offered on these instruments. Fixing the coupon rate at this juncture is tricky. Corporate bonds in the US give a return of 4.8-5.5 per cent. The US Treasury averaged 4.5 per cent. Therefore, the return has to be upwards of 5 per cent. Add to this the exchange rate risk of 3-4 per cent depreciation, and the cost of such deposits would be in the region of 8-9 per cent, which looks higher compared with domestic resources.

The government could allow for interest being tax-free in the hands of the investor. The advantage here is that we can circumvent the withholding tax issue which has been vexatious for FPIs.

TAX MATTERS

Also a decision has to be taken on early redemption for both sides — through call and put options — as conditions can change any time. If the war ends and things return to normal, the the coupon rate would be too high. Also the instrument has to enable transferability for investors. Therefore, listing on exchanges, domestic and international, can be considered.

Another issue to be borne in mind is whether these would be bearer bonds or involve the identity of the individual investor to be disclosed. Bearer bonds are easier to handle. Insisting on names involve KYC procedures which can be onerous for investors given the re-KYC rule which is used for domestic citizens. Having bearer bonds can, on the other hand run the danger of round tripping and white-washing of funds. In the prevailing context, it is worth weighing the pros and cons.

Once all these considerations are deliberated upon and a decision taken, the product can be kept ready to be rolled out at an opportune time.

The catch here is that if the issuance is to shore up reserves and ensure that a certain level is maintained, the funds cannot be deployed at will, and will have to follow the investment pattern of reserves. If the funds realised are used for lending (in case banks raise these funds), the cost would be much higher and could come in the way of costs and profitability ,as the effective lending rates would rise.

In 2013, the RBI had gone in for the 3.5 per cent swap for three years, where banks could swap for rupees with RBI. The amount mobilised was $34 billion. This time, if we go in for any route to garner forex, the target would have to be at least $50 billion.

The government and RBI can set trigger points for introducing such a scheme. But it makes sense to keep a product ready.

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

businessline
bl.portfolio
20 May 2026

THE WIDER ANGLE.



PARAN BALAKRISHNAN



GETTY IMAGES

Chinese stranglehold on EV components

India has plans to manufacture EV and cellphone parts. But for now we're reliant on Chinese imports

It's a straight fight between two Chinese auto industry giants BYD and CATL. Both want to offer the world's fastest electric vehicle (EV) charging systems. CATL is claiming to be in the top spot currently with its third-generation Shenzing battery which it says can speedily charge a vehicle from 10 per cent to 98 per cent in just 6 minutes and 27 seconds. That makes it faster than BYD's second-generation battery which claims it can race from 10 per cent to 90 per cent in 9 minutes.

The Adani group is looking to tie-up with CATL for a gigantic battery manufacturing project near its Khavda Renewable Energy Park. The only catch is that the Chinese would prefer to make as much as possible in China and export to India. Now Reliance is also in talks with CATL to buy components for the huge battery energy storage systems complex that it is planning to build at Jamnagar. Soon after the 2020 border clash India issued what was euphemistically called Press Note 3 to curb investments and purchases from companies based in neighbouring countries. This move was obviously aimed at China but the government has been forced to introduce relaxations at regular intervals. Most recently in March it eased up by allowing BHEL and SAIL to buy critical equipment from China. "The policy statement that came out was essentially an acknowledgement that blocking Chinese investments had created a lot of negative spillovers," says Santosh Pai, partner Dentons Link Legal.

IMPORTS ZOOM

The government's goal of hitting China hard on trade didn't work out. The trade figures tell the whole story. In FY20 India's imports from China were at $65 billion. But imports have been climbing steeply ever since and in FY26 had zoomed to $131 billion.

The inescapable fact is that China has become the factory of the world and scores of products and also industrial equipment aren't available — or are much costlier — anywhere else. Yes, the US is still ahead in hi-technology and fields like AI. But in many other industries it's a very different story.

Just glance at the automobile industry and this becomes almost brutally visible. In EVs and batteries the Chinese are roaring ahead and the German and American giants are only just starting to catch up.

Take Tata Motors and partner companies like Tata Autocomp. Tata Motors buys its battery packs from Chinese giant Gotion High-Tech and the cells in those batteries from Gotion, EVE Energy and other smaller companies. Then check out the EV motors and drivetrain which are from another Chinese firm Prestolite Electric.

It's the same story at Mahindra & Mahindra which mostly buys BYD Blade battery cells and lithium-ion pouch cells from Farasis Energy, another Chinese company with advanced technology. But Mahindra may drive away from the

Tata Motors, Mahindra and Maruti Suzuki are all crucially dependent on China for components for their electric vehicles. The story is similar in solar panels

Chinese in the near future and is looking for a tie-up with Volkswagen, But the fact is that currently Indian companies buy all their key components from Chinese companies. Even Maruti Suzuki which has been late getting into EVs buys battery packs from BYD. Also rare earth magnets for most companies come from China.

Move from EVs to solar panels and it is much the same story. China is reckoned to produce 80 per cent to 85 per cent of all solar panels globally. It's much the same story for other solar energy components like wafers, solar cells and polysilicon. Over 80 per cent of all these components are produced in China. Indian manufacturers are buying a small amount of their hardware from countries like Vietnam, Malaysia, Indonesia and Thailand but even here the manufacturers are Chinese companies that have set up shop in South-East Asia. What about the US and Europe — they're generating hardly any heat in solar energy. Yes. Indian manufacturers are swinging into action but could take time to make their presence felt.

Smartphone production has been one of India's great success stories in recent years. Apple, Samsung and even Chinese companies like Xiaomi are all putting together their products in India but it shouldn't be tough to guess where the components are coming from: China. Even Apple still gets components from China. Whether it's printed circuit boards or any other electronics component, it's almost certain to come from China.

What about pharmaceuticals, one of the great Indian success stories? Soon after the Ladakh confrontation it dawned on the government that India's pharma stars had all shut down the plants that once made active pharmaceutical ingredients. Why? They brought in lower returns was the main reason. Of course they were also very polluting but that probably wasn't the key reason for getting out of these fields.

Even in less hi-tech fields the world has allowed China to take over manufacturing of all kinds. So industrial machinery in all kinds of fields is almost inevitably from the Middle Kingdom.

Is it possible to change this situation? Yes, the world has woken up to just how dependent it has become on the Chinese. And India will soon start manufacturing its EV and smart phone components. But for now China has our arms firmly twisted behind our backs.

businessline
bl.portfolio



21 May 2026

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Why credit guarantees don't help a range of MSMEs

Bankers are hard-wired into overlooking enterprises that are too large for MUDRA, and yet unfamiliar with banking systems

Srinivas Ramanujam
Meera Siva

In March, the government launched CGSMFI-2.0 — a ₹20,000-crore credit guarantee scheme for microfinance institutions. The sector was in genuine distress: bank lending had contracted 8.5 per cent in the first half of FY2026, credit costs had surged to 15.5 per cent, and smaller MFIs were being frozen out.

The scheme was necessary but not sufficient.

This pattern, repeated across sectors, reveals a structural problem. When banks are offered a sovereign guarantee, they do not suddenly lend to the most excluded. Credit flows to larger, better-rated institutions which are already closest to being fundable. A guarantee does not change a lender's read of the borrower but only changes the cost of being wrong. And if the lender cannot read the borrower at all, the guarantee changes nothing.

LOST MSME DECADE

Similar dynamics have been at play in MSME lending at a larger scale. The MSME credit gap stands at ₹20-25 lakh crore and has not materially shifted in a decade, despite successive guarantee schemes starting with CGTMSE, established in 2000.

After a decade of voluntary participation and modest uptake, RBI made collateral-free lending mandatory for MSE loans up to ₹10 lakh in 2010. In the same breath, it urged that compliance be made a branch staff performance criterion — an early signal the mandate was already being ignored. Industry bodies later documented banks nudging borrowers to waive their CGTMSE cover so loans could be processed with collateral instead.

In February, the RBI raised that ceiling to ₹20 lakh. Inflation-indexing a broken compass does not show you the true North.

The aggregate evidence is damning. Only 14 per cent of MSMEs access formal credit; nearly 80 per cent remain self-financed or rely on moneylenders. CGTMSE's data show 93 per cent of its guarantees are for loans below ₹10 lakh — the segment banks were already mandated to serve. The enterprises that genuinely stall — too large for MUDRA, too unfamiliar for commercial banks, sitting between ₹20 lakh and ₹1 crore — remain unserved.

And the lender's reluctance cannot even be explained by default risk: gross NPAs in the MSE segment stood at under 4 per cent as of March 2024, down from over 9 per cent in 2022. Risk perception and risk reality are disconnected.



CREDIT. Helping the small player

BUILDING CREDITWORTHINESS

What would change this is designing the system such that making borrowers creditworthy becomes someone's explicit mandate and their measurable reward. The reason banks gravitate to better-rated borrowers, whether MFIs or MSMEs, is that weaker borrowers are simply unreadable: no financial records, no repayment history, no sector data. Guarantees cannot fix invisibility.

Three things are needed: guarantee coverage that actually reaches the missed borrowers (the smallest MFIs and the missing-middle MSMEs); technical assistance paired with those guarantees to build borrower capacity; generate data that shifts the lender's calculus from fear to evidence; and funded borrower financial literacy, so they can present themselves effectively. Together, these build the track record that eventually makes the guarantee unnecessary — provided guarantee institutions, development finance bodies, and enterprise support organisations work in concert rather than in silos.

We have seen this work. An agri-tech enterprise serving smallholder farmers — the kind that commercial lenders routinely decline — received a guarantee-backed loan of ₹25 lakh paired with structured technical support. Within six months it graduated to a loan without a guarantee. Within four years of that first loan, it listed on the BSE SME Exchange. That listing represented over 50,000 smallholder farmers with higher incomes. It followed from the guarantee structure opening the door, technical assistance building the path, and an enterprise that learned to stand on its own.

The MFI guarantee scheme launched in March will provide necessary liquidity support to some institutions in the short term. The MSME amendments in February are steps in the right direction. But if the pattern holds, the credit gap will look much the same two years or even two decades from now.

Ramanujam is CEO, Villgro Innovation Foundation, and Siva is CEO, Inklude Impact Foundation. Both work on enterprise finance and innovation in India

businessline
bl.portfolio
21 May 2026

Test of rupee resilience

RBI has done a good job in tough times

Manas Paul

The rupee has been slipping to fresh lows across successive trading sessions, pushing India's external-sector vulnerabilities back into focus. Concerns around oil prices, capital outflows, and global financial tightening are once again shaping market sentiment. How serious are the pressures building around India's external sector?

The Dollar Index, which measures the strength of the US dollar against major global currencies, remained elevated around 99.3-99.4 on May 18, after hovering near 98 earlier in the week. Higher US Treasury yields, geopolitical tensions in West Asia, and investor preference for safer dollar assets have all strengthened the dollar's appeal.

Whenever the dollar rises sharply, emerging-market currencies are usually the first to come under pressure. For India, the challenge becomes sharper because of the economy's dependence on imported energy.

That combination — a stronger dollar and higher oil prices — creates a difficult economic environment. Import costs rise, demand for dollars increases, and pressure on the rupee intensifies. The impact is visible in trade data. India's merchandise exports in April 2026 stood at $43.56 billion, while imports climbed to $71.94 billion, leaving a merchandise trade deficit of roughly $28.38 billion for the month.

At the same time, capital flows have turned more volatile. Higher US interest rates and global uncertainty have encouraged investors to move money towards dollar-denominated assets and AI trade-driven equity markets of Japan, Korea and Taiwan. Between March and May 2026, foreign portfolio investors reportedly withdrew more than $23 billion from Indian equity and debt markets. Such outflows add to the rupee weakness.

WHERE INDIA DIVERGES

Taken together, these developments resemble the pressures that have destabilised several emerging economies in the past. Yet this is also where the Indian story begins to diverge from that of crisis economies such as Sri Lanka, Pakistan, and Argentina. India's vulnerabilities are real, but so are its buffers. The country continues to hold one of the world's largest foreign-exchange reserve cushions, with RBI reserves hovering around $700 billion.



COMFORTABLE. Forex reserve cushion REUTERS

Those reserves give policymakers room to intervene when markets become disorderly and reassure investors that India can continue meeting its external obligations even during turbulence.

Equally important is the way India manages its exchange rate. Unlike economies that rigidly defend fixed currency values, India operates under a managed-float regime. The rupee is allowed to depreciate gradually, while the RBI intervenes mainly to prevent disorderly market conditions. That flexibility matters because many currency crises become severe when governments exhaust reserves defending exchange rates, and markets no longer trust them.

The current episode also reflects the classic "impossible trinity" in international economics — the idea that no country can simultaneously maintain a fixed exchange rate, free capital flows, and an independent monetary policy. India wants monetary policy flexibility to manage inflation and growth while remaining integrated with global capital markets. As a result, some of the pressure is inevitably absorbed through the exchange rate itself.

The RBI, meanwhile, has moved beyond direct intervention alone. It has reportedly tightened daily limits on Net Open Positions in the onshore currency market and imposed restrictions on authorised dealers in the NDF market to curb arbitrage loopholes. Policymakers also retain the option of routing oil-marketing companies outside the spot FX market, reviving special FCNR(B) deposit schemes, and expanding rupee-based international trade settlements. These measures underline the adaptability of India's central bank, which has historically shown considerable innovation during periods of external stress.

The writer is Professor & Chairperson, Economics & Sustainability Area, IMT Ghaziabad

businessline
bl.portfolio
21 May 2026



Minimum export price on agri items will lift forex coffers

REVENUE PUSH. India should emulate Malaysia and Indonesia. They impose an export tax on crude palm oil to ensure value addition. Basmati export would benefit



S CHANDRASEKARAN
SUBRAMANI RA MANCOMBU

On May 11, Prime Minister Narendra Modi urged Indian citizens to conserve precious foreign exchange in view of the West Asian crisis. Since then, the government has come up with a slew of measures, more than doubling the import duty on precious metals, hiking prices of fossil fuels and imposing curbs on silver imports.

These measures will go a long way in cutting foreign exchange (forex) outgo. However, the government should have looked at increasing forex earnings, particularly on the agricultural commodities export front. Concerned over surging retail prices of sugar, it has banned the export of the commodity.

India's exports increased by 4.22 per cent to $860.09 billion in the 2025-26 financial year, while imports grew even faster by 6.47 per cent to $970 billion, resulting in a widening of the overall trade deficit.

THE CASE OF BASMATI

The government should try to increase the realisation of products in which it enjoys a premium or is among the top exporters of the commodity.

For example, basmati rice enjoys a premium in the global market. However, its unit value realisation declined to $868 a tonne during the April-February period of the 2025-26 fiscal.

It is an 11 per cent decline from the $980 realised in the 2024-25 fiscal. In 2023-24, the unit value realisation was $1,114 a tonne.

The volume of basmati exports was higher in 2025-26 (April-February) compared with the previous fiscal, but the value of shipments was lower by over $650 million.

With the support of the Geographical Indication status, the government should have tried to get better returns.

Exports of basmati have increased from 7.7 lakh tonnes (lt) in 2003-04 to over 60 lt in 2024-25. Yet in real terms, taking into consideration inflation and rising input costs, per unit realisations have been negative.

India enjoys nearly 65 per cent share of the global basmati rice trade. Why has the government not considered fixing a minimum export price (MEP) or levying export duty? At least, it should recover $250 an acre spent on subsidies to provide fertilizers and power used for irrigating the land.

Similarly, the per unit realisation on non-basmati rice during the April-February period dropped by 15 per cent to $393 a tonne. Though exports nearly matched the previous fiscal's volume, the value was lower by over $1 billion.

In the non-basmati rice segment, India enjoys over a 40 per cent market share in global trade. In the parboiled sector, India almost enjoys a monopoly, with Pakistan and Thailand trailing far behind. Notwithstanding these facts, Indian rice continues to trade at a discount compared to other countries.

Basmati and non-basmati rice exports fetch over $12 billion annually. Shouldn't the government try to increase it at least by an additional couple of billions without hurting their prospects in the global market?

The government has cut the MEP on natural honey when it could have got additional revenue. It is here that the Commerce Ministry's role assumes significance.

LESSONS FROM ABROAD

India should take a leaf out of Malaysia and Indonesia, the largest exporters of palm oil. Both nations impose an export tax on crude palm oil to ensure value addition is done and the commodity is exported as refined and bleached palm oil.

Many African countries use export taxes to encourage domestic processing. For example, Ghana and Côte d'Ivoire impose levies on raw cocoa beans. They have adopted the same measure to encourage raw cashew nut processing. Kenya and Uganda use such measures on raw coffee.

After a long time, demand for guar gum has surged in the global market in view of soaring crude oil prices. With crude oil prices near $100 a barrel, investors are looking to take advantage by looking for higher extraction. However, its per unit value of exports is down by $145 a tonne.

When crude oil prices have soared, shouldn't the government have acted to milk its best from this export?

Natural honey is another example. The government has cut the MEP when it could have got additional revenue. It is here that the Commerce Ministry's role assumes significance. As the nodal ministry for exports and imports, its officials should look not only at cutting the forex outgo but also at increasing its income. It should look at various ways of earning more from products in which India enjoys an advantage in the global market.

Apart from rice and other products mentioned above, India can also look at buffalo meat, pulses, processed vegetables, fresh fruits, honey, mango pulp, processed meat, organic products, cashew nuts, spices and poultry products to raise additional forex income.

Chandrasekaran is the author of 'Basmati Rice: The Natural History Geographical Indication'

Export tax playbook, the world over

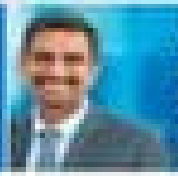
Country	Primary Products Taxed	Primary Motive
Argentina	Soybeans, soy meal, soy oil, corn, wheat, and milling products	Revenue generation and keeping domestic food prices down
China	Rare earth elements, critical minerals, fertilizers, and metal scrap	Retaining raw materials for high-tech domestic manufacturing
Indonesia	Crude palm oil, unrefined mineral ores (like nickel and bauxite)	Forcing "downstream" domestic processing and refining
Russia	Crude oil, natural gas, timber, and certain grains	Protecting domestic supply and capturing resource windfall revenue
Vietnam	Raw minerals, scrap metals, and specific timber products	Keeping raw materials available for local industries

Export realisation *(in $ per tonne)*

Commodity	2023-24	2024-25	2025-26 *(Apr-Feb)*
Basmati rice	1,114	980	868
Non-Basmati rice	411	462	393
Pulses	1,096	1,078	971
Processed vegetables	1,465	1,459	1,282
Other fresh fruits	511	506	489
Processed fruits, juices	1,356	1,395	1,265
Guar gum	1,297	1,294	1,149
Onions*	276	396	260
Gherkins, cucumbers	1,051	1,059	987
Natural honey	1,644	2,049	1,838

*Per unit value down despite the government scrapping 20% export duty

businessline
bl.portfolio



21 May 2026

China spending cut comes as a surprise

Bloomberg News

China scaled back government spending at its fastest pace in six months in April, a move that contributed to an unexpected slowdown in the economy across the board.

A broad measure of public expenditure fell 7.3 per cent from a year ago, accelerating from the 2.5 per cent decrease in March to mark its sharpest decline since October, according to Bloomberg calculations based on Ministry of Finance data released Wednesday. By contrast, broad fiscal revenue rose 2 per cent.

The data helps explain a surprising contraction in fixed-asset investment that China recorded in April, which followed a rebound earlier this year. Combined with sluggish consumer spending, the investment downturn outweighed booming exports, dragging down overall economic activity.

Economists have pointed to several reasons for the fiscal pullback. Solid economic growth in the first quarter may have reduced the impetus for authorities to step up spending. Others noted a potential funding gap in April, as some construction projects were moved from late 2025 to early 2026 while new projects had yet to receive approval.

Officials may also have faced pressure to repay arrears to companies.

Infrastructure-related expenditure under China's main budget plunged 17.7 per cent in April from a year earlier, worsening from the 8.5 per cent drop in March, according to Bloomberg calculations.

China will likely increase infrastructure spending to shore up growth. Some economists estimate that China's economic expansion slowed to roughly 4 per cent in April, tracking below the government's official full-year target of 4.5 per cent to 5 per cent.

In April, the Communist Party's decision-making Politburo pledged to accelerate the construction of infrastructure networks.

BLOOMBERG

businessline
bl.portfolio
22 May 2026

Immediate and deeper factors behind Re fall

RUPEE WORRIES. Oil price spike, currency hedging and FPI pullout are immediate forces. The last is a structural issue as well. Patient capital comes with productivity gains



GETTY IMAGES



SAUMITRA BHADURI

The Indian rupee continues to slide. Over the last 12 months, it has emerged as one of the weakest-performing currencies not only among Asian peers but also within the BRICS countries.

This is not merely a strong-dollar story. The rupee has depreciated sharply against these currencies: by around 16-18 per cent against the yuan, ringgit, and rand, over 20 per cent against the real and rouble, and nearly 11-12 per cent even against the Pakistani rupee over the past year.

But there is no reason for panic. A currency's exchange rate reflects only its relative price in foreign exchange markets. It is not a direct measure of an economy's intrinsic strength, nor does it capture its long-term productive potential. History offers many examples of fast-growing economies experiencing depreciating currencies during periods of adjustment, capital reallocation, or external shocks. Exchange rates ultimately reflect the balance between demand and supply for foreign currency, not a moral verdict on economic management.

THREE FACTORS

The persistent depreciation of the rupee can be attributed to three broad factors. The first is the oil shock stemming from geopolitical tensions in the Middle East, particularly concerns over the Strait of Hormuz. Given India's huge oil imports, when oil prices rise sharply, the demand for dollars automatically increases because the oil trade is overwhelmingly dollar-denominated. Regardless of supplier diversification, the import bill still translates into sustained pressure on dollar demand.

Second, periods of uncertainty create defensive behaviour in currency markets. Importers, corporates, and financial institutions are beginning to aggressively hedge future liabilities. This amplifies dollar demand beyond immediate trade needs. In such moments, the exchange rate often overshoots fundamentals because market participants are buying protection against future volatility rather than responding solely to current economic conditions.

The third factor, and perhaps the most important from a structural perspective, is the persistent withdrawal of foreign portfolio investment. The concern is not merely over the scale of the exit but its composition. FIIs are no longer trimming exposure only in speculative or mid-cap segments. Data show that they have also reduced holdings in blue-chip Indian firms, suggesting growing caution even toward India's safest and most liquid assets.

GOVT, RBI RESPONSE

While the distortions arising from geopolitical tensions are largely beyond the control of any single country, they can only be weathered in the short run through prudent market intervention and measures to moderate excessive demand for the dollar. Both the Centre and the RBI are broadly fulfilling their responsibilities in this regard.

On the government side, efforts continue to diversify supply chains, secure alternative sources of crude imports, and rationalise non-essential imports such as gold. So far, these measures appear to have worked reasonably well. Despite severe external stress over recent months, the current account balance has not deteriorated uncontrollably. RBI data show that India's current account deficit stood at around $13.2 billion, or 1.3 per cent of GDP, in the latest quarter, significantly lower than the levels during past crises.

This is important because India historically becomes vulnerable when a weakening currency is accompanied by an unsustainable current account deficit. So far, that threshold has not yet been breached. Strong services exports, robust remittance inflows, and calibrated import management have helped cushion the pressure arising from rising oil imports and capital outflows. In that sense, India still retains enough macroeconomic buffers to weather the present turbulence.

However, the weakest link among the three pressures remains the persistent withdrawal of FPIs. This raises a serious long-term concern because it may reflect a structural shift in how global investors perceive India as an investment destination.

There are a few reasons for this current attrition. First, major central banks, especially the US Federal Reserve, continue to maintain relatively high interest rates, making advanced economy assets attractive.

Second, many foreign investors increasingly view Indian equity markets as overvalued relative to earnings fundamentals, particularly in an environment where the rupee itself is weakening. As a result, many are simply booking profits despite the optimistic narrative surrounding India's future growth prospects.

AI STORY

Further, global capital today is moving toward the next technological frontier: artificial intelligence. The current AI wave is not merely a technology cycle; it is becoming the organising principle of future productivity growth. Countries attracting capital are those positioned at the frontier of AI research, semiconductor ecosystems, frontier computing, and intellectual property creation. India, unfortunately, remains largely absent from that conversation, and hence, this outflow is unlikely to reverse any time soon unless we witness something close to a miracle.

Attempting to artificially defend the rupee would exhaust reserves. RBI's strategy of smoothing volatility rather than defending a fixed level is the correct approach

The immediate priority, therefore, is to manage the short-term crisis pragmatically by allowing the rupee to absorb part of the external shock while continuously monitoring market stability to prevent excessive volatility and speculative attacks. Attempting to artificially defend the currency would only exhaust reserves and worsen vulnerabilities. The RBI's present strategy of smoothing volatility rather than defending a fixed level remains the correct approach.

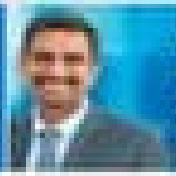
However, the long-term challenge is far deeper. Currency stability cannot ultimately be engineered through intervention alone. The only sustainable way India can cope with such external vulnerability is by creating a steady flow of patient capital, and that can only emerge through sustained productivity gains in manufacturing and technology-intensive sectors.

India still faces structural bottlenecks in logistics, supply-chain integration, labour productivity, regulatory complexity, and industrial competitiveness. Without addressing these issues, the country will struggle to attract the kind of long-term capital needed to stabilise the external sector.

At the same time, India must also protect and upgrade its service-led export engine, which will increasingly face disruption from AI-driven automation. The falling rupee is therefore a warning that the global economy is changing rapidly. India must adapt far more aggressively if it wants to remain an attractive destination for global capital in the decade ahead.

The writer is Professor, Madras School of Economics

businessline
bl.portfolio





22 May 2026

Blips in edible oils trade

Weight of branded oils being reduced on the sly

Shrikant Kuwalekar

While analysts and media discuss the fuel price hike and whether it will offset war-induced losses of oil marketing companies, the real inflation story is quietly unfolding in the kitchen.

Edible oil companies, facing a sharp rise in import costs of palm, soybean, and sunflower oils, have adopted a subtle and more hostile way to pass-on the impact onto consumers.

Instead of visibly raising prices, they have chosen a two-pronged approach: marginal price hikes initially followed by a steady reduction in pack sizes.

For example, the one-litre pouch of many branded edible oils are being replaced by ones weighing 750 gm, 800 gm, 840 gm and 870 gm. This makes it difficult for price-sensitive consumers to compare and purchase the cheaper oil. This practice is known as shrinkflation.

The result? A silent escalation in the effective price per litre, taking retail prices at an all-time high. The previous record high prices prevailed during the post-Covid period — that is, from mid-2021 — when a host of factors such as lower output in Malaysia and Indonesia amid labour shortages, increase in oilseed-based biodiesel production and supply chain disruptions created shortages.

Prices remained elevated for a longer period as a ban on palm oil exports by Indonesia in early 2022 further hit supplies for a reasonable period. Indonesia supplies nearly 4.5-5 million tonnes of palm oil or about 20 per cent of India's annual edible oil demand pegged at 25 million tonnes.

Unlike fuel price hikes, which ignites an immediate furore among people and the media, this calibrated shrinkflation is largely going unnoticed. Consumer activists and regulatory institutions have not yet made any noise against the gimmick.

WHY PRICE HIKES?

While the impact of the over four-year old Russia-Ukraine war on sunflower oil prices has largely been absorbed over the period, the 10-week war between the US-Israel combine and Iran had a massive disruption in supply chains, logistics and movement of goods across the globe, leading to unprecedented spike in the cost of transportation and retail energy prices.

The situation forced edible oil surplus countries like Indonesia, Argentina, Brazil and the US to divert a bigger portion of cooking oil into biodiesel to manage the fuel costs.



GIMMICKS. The rise in effective price of oils is going unnoticed

As a result the benchmark soybean oil prices on the CME Group in the US have risen over 21 per cent to 76.50 cents a pound, while crude palm oil prices have jumped over 14 per cent to 4,665 ringgits a tonne. Even sunflower oil prices have gone up significantly.

The rupee slide to a record low of below 95 to the dollar from around 90.50 during the same period has also added to the cost of imported edible oils. Additionally, increase in the cost of insurance and allied activities has forced edible oil importers to raise prices.

While most of the reasons for the rise in prices are beyond the control of the government, the heavy dependence on imports — 65-70 per cent of edible oil consumption — exposes India's vulnerability.

UNDER REGULATORY LENS

The edible oil sector has always been under the lens of regulators with respect to packaging norms related to blending norms, vitamin content and wider gap between MRP and actual selling price.

The price and weight anomaly would certainly invite regulatory attention. However, consumers will have to pay more for a prolonged period as the hike in energy prices will have cascading impact, pushing the medium-term base higher for all food prices.

As far as the economic impact is concerned, edible oil fall under the oils and fats sub-group holding a weight of 3.56 per cent in the total Consumer Price Index. Oils and fats inflation in March had increased to 7.8 per cent from 7.4 per cent a month ago, and the same is likely to rise further in the coming months.

The writer is a senior journalist and columnist on commodities and agri markets

businessline
bl.portfolio
22 May 2026

US manufacturing expands most in four years

Vince Golle

US manufacturing activity expanded in May by the most in four years as customers strived to get ahead of mounting price pressures tied to the Iran war.

The S&P Global flash May factory purchasing managers index rose 0.8 point to 55.3, data released Thursday showed.

Figures above 50 indicate expansion. A gauge of prices paid for inputs jumped more than 11 points to the highest level since June 2022.

The figures show how manufacturing is getting a temporary boost from the conflict, which has upended supply chains and driven energy and other costs sharply higher. A composite measure of business activity that includes services, meanwhile, was unchanged in May.

The data show "only modest growth of business activity as demand was again squeezed by a further spike in prices and jobs were cut as firms worried over rising costs and the economic outlook," Chris Williamson, chief business economist at S&P Global Market Intelligence, said in a statement.

"On average, over the past three months order book growth has slowed to its weakest for two years, and a boost from precautionary stock building due to concerns over further price hikes and supply delays will not last forever," Williamson said.



BOOST. From stockpiling rush REUTERS

The group's composite measure of employment contracted at the fastest pace in nearly two years. Service providers reduced headcount at the second-fastest rate since the early months of the pandemic.

Composite gauges of input and output prices advanced to the highest levels since 2022.

While the cost of goods showed a notable increase, prices of services also recorded one of the largest advances in the last four years, the report showed. Supplier delivery times for manufacturers lengthened by the most since mid-2022.

With the Strait of Hormuz effectively closed to shipping of energy and other key manufacturing inputs, inflationary pressures are becoming more pervasive. BLOOMBERG

businessline
bl.portfolio



25 May 2026

Fiscal dividend

RBI's dual transfers, a confidence booster

In what must come as a measure of comfort in these otherwise grim times for the fisc, the Reserve Bank of India has transferred a record dividend to the Centre, while also setting aside ample sums for its own contingency buffers. The Centre needs the funds badly, and so does the RBI — both for distinct reasons. Besides reducing fiscal stress, the dividend will also infuse liquidity into the system, now shrinking due to RBI interventions to shore up the rupee.



At ₹2.86 lakh crore for 2025-26, RBI's dividend transfer is almost 7 per cent higher than last year's. This may help in reducing the Centre's rising fiscal deficit this year. Meanwhile, the RBI needs the comfort of ample contingency reserves for market intervention in these very volatile times. With respect to the latter, a revised economic capital framework, adopted by the RBI in 2025, provides it the flexibility to maintain the contingency risk buffer at 4.5-7.5 per cent. To support the Centre during Covid-19 pandemic, the CRB had been lowered to 5.5 per cent of the RBI's balance sheet. As economic activity normalised, the buffer had been gradually increased to take it to 7.5 per cent of the balance sheet in 2024-25. It is well that the RBI has not used the entire leeway provided by the revised economic capital framework and has lowered the CRB's portion by only one percentage point to 6.5 per cent of its balance sheet, despite the exigencies created by the war. Even so, the transfer to CRB is 143 per cent higher for 2025-26, at ₹1.09 lakh crore. This has been made possible by the RBI's balance sheet expanding 20.6 per cent to ₹91.97 lakh crore; much higher than the expansion of 8.2 per cent in 2024-25. A 26 per cent rise in RBI's income (gross and net) has come in very handy.

The expansion in the balance sheet appears driven by the open market operations in government securities to support the government borrowing programme and infuse liquidity. The RBI did not buy much gold in FY26, restricting the purchases to 0.9 tonnes. But the 61 per cent surge in domestic gold prices in 2025-26 will also have boosted its currency and gold revaluation reserve. The sharp increase of 26.42 per cent in gross income appears led by the sale of US dollars, purchased at lower rates, and the higher interest income on its holding of domestic and foreign government securities, due to the high yields prevailing in India and the US.

As for the Centre's finances, the fisc will be faced with rising subsidies on food, fertilizer and fuel, alongside welfare and stimulus commitments; on the other hand, revenues will not be buoyant. Higher crude prices and reduced margins could lower dividends from oil majors. Margins of companies are expected to decline, impacting corporate tax collections. Lower consumption due to inflation can dent indirect tax revenues. In sum, with oil prices likely to be above $90 a barrel on average in FY27, a fiscal target of 4.3 per cent of GDP looks daunting — and, this dividend transfer could help.

businessline
bl.portfolio
26 May 2026

LINE & LENGTH.



TCA SRINIVASA RAGHAVAN

It's China that needs the West, not the reverse



The Chinese economy is a derivative of the America-EU one. If the latter runs out of money, so will China. America is the patron, the West is the client

GETTY IMAGES

Now that President Xi Jinping of China has told his American counterpart, Donald Trump, that the US is a declining power, how long will it take America to become a 'been there, done that' country? Long, very long I think.

It took the British empire over 70 years and the Soviet empire just five. The French took around 20 years. Much earlier the Spaniards took around 200 years. Yes. 200. But it wasn't really an empire.

But empires don't collapse because one, or some, of their leaders make utter fools of themselves. They collapse because they run out of money. That's all. There are no exceptions to this truth.

So what needs asking is who will run out of money first: the US plus EU or China? The answer is that when a car runs out of petrol, it stops. Likewise, if they run out of money, so will China. America is the patron, the West is the client.

The Chinese economy is a derivative of the America-EU one, an utterly mismanaged one that depends on its rival making mistakes, like Trump has been doing.

But he will go and his successor will start fixing these mistakes. That isn't that hard to do. And it will work because the problem is not America. It's Donald Trump. His biggest shortcoming is that he can't be trusted.

But can China be trusted? I just read some data that says China hasn't delivered on 75 per cent of the promises it had made to other countries since 1950. Yes, 1950.

A TEMPORARY SITUATION

So that's where we stand now. China thinks it has become *numero uno*. But America is just waiting impatiently for a new president.

By the way, my interest in China goes back to 1973 when my brother was posted there in the Indian embassy. Basically, it seems clear that Chinese society is a very suspicious one. Everyone suspects everyone else. It's hard to say why.

Coming back to US-China competition, the economics of American dominance is far superior to China's portrayal of it, especially by its admirers. It's simply not true that China will quickly supplant the US. Not a chance except in some places that the US no longer needs.

The reason is that until Trump came along, the world trusted America but now it's hesitating and Chinese loudspeakers are amplifying that hesitation. But, rest assured, once a new president takes office, the world will once again turn to America. There's not a hope in hell that in the interim China will become trustworthy and the world will embrace it.

The Chinese problem is cultural. In China trust is not extended to people you don't know because the formal instruments of trust like contracts and agreements don't matter as much as personal relationships and the resulting networks. In this regard China is still primitive.

This may well be the preferred Chinese way of doing things but at the international level it has made countries very wary of China. And that's what makes it hard to displace the US for many years still.

China, in order to become Number One lacks what it needs: goodwill towards others and towards it. It needs the world but behaves as if the rest of the world needs it

THE TRUST THING

Even today, when Trump is rampaging, if you asked the prime minister of a country who he or she would trust, only a few would say China. It has a long, long way to go before countries start trusting it.

This is because for the Chinese, and especially the Communist party of China, the power to coerce is more important than cooperation. You only have to look at the history of it all. It's replete with the zero-sum approach. The Chinese take no prisoners.

This is not to say that America doesn't coerce. It does but, generally, until Trump came along, it tended to err on the side of generosity and cooperation. That liberal impulse, which was so strong, has been temporarily sidelined by Trump. It will return.

In the end, though, it boils down to the size of an economy. American GDP is $30 trillion. Chinese GDP is $20 trillion, smaller than the economy of the European Union which is $22 trillion. America plus Europe are two-and-a-half times the size of the Chinese economy. Indeed, the Chinese economy is probably much smaller than it would have the world believe just as, because of counting errors, India's is much bigger than the world thinks, maybe $6 trillion. We leave out 60 per cent of economic activity and the Chinese double count a lot.

Before getting down to write this article I also looked at the data about the Soviet economy in the 1980s. There, too, the assessments were fantastic. But in 1991 the USSR collapsed. This is worth bearing in mind while discussing Chinese strengths.

China, in order to become Number One lacks what it needs: goodwill towards others and towards it. It needs the world but behaves as if the rest of the world needs it. In a limited, industrial supply chains, way, perhaps this is true — but for the time being only.

businessline
bl.portfolio





26 May 2026

Crushing problem

Duty hikes to discourage cooking oil use avoidable

Even as policymakers grapple with rising crude oil prices, domestic prices of cooking oil are shooting up sharply on the back of supply constraints and rising import costs. April CPI (Consumer Price Index) numbers showed a 9.2 per cent year-on-year spike in oils and fats, after a 7 per cent increase in the preceding months. There seems to be little relief in sight. India continues to import over 60 per cent of its edible oil requirement and global prices are being propelled upwards by multiple factors.



Crude oil shortages are prompting key palm oil producers such as Malaysia and Indonesia to tighten bio-diesel mandates, shrinking their exports and triggering an 18 per cent price rise in palm oil year-to-date. Sunflower and soyabean oil prices have also risen by 13-19 per cent on higher fertilizer prices, rising freight and shipping disruptions due to the Iran conflict. The rupee's slide against other currencies is adding to the cost of imports. There are no easy fixes to this problem. In a bid to coax farmers to expand their oilseed acreage in the upcoming kharif, the Centre has announced increases of 3-8 per cent in Minimum Support Prices (MSPs) for the 2026 kharif season. However, oilseed output shrank by 6 per cent in the last kharif season despite 8-9 per cent increases in MSPs. Farmers are said to have switched from soyabean to maize in a bid to cash in on assured demand for maize from ethanol processors.

A tweaking of import duties on edible oil imports to encourage domestic oil production, didn't work either. Last May, the Centre slashed import duties on crude edible oil from 20 per cent to 10 per cent while retaining the duty on refined oils at over 35 per cent, to prop up profit margins for edible oil refiners. Despite this though, India imported 166.5 lakh tonnes of edible oil in FY26, 3 per cent more than the previous year. The continued influx of palm oil imports, preferred by less affluent consumers for its affordability, kept India's import dependence high. Some reports now suggest that the Government is considering an increase in import duties on edible oils to conserve foreign exchange. This would be unfair to consumers, who are already dealing with budget constraints. Given that MSP increases and duty tweaks have not improved domestic output, imports are unavoidable to meet demand.

The view that steep cooking oil prices would be good for consumers' health as they will cut back on cooking oil use, lacks nuance. Lower income households may not be able to afford even the minimum requirement, while affluent consumers may not mind paying more for oil-heavy foods. In the near term, lowering the steep customs duty on refined oils may be the only way to offer relief to households. In the long run, it must become more lucrative for farmers to grow indigenous oilseeds such as sunflower, coconut, mustard and sesame, so that consumers can be weaned away from palm oil.

businessline
bl.portfolio
26 May 2026

Cost of defending the rupee

The rupee's decline cannot be explained only by BoP flows. It points to speculative activity profiting from deregulation

MACROSCAN.



CP CHANDRASHEKHAR, JAYATI GHOSH

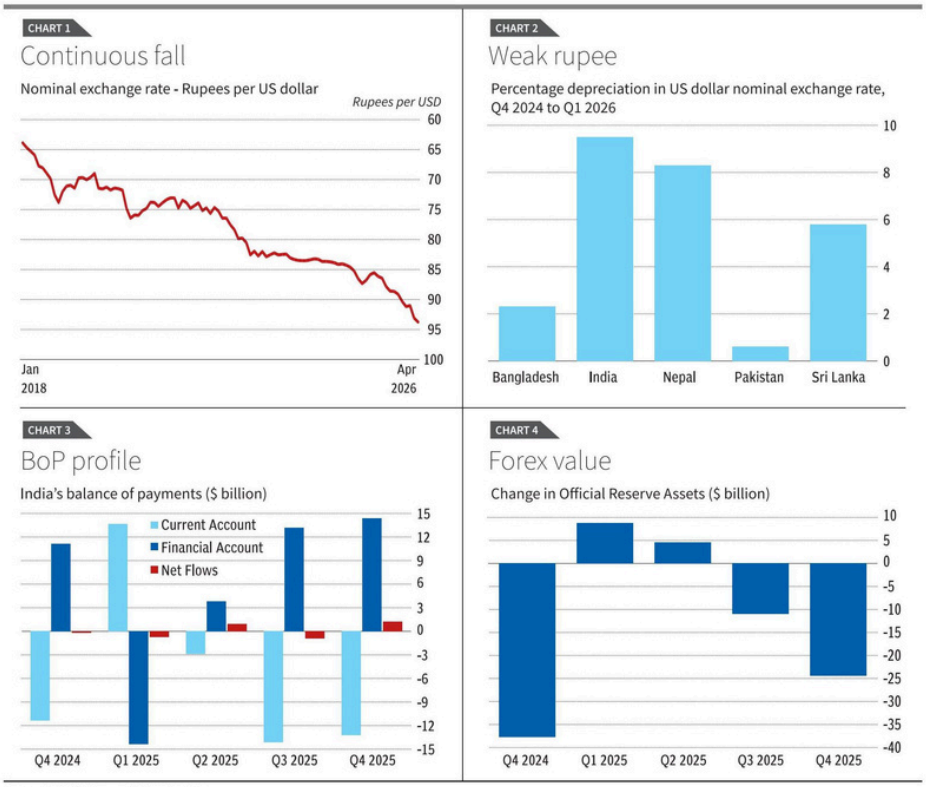
For the past few months, the decline in the value of the rupee and the RBI's efforts to contain it have become the among most discussed features of the Indian economy. There is no doubt that the decline in the nominal value of the rupee, especially with reference to the US dollar (which has otherwise been declining itself with respect to other major currencies) has been sharp.

Figure 1 shows that this is not a new tendency, and that the rupee has fallen almost continuously since 2018, by nearly 50 per cent. However, the recent decline, since the turn of the year, has been especially sharp.

Indeed, the period since the US-Israel war on Iran has been especially bad for the Indian rupee. The currency has underperformed, not only with respect to its peers in the BRICS countries, but more tellingly even in South Asia. Figure 2 shows how (taking an average of the values in every quarter) between Q4 (Oct-Dec) of 2024, before the war started, and up to Q1 (Jan-Mar) of 2025, the Indian rupee depreciated more than all other South Asian currencies.

Bear in mind that all our South Asian neighbours are experiencing various degrees of political and economic crisis or instability, and the poor performance of the Indian rupee becomes even more telling.

Normally, changes in the overall balance of payments would provide a clear answer as to why this has been occurring — and that too, so dramatically. Either current account deficits would have grown without adequate change in capital inflows, or financial outflows, in the form of capital flight, would have triggered this process of rupee decline. Of course, if both occur together, then a sharp decline is only to be expected.



Source: Federal Reserve of St Louis, IMF

COMPLEX ISSUE

But this is where the issue becomes more complex. An examination of the overall balance of payments data does not suggest such a severe imbalance over the past year that would generate such a change in the value of the currency. In fact, the net balance of payments appears to have been largely stable in 2025.

As Figure 3 indicates, there was a brief period of January-March 2025 when the current account was in net surplus (largely due to the inflow of foreign remittances and the decline in imports, including oil and gold). But this was counterbalanced by net capital outflows in the period. In all other quarters since the last quarter of 2024, the current account has been in deficit while the financial inflows have been positive.

This seems to be counterintuitive. There has been much evidence — and discussion — on the increased extent and pace of private financial outflows, so this seems quite contrary to the observed reality of capital flight that the RBI is now apparently trying to control. But if net capital inflows have been positive, and more than balanced the current account deficit, then how and why is the rupee depreciating in value?

The answer obviously requires further investigation, but one hypothesis is clearly worth exploring. This is the growing role of internal trade in the rupee, through banks, foreign exchange brokers and other such entities, who have been speculating on the possibility of future declines in rupee value and have thereby made their own expectations self-fulfilling. To the extent that such trades do not require the intermediation of the RBI, they would not be reflected in the balance of payments. And large legacy holdings of dollars or other "hard currencies" within the country could be part of this trade.

The growing role of internal trade in the rupee, through banks, foreign exchange brokers and other such entities, who have been speculating on the possibility of future declines in rupee value could be a factor in its decline

RBI ACTION

Also, as and when the RBI intervenes in forex markets, its actions also contribute to the "financial flows" that appear in the balance of payments. And such intervention has been strongly evident in the past year. Figure 4 indicates the very large changes in the value of foreign exchange reserves held by the RBI, with a fairly sharp decline of nearly $38 billion in the last quarter of 2024.

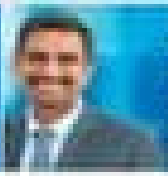
Thereafter there were two quarters when forex reserves were built up once again, but since July 2025 there has clearly been a revival of open market operations by the RBI, with rupee purchases designed to stabilise the currency. These would effectively be part of the net financial inflows.

This was so extensive that apparently the RBI recorded a net sale of $53.1 billion of reserves in the financial year 2025-26. This was around $12 billion more than its net sales in the previous financial year. And there seem to be no signs of this abating: as recently as Thursday May 21, the RBI apparently sold at least $2 billion in the open market on one day alone.

So some of what appear to be "market fundamentals" could actually reflect the RBI operating to curb speculative activity in the forex market, in a situation in which domestic financial agents and traders are able to use their deregulated powers to bet on a falling rupee. This helps to explain some of the other measures the central bank has taken. In March, the central bank put a limit of $100 million on net open rupee positions of banks, which are estimated to have grown to significant levels of anywhere between $25-25 billion. But this had little effect as banks then exited their position by offering them to corporate clients. As a result, in early April, the RBI barred banks from offering rupee non-deliverable forwards to resident and non-resident clients and barred companies from rebooking cancelled forward contracts.

Essentially, therefore, the RBI is fighting speculative activity that has become much harder to control after various financial deregulation measures allowed the onshore trading of the rupee. It was only to be expected that such speculation will accentuate and intensify the economic pressures that are already evident and likely to become even worse as global economic uncertainty persists. The need for greater financial regulation has never been more evident.

businessline
bl.portfolio



26 May 2026

Japan PM unveils $19 billion extra budget

Reuters

Japan will build up an extra$19 billion in reserves to subsidise fuel costs and help tackle cost of living pressures, Prime Minister Sanae Takaichi said on Monday, while looking to assuage bond market concerns by promising no extra borrowing overall.

The supplementary budget, first reported earlier this month, marks a reversal from Takaichi's previous remarks ruling out the need for extra spending, but comes as a spike in energy prices following the Iran war — along with rising import costs from the weak yen — threaten her persistently high support among the electorate.

The extra budget of some 3 trillion yen ($19 billion) comes after the government decided to use roughly half of its 1trillion yen contingency reserves to fund subsidies aimed at curbing utility bills, increasing the need to replenish reserves amid the risk of a prolonged Middle East crisis.

Japan has also been extending separate subsidies to keep gasoline prices steady, a costly step that is quickly using up its contingency reserves as oil prices remain elevated.

Takaichi told reporters the extra spending will be financed by deficit-financing bonds, but added she believes the measure could be implemented "without affecting the government bond market".

The overall amount of bond issuance will remain unchanged from the original plan, she said, as stronger tax revenues, non-tax income and expected underspending are likely to eliminate the need for around 3 trillion yen in deficit bonds that had been scheduled for issuance through June.

"While closely monitoring daily market developments and economic indicators, the government will steadily reduce the debt-to-GDP ratio to ensure fiscal sustainability and maintain market confidence," Takaichi told reporters.

businessline
bl.portfolio
27 May 2026

SSE: A vital cog in the CSR chain

WORTH TRYING. Channelling CSR funds through Social Stock Exchange can unlock large funds, and be deployed transparently



K GOWRI SHANKAR



KEY REFORM. Allowing CSR funds through Social Stock Exchange can turn India's social capital into a powerful engine for Viksit Bharat

India is the only country in the world to have a mandated 2 per cent corporate spending of CSR. This generates on average ₹34,909 crore in funds every year, making it one of the largest pools of mandated social impact capital in the world. In 2022, India built a regulated social capital platform inside NSE and BSE: the Social Stock Exchange (SSE). This initiative was designed to connect verified non-profit organisations with investors who would want to invest in the social development of the country.

The idea was sound, but the largest pool of social impact capital still cannot use this infrastructure as it is limited only to retail investors and excludes corporates. Since 2022, the SSE has registered around 170 NPOs and mobilised ₹42.56 crore through 16 projects (BSE SSE and NSE SSE combined data, 2024-25), while India's CSR ecosystem deployed over ₹1,00,000 crore in the same period (PIB, 2025; PRIME Database, 2026). Allowing CSR funds to flow through the SSE could be the key reform that can turn India's social capital into a powerful engine for Viksit Bharat.

THE WORLD HAS TRIED THIS

The Social Stock Exchange is not a new idea. Brazil, South Africa, Portugal, the UK, Canada and Singapore have all tried it, and most failed. Their common weaknesses were simple: no funding source, weak regulation and thin NGO pipelines (ICNL-Samhita Global Review, 2024).

India has what these countries did not have. A mandatory annual CSR obligation, SEBI regulation, and the institutional homes of BSE and NSE. No other SSE has had these, making it very possible for India to succeed if used correctly.

At present, CSR funds directed to SSE-listed NPOs through Zero Coupon Zero Principal (ZCZP) bonds or Social Impact Funds do not qualify as CSR expenditure under Ministry of Corporate Affairs (MCA) rules. This gap should be addressed.

The MCA should recognise subscription by corporates to instruments offered through the SSE as CSR expenditure. This will immediately unlock ₹34,909 crore of mandated capital that can be deployed transparently through the SSE platform. SEBI has already recommended that ZCZP investments be given CSR equivalence. The CBDT has confirmed 80G benefits for donors. No new legislation is required and there is no cost to the exchequer. A single notification from the MCA will make the SSE a live functioning market overnight.

But two structural challenges will remain. The NGO pipeline needs to deepen so that the capital, once unlocked, has credible and capable organisations to absorb it. And the regulatory framework needs to be optimised so that the platform works efficiently at scale. SEBI has already moved in the right direction by extending NPO registration validity to three years and reducing the minimum ZCZP subscription threshold.

Activate idle capital. In FY24, ₹2,800 crore sat in unspent CSR accounts even as many government welfare schemes continue to underspend because delivery capacity is uneven. SSE-listed NPOs, independently verified and already working in target geographies, could help put this capital to immediate use. A cross-ministry notification recognising SSE as an eligible implementation channel would turn idle allocations into active, outcome-linked development finance.

The NGO pipeline needs to deepen so that the capital, once unlocked, has credible and capable organisations to absorb it

One rating to replace four registrations. An NGO today must maintain CSR-1 rating with MCA, secure FCRA clearance with the Home Ministry, get 12A and 80G eligibility clearances from the Income Tax Department, and register with the DARPAN portal of NITI Aayog. Yet, a company still has no standardised signal of whether the NGO delivers results on the ground.

A SEBI-mandated Social Performance Rating, administered by ICRA or CARE and renewed every three years, can replace this fragmented architecture with one market-readable quality signal. SSE listing will then become the only credential a CSR team will need. It will reduce compliance burden for companies, lower partner-verification costs, and improve trust. For NGOs, it will turn compliance into credibility and credibility into capital, giving them a clear reason to pursue listing on SSE.

Map money to need. Six States have absorbed roughly 60 per cent of all CSR spend over a decade (MCA CSR Data, CSRBox 2023). Aspirational districts received just 2.15 per cent of cumulative CSR since 2014 (NITI Aayog, 2023). What we need is a national CSR Registry maintained by NITI Aayog, geo-tagged by district and updated in real time. This will give every CSR committee a live heat map of where India's development capital is most needed. The registry listings can be matched to pre-verified SSE-listed organisations already operating there. State governments can also feed a Demand Registry into this platform, signalling priority needs at block level.

Measure outcomes, not activity. India counts outputs: trees planted, toilets built, hospitals constructed, students enrolled. Outcomes are a different question: are those schools staffed, patients treated well, those trees alive? The SSE's Social Impact Assessor framework already mandates outcome reporting. A National Social Return On Investment framework assigning evidence-based economic proxies to social change would allow policymakers to quantify the impact of CSR on GDP. This will help change the conversation from compliance to national investment.

Finally, a dedicated CVC vigilance cell for CSR, a SCORES-style public whistleblower portal, and proportionate penalties for misreporting will help establish credibility of the entire system. When funds flow through a SEBI-regulated platform, irregularities become structurally harder to conceal.

The writer is Global Coordinator, One World One Family Mission

businessline
bl.portfolio
27 May 2026

Suggested changes in IIP, a leap forward

The factory index does not capture present day industrial activity. The new index will later provide unorganised sector data

Mridul Saggar

Countries have, for long, tracked factory output. Yet, it was only in 1920s that the US Fed for the first time made a concerted effort for compiling monthly industrial production giving rise to the worldwide adoption of IIP as the high (monthly) frequency volume indicator to track activity levels. India was amongst the earliest countries to follow suit. It set 1937 as base year more than a decade before international recommendations emerged on compiling such an index.

Since then, its base year has been revised nine times. The last base change was done to 2011-12 in 2014. Given the rapid pace of innovation and consequent technological obsolescence in industrial production structures, more than a decade old base now poses problems of systemic errors and flawed statistical representation of the true picture.

Therefore, in September 2024, the Ministry for Statistics and Programme Implementation constituted this Technical Advisory Committee for Base Year Revision on the Index of Industrial Production (TAC-IIP) with a wide remit to not only change the base but also bring about conceptual and methodological improvements. The TAC, which I had the privilege to Chair, submitted its report this mid-month and it is now in the public domain.

The key improvements recommended include: (i) introduction of chain-linked IIP in addition to the fixed base index, (ii) substitution and augmentation of factories to address the problems of creative destruction of firms and products amid changing production lines that imparts a downward bias to output measurement, (iii) selection of item basket to capture updated production structure with a better treatment of items not elsewhere classified (n.e.c), (iv) preparation of the new weighting diagram in line with the contemporary production structure, (v) greater granularity in electricity index between non-renewable and renewable energy, (vi) shift from arithmetic mean to geometric mean based linking factors at the level of broad aggregates for its better statistical properties, (vii) moving towards homogenous methodology and fuller coverage of State-level IIPs in alignment with methodology for all-India IIP, and (viii) introduction of gas supply, water supply and sewerage & waste management as part of the IIP in line with the international recommendations of IIP.

Certain recommendations of the TAC-IIP are forward-looking that may take time to implement but are nevertheless important. These include: (i) developing a de-seasonalisation unit with MoSPI to start disseminating de-seasonalised data series as soon as may be possible, (ii) developing indices for unincorporated sector by considering an industry level indicator in ASUSE survey, and (iii) developing business registries through the use of GST data with potential to significantly improve IIP. TAC-IIP suggested using GST data as a parallel exercise for one to two years before taking a view on the robustness of the information to capture it for activity levels.



ON THE ANVIL. IIP with a new base and weighting pattern REUTERS

MAIN CONSIDERATIONS

Two main considerations guided our work. First, if we want to deliver information leaps and not just the new base, we need to fix the problem of the IIP getting unrepresentative over time. So, we looked beyond standard methodologies followed for years. In doing so, we were mindful of maintaining comparability with the series of earlier bases but were not bogged down by what needs to be done additionally.

Second, while searching for methodological improvements, we kept in mind the best international practices in line with the International Recommendations for the Index of Industrial Production (IRIIP). So, we pushed for the coverage of minor minerals with the State governments and gas, water supply and sewerage with the administrative ministries with the help of MoSPI.

Simultaneously, we also realised that electricity as aggregate did not do justice to the sector. We suggested disaggregation with types of electricity generated to capture the energy transition from non-renewables to renewables that the country is expeditiously making, both in the interest of climate goals and our own energy security. Once information on the unincorporated establishments is covered under ASUSE and eventually QBUSE, the index will be in a position to bring in timely information for unincorporated sector.

This journey will begin on June 1 when the April 2026 IIP gets released on the new base and providing new weighting pattern for the new item basket and sectors.

The writer is Professor, IIM Kozhikode and the Chairman of TAC-IIP. Views are personal

businessline
bl.portfolio
27 May 2026

Countering resource nationalism

Indonesia's move to channelise coal exports through a state entity must make India calibrate its energy strategy

CAPITAL IDEAS.



RICHA MISHRA

The current geopolitical uncertainty has triggered an energy market disruption that is benefiting coal.

No surprises then that the major coal exporting nations are aggressively leveraging the current crisis to maximise revenue, capture market share, and more importantly dictate trade terms, as the Asian and European utilities swivel away from expensive, bottlenecked natural gas.

Indonesia's move to "nationalise coal export activity" has caught media attention. According to reports, Jakarta is moving to become the single selling point for Indonesia's thermal coal exports. If and when implemented this would end the current mechanism of international buyers negotiating directly with the miners and traders in that country.

It aims to centralise exports of natural resources, including coal, crude palm oil and nickel ferro alloys. According to reports, all Indonesian coal exports to foreign buyers will be handled by a single state-owned enterprise (SOE).

Should Indian players worry about this move?

Historically, Indian power plants and traders have negotiated directly with private Indonesian miners to secure low-cost, low-ash thermal coal. Reports last week said, Indonesian President Prabowo Subianto has said that his government will mandate that exports of palm oil, coal, and ferroalloys be conducted through a state agency, as the country seeks to tighten its control over its natural resources and boost state revenue.

Though Indonesia is among the largest suppliers of thermal coal to India, Jakarta's plans will not fructify overnight. To minimise an immediate trade freeze, the Indonesian government has structured a strict, highly compressed three-month transition window, according to reports.



ENERGY SECURITY. India must work towards ramping up domestic coal production

India relies on Indonesia to sustain its grid and vital industrial sectors, making the volume, quality, and logistics of this trade highly critical. Unlike Australia, which sells premium coking coal for Indian steelmaking, Indonesia exports low-to-medium calorific value non-coking coal. This is used exclusively for electricity generation in Thermal Power Plants (TPPs) and kiln-firing in cement factories. Several coastal Indian power plants are designed and configured specifically to run on imported coal mixtures.

The Power Ministry routinely mandates utilities to import coal for blending up to 10 per cent of their total fuel mix to safeguard against domestic mine flooding during monsoon seasons.

INDIA'S MOVES

India must maximise domestic alternatives and widen its supplier base to shield itself from potential Indonesian supply chain shocks, price floor enforcement, and newly proposed export tariffs. India has successfully pushed its domestic coal production over 1 billion tonnes. Coal India Ltd (CIL) is actively working to displace imported thermal volumes by flooding local auctions and expanding production pathways.

Historically, Indian power plants and traders have negotiated directly with private Indonesian miners to secure low-cost, low-ash thermal coal

According to Tracy Shuchart, Senior Economist, NinjaTrader Group, LLC, "India is less exposed to this than the topline numbers suggest."

According to Coal Ministry data, total coal imports fell 7.9 per cent in FY25 to 243.62 million tonnes, saving roughly $7.93 billion in foreign exchange. "The number that matters most for the Indonesian story is buried inside that release.

Coal imports for blending by thermal power plants dropped 41.4 per cent year-on-year in FY25 even as coal-based power generation grew 3 per cent. That is the precise demand category Indonesian low CV coal serves, and India already cut it by more than 40 per cent in a single year," she pointed out.

Domestic production crossed 1 billion tonnes in FY25 and the government's stated target is zero substitutable coal imports by FY26. "On supplier mix, Bancosta vessel data shows Indonesia's share of India's seaborne imports fell from roughly 60 per cent in 2024 to 40.3 per cent in the first nine months of 2025, with Russian and South African cargoes hitting record highs to replace Indonesian volumes," Shuchart said. The government must be credited for working towards a policy to safeguard against such policy disruptions.

"If Jakarta's single SOE model creates supply disruption or enforces price floors above market, India accelerates a substitution already well underway. The buyers genuinely cornered by this policy are the Philippines and Bangladesh, where Indonesian dependency runs much deeper," she said.

The proposed move by Indonesia reflects a growing trend of resource nationalism across commodity-exporting economies, where governments are seeking greater control over pricing, revenues, and strategic natural resources.

Mexico and Chile are tightening state control over lithium, and oil-producing nations are using state entities to influence hydrocarbon production and pricing.

Energy and mineral resources are increasingly being viewed not just as commercial commodities, but as strategic national assets linked to economic security and geopolitical influence.

This may improve tax revenues and national bargaining power, but it also creates execution risk, say critics. The success of this policy will depend on whether it can be implemented without disrupting shipments, politicising allocations, scaring buyers, and making coal pricing less transparent.

The Coal Ministry estimates that overall domestic coal demand will scale up to 1.5 billion tonnes by 2029-30. Major Indian buyers of Indonesian coal are divided into two groups: conglomerate power producers that burn the coal directly in their coastal mega-plants, and specialised commodity trading firms that import the coal in bulk to distribute to mid-sized domestic industries.

Indian procurement strategies will have to pivot heavily toward alternative origins, such as Australia or South Africa, or sharply accelerate domestic coal production.

India's push to reduce dependence on imported coal to strengthen energy security is also crucial.

businessline
bl.portfolio
27 May 2026

STATISTALK.

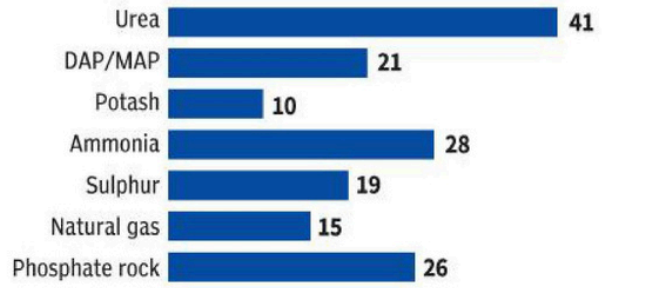
Compiled by **Vasupradha Sandeep**, *intern* | Graphic **KS Gunasekar**

Ripple effects of the Iran conflict on the fertilizer market

Nearly one-third of globally traded fertilizer passes through the Strait of Hormuz. Its closure therefore, cut fertilizer flows to the extent of 87 per cent of the pre-conflict average. This caused prices to skyrocket, with key inputs like urea being currently priced at $850/tonne compared to about $450/tonne in February. This is exacerbated by dwindling LNG imports forcing domestic fertilizer production to shut down. Historically, agricultural commodity prices have shown inflationary trends during crises, with rising fertilizer prices often pushing up food prices. The brunt of this will be felt more by the Gulf fertilizer-dependent countries

Global fertilizer, feedstock exports originating from West Asia

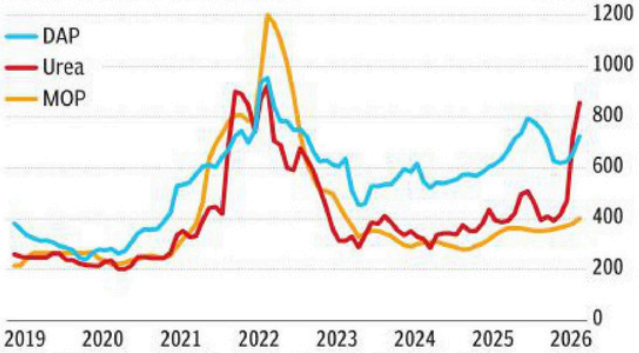
Share in global exports (%)



DAP - diammonium phosphate, MAP - monoammonium phosphate
Based on 2024 data

Fertilizer prices shoot up

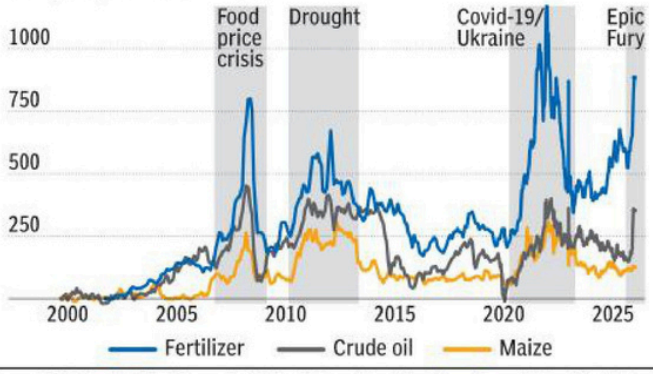
$/mt



Note: DAP = diammonium phosphate; MOP = muriate of potassium; mt = metric tonnes. Monthly series. Last observation is April 2026

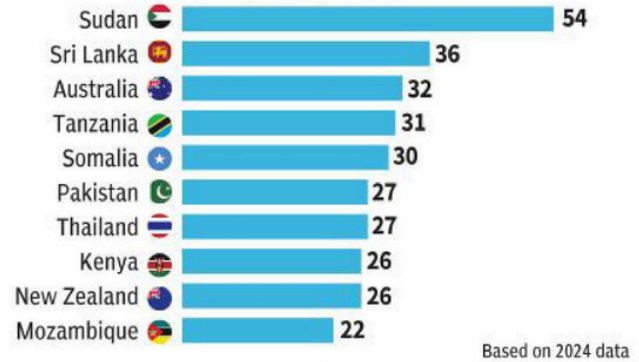
Fertilizers, food inflate when oil price spikes

Change in price since 2000 (%)



Countries vulnerable to paucity of Gulf fertilizers

Share of Gulf in fertilizers imported by sea (%)



Based on 2024 data

Source: S&P Global, The Energy Institute, International Fertilizer Association, World Bank, FAO, Center for Strategic and International Studies, UNCTAD

businessline
bl.portfolio
28 May 2026

Meet the FPIs leading the sell-off

Analysis of granular data on FPIs shows that unregulated entities from tax havens have sold more than long-term investors

POINT BLANK.



LOKESHWARRI SK

The selling spree by foreign portfolio investors is getting even the most detached market observer worried. FPIs have sold around ₹2.26 lakh crore of Indian equity in 2026, following net sales of ₹1.66 lakh crore in 2025. They have been in exit mode since September 2024, when they decided to plough more money into Chinese equity and sell Indian stocks which were trading at considerable valuation premium to most other markets.

So, should you start panicking? No. Because it is wrong to paint all foreign portfolio investors with the same brush. There were 12,199 FPIs registered with SEBI towards the end of last fiscal year. These investors come from different countries and have varying investment objectives, ranging from speculative short-term trading to long-term investments. They could be foreign central banks, sovereign wealth funds, pension funds, hedge funds, portfolio management services and other alternate investment vehicles.

A *businessline* analysis of the category-wise and country-wise assets of FPIs shows that the regulated funds from regions such as the US have sold only a small part of their holding in this spell. But unregulated FPIs from tax havens such as Luxembourg and Mauritius have seen a larger reduction in their assets.

This spells good news because the speculative hot money, which comes through tax havens, is quite whimsical and can change direction quite fast.

FPIs from tax havens cut back

Country-wise FPI equity assets under custody (in ₹ crore)

	Sep-24	April-26	% change
US	33,34,365	30,07,912	-9.8
Singapore	5,81,562	4,14,050	-28.8
Luxembourg	5,75,910	4,85,837	-15.6
Ireland	4,64,947	4,59,884	-1.1
Mauritius	3,71,466	2,76,176	-25.7
UK	3,91,306	3,02,216	-22.8
Norway	2,80,562	2,68,811	-4.2
Canada	2,33,150	1,98,847	-14.7
Japan	1,98,255	2,00,843	1.3
France	1,37,530	1,43,302	4.2

Unregulated FPIs reduce holdings

Category-wise FPI equity assets under custody (in ₹ crore)

	Sep-24	April-26	% change
Appropriately Regulated Fund	43,84,713	39,06,603	-10.9
Pension Fund	6,73,270	6,85,988	1.9
Sovereign Wealth Fund	5,33,025	4,70,824	-11.7
Entity controlled or at least 75% owned by Government	5,28,957	4,11,940	-22.1
Unregulated fund whose investment manager is Category I FPI	4,98,124	3,86,242	-22.5
Unregulated fund - Limited Partnership / Trust	1,69,319	1,79,751	6.2

Source: NSDL

COUNTRY-WISE DATA

The country which originates the largest share of FPI investments into India currently is the US, accounting for 43 per cent share of FPI assets or ₹30.07 lakh crore in April 2026. With approximately half of global investable funds originating from the US, it is not surprising that this trend reflects in India too.

The assets of these investors have recorded a decline of only 10 per cent since September 2024. Since the Nifty50 is down around 8 per cent between September 2024 and April 2026, the decline in FPI assets could partly be due to reduction in stock prices.

If the valuation losses were excluded, these investors are likely to have pulled out only 2 per cent of their holdings. This is a good sign since investors from the US are likely to be dominated by large mutual funds, pension funds, university funds and exchange traded funds. These investors would typically have a longer-term investment horizon.

The countries which follow the US are offshore financial centres or tax havens such as Singapore (7.5 per cent share of FPI assets), Luxembourg (7.4 per cent), Ireland (6 per cent) and Mauritius (4.8 per cent).

FPIs have been pulling out money due to funds being allocated to AI stocks in Taiwan, South Korea, etc., the high valuation in Indian equity markets and the rupee depreciation

These countries have seen a larger reduction in FPI assets with Singapore and Mauritius recording more than 25 per cent reduction. It is established that hedge funds and other short-term investors who prefer to switch their investments faster operate out of OFCs (offshore financial centres) for ease of operations.

FPIs from Norway, dominated by Norway's sovereign wealth fund, recorded a decline of just 4.2 per cent in their assets in this period. This would largely be accounted for by the fall in stock prices.

Investors from Japan and France are at the other end of the spectrum, recording an increase in their assets, albeit marginal.

CATEGORY-WISE DATA

Data disseminated by SEBI on assets held by each FPI category also reiterates the trend that FPIs with a long-term horizon are not selling too much of their holding.

The largest category of FPIs, holding 57.5 per cent of total assets, are 'appropriately regulated funds'. Large mutual funds, ETFs, insurance funds, etc., operating out of the US, Europe and other large countries would fall in this category. This category has seen assets reduce by 11 per cent between September 2024 and April 2026 to ₹39 lakh crore. As mentioned above, around 8 per cent of the decline could be due to stock price correction, implying that they have reduced their holding by only around 3 per cent in this bout of selling. Sovereign wealth funds have also witnessed only 11.7 per cent reduction in their assets.

These large institutional investors are unlikely to sell in a big way since they have been investing in Indian equities since early 1990s and would be holding large profitable positions. If they sell aggressively, bringing down prices sharply, they would be harming the value of rest of their Indian equity portfolio. The second largest category of FPIs — pension funds — who hold 10 per cent of FPI assets have, in fact, recorded an increase of ₹12,718 crore in their assets, amounting to 1.9 per cent gain in this period.

Categories where the decline in assets is more than 20 per cent include unregulated funds whose investment manager is category I FPI, funds not eligible to register as category I FPI, central banks and investment advisors. Central banks registered as FPIs with India include the People's Bank of China, Monetary Authority of Singapore, Saudi Central Bank, European Central Bank and Bank of Malaysia.

In sum, FPIs have been selling due to funds being allocated to AI stocks in Taiwan, South Korea, etc., the high valuation here and the rupee depreciation. But since the selling appears led by short-term speculative funds, the tide could turn soon

businessline
bl.portfolio
28 May 2026

IBC needs an institutional boost

PARADIGM SHIFT. Stress resolution shifted from paternalistic rehabilitation to market-driven resolution



MS SAHOO
RAGHAV PANDEY

In May 2024, the Finance Minister observed that the Insolvency and Bankruptcy Code, 2016 (IBC) resolved in seven years as many cases as the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) did in three decades. The remark subtly reframed the discourse towards comparing like with like.

For years, critics often juxtaposed the IBC with the Recovery of Debts and Bankruptcy Act, 1993, or the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. Such comparisons were always inapt. Those statutes are, by design, recovery mechanisms; under the IBC, however, recovery is incidental to resolution. Paradoxically, even on recovery metrics, the IBC has consistently outperformed these specialised recovery tools.

Therefore, a temporal and consequential comparison between the IBC and the SICA regime is both logical and necessary. Both seek to address corporate distress, but through diametrically opposed institutional designs and economic philosophies. As the IBC approaches a decade of operation, it is imperative to evaluate not merely the letter of the law but the distinct economic cultures they birthed.

THE SICA YEARS

India was ahead of its time when it enacted SICA in 1985 to address business failure, years before economic liberalisation in 1991 permitted freedom to establish and operate businesses. SICA emerged from the constitutional and economic ethos of the command-and-control era. It was enacted in the public interest and to advance the Directive Principles under Article 39 of the Constitution. The state assumed a paternalistic responsibility not merely to identify sick industrial companies, but also to rehabilitate them through financial infusions, concessions, and institutional support.

SICA effectively pathologised insolvency. Distressed companies became 'sick' companies, requiring 'rehabilitation'. This language tapped into a deep-seated cultural instinct of *karz*, which often generated undue sympathy for the promoter rather than concern for capital. The Board for Industrial and Financial Reconstruction (BIFR) functioned as a prolonged care ward where promoters checked in their distressed companies, often for years.



GAME CHANGER. The IBC has scored both on recovery rates and resolution time lines

Unfortunately, BIFR possessed neither the capacity nor the incentive to produce viable solutions to business distress.

Throughout this extended hospitalisation, promoters remained in control, while creditors waited outside, with little influence over diagnosis or treatment. As the late Finance Minister Arun Jaitley famously noted, SICA effectively placed debtors behind an iron curtain, shielding them indefinitely from creditor action. This was rooted not in economic logic, but in a regime where displacement of promoters appeared punitive.

RECONCEPTUALISING DEFAULT

The IBC reconceptualised stress, reflected through default, not as a moral failing, but as a neutral economic event. A company in default is simply a collection of assets trapped in an arrangement that no longer works. Consequently, the inquiry shifted from who deserves sympathy to who can deploy those assets most productively.

Modern markets are volatile, technology may become obsolete, expansion may turn reckless, or managerial ability may prove inadequate. The IBC is largely indifferent to the reason for failure. If a promoter fails, the law seeks to place the enterprise in the right hands, from anywhere in the world, to preserve its economic value. If no such value exists, the assets must be released through liquidation for alternative and more efficient uses. This operates on a fundamental contractual premise. A limited liability company is essentially a contract between equity and debt. As long as debt obligations are honoured, equity owners retain control and creditors have no say in the business. Upon default, however, the Code permits corporate insolvency resolution process (CIRP), which displaces the promoters and transfers control to creditors.

The IBC is indifferent to the reason for business failure. If a promoter fails, the law seeks to place the enterprise in the right hands to preserve its economic value

At that stage, the enterprise's residual value effectively belongs to creditors. They, rather than the state or the promoter, determine the company's fate. Their commercial wisdom enjoys primacy and remains largely immune from judicial second-guessing.

Section 29A provides teeth to the separation between the enterprise and promoter. It prevents defaulting promoters from regaining control of their companies through the CIRP at distressed valuations. The principle is simple: genuine business failure may be tolerated, but strategic default must never be rewarded.

A different statutory scheme inevitably produced vastly different outcomes. The SICA regime failed to resolve corporate distress efficiently, contributing to the twin balance sheet syndrome (TBS), which impaired both corporate and bank balance sheets. The IBC, by contrast, helped resolve this overhang and restore credit discipline. Gross non-performing assets (NPAs) of scheduled commercial banks, which peaked at 14.8 per cent in 2018, declined to around 2.2 per cent by 2025.

THE SUCCESS STORY

The improvement is visible in both recovery rates and resolution timelines. The World Bank's Ease of Doing Business indicators captured this shift, with India's ranking in resolving insolvency improving from 136 to 52 within three years of the IBC. Importantly, firms resolved under the IBC demonstrated renewed operational viability: within five years of resolution, average sales and capex doubled, asset turnover more than doubled, profitability ratios converged with industry benchmarks, and market capitalisation tripled.

Perhaps the IBC's greatest success lies in resolutions in its shadow. The credible threat of losing one's empire has fundamentally altered promoter behaviour. Tens of thousands of debtors have resolved after the filing of insolvency applications but before admission. Many more resolve even before an application is filed. This behavioural discipline was entirely absent under SICA.

The contrast between pre-IBC and post-IBC regimes is unmistakable. However, the IBC continues to face institutional and structural constraints. The Supreme Court recently noted that nearly 400 resolution plans are pending approval, with some delays extending to four years.

Unless such bottlenecks, which are preventing the IBC from realising its full potential, are addressed, we risk eroding the efficiency gains that distinguish the IBC from its predecessor. As IBC enters the next decade, the priority must be to strengthen the institutional foundations, ensuring that the iron curtain of the past never returns to shield inefficiency.

TABLE 1

Stress resolution scheme

Parameter	SICA	IBC
Foundation	Constitution	Contract
Objective	Public interest	Market efficiency
Stress	Moral concern	Economic event
Authority	State	Creditors
Asset Control	Debtor	Creditors
Resolution Agent	Promoters	Markets
Outcome	Rehabilitation	Resolution

TABLE 2

Stress resolution outcomes

Parameter	SICA	IBC
Recovery (%)*	26	72
Time (years)*	4.3	1.6
NPA (%)	14.8	2.2
TBS	Entrenched	Resolved
Post-resolution health	Untracked	Enhanced
Shadow resolutions	Negligible	Massive

TBS - Twin balance sheet
*Improvement in the first three years

Sahoo is an Emeritus Fellow of the Insolvency Law Academy; Pandey is Director, Post Graduate Insolvency Programme at National Law University Delhi

businessline
bl.portfolio

28 May 2026

A season for fraud?

Economic shock and corporate fraud are linked

Chandrasen Kumar

The war on Iran by US and Israel have induced market volatility and impacted economic growth. This impacts businesses, leading to decline in investors' confidence — serving as a fertile ground for financial statement frauds.

A research based on Covid-19 induced economic stress by Arum et al (2023) has established a significant increase in the risk of financial statement frauds. Another study using firm-level data of Chinese listed companies by Shun et al (2025) has shown that reporting misconduct rises with market volatility.

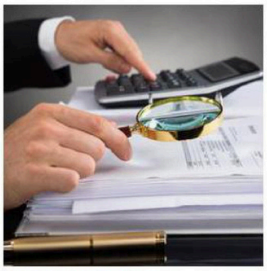
Firms with high leverage are more likely to manipulate accounting information. Similarly, volatility in markets increases uncertainty and financing constraints that builds pressure on executives to indulge in fraudulent steps. Downsizing increases pressure on employees towards behaviour that shores up short-term performance.

Moreover, entities with weak corporate governance and lack of external oversight are susceptible to manipulation. When faced with bleak economic headwinds, they fail to meet earning expectations, service debt, and maintain valuations. As a result, the temptation to manipulate accounts rises. Besides, in volatile markets, non-state owned entities are more prone to indulge in fraudulent reporting. Though the study on Chinese firms has shown that susceptibility increases if the external auditors hired by them are not prestigious 'big four', historically even they have failed to detect and report major frauds across the globe.

AUDIT FAILURES

Among the 'big four', Ernst & Young (EY) had failed to report the hidden debts of billions of dollars in debt engineered through accounting jugglery to classify borrowings as sales through "Repo 105" resulting in one of the biggest bankruptcy in the world in 2008. Back home in India, PricewaterhouseCoopers (PwC) had failed to verify fictitious cash and bank balances, fake invoices, ghost employees to siphon off salaries, and whistle-blowers concerns in the case of Satyam Computers Services in 2009.

Some major reason for frauds in non-state owned entities can be attributed to the non-fulfilment of responsibilities by various auditors, insider trading and resource diversion. Back in 2005, Newman, Patterson and Smith, while examining the role of auditing in investor protection, had shown that markets with relatively greater penalties for audit failure, and greater insider penalties for detected resource diversion have higher total investment levels. In most of the matured economies and markets, legislations and policies seem to confer much of the responsibilities to auditors for accurate financial representations.



AUDIT LAPSES. Causing concern

In India, financial regulatory paradigm is mainly managed by National Financial Regulatory Authority (NFRA), Reserve Bank of India (RBI), and Security Exchange Board of India (SEBI). Among them, NFRA is the most recently established (2018) independent regulator for the auditing profession. Since its inception, it has passed several important orders involving high profile auditing failures against big listed entities levying monetary penalties on auditors and debarment from practice. It has also taken several new initiatives in the last two years such as AI-powered Financial Reporting Compliance.

Similarly, RBI has also taken proactive steps like setting up early warning system frameworks in core banking systems, compulsory reporting by banks on frauds occurring in non-regulated group entities, improved audit quality of public sector banks. SEBI has launched its new SEBI (Stock Brokers) Regulations, 2026 to move from reactive supervision to proactive prevention, enhanced by AI.

The Supreme Court in a recent judgment in February 2026 has ruled that serious financial frauds destroy the well-being and quality of life. It is hoped that the regulatory framework for preventing financial and corporate frauds would remain vigilant to safeguard the financial and business ecosystem.

The writer is a public policy analyst and works with FCI. Views expressed are personal

businessline
bl.portfolio



29 May 2026

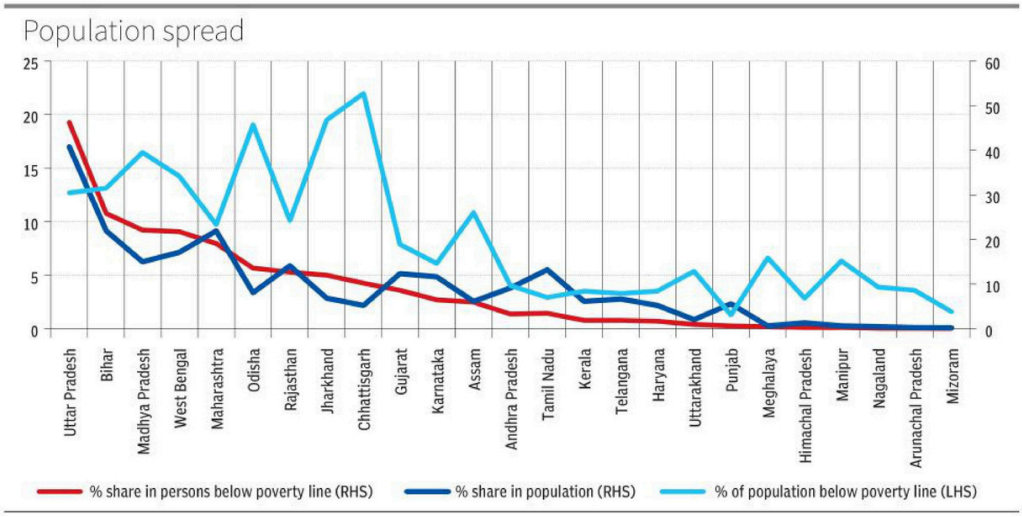
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Poverty, a persistent concern

REALITY CHECK. Poverty is endemic in regions of subsistence agriculture and mineral-rich areas. This should be addressed



R GOPALAN
MC SINGHI



The extent of poverty and its reduction in India remains a subject of considerable debate. After a gap of more than a decade, the MoSPI (Ministry of Statistics and Programme Implementation) conducted two consumer expenditure surveys in 2022-23 and 2023-24. Poverty line has not been defined in these two surveys. Poverty estimates in India post 1973 are made with reference to a basket of goods.

The Rangarajan Expert Group in 2011-12 recommended monthly per capita consumer expenditure (MPCE) of ₹972 in rural areas and ₹1,407 in urban areas to be the new poverty lines at the all-India level.

The MPCE covered primarily food and some essential non-food items. The poverty line so estimated was around 68 per cent and 54 per cent of the respective average MPCE, in rural and urban areas. Poverty should ideally be considered more dynamically and with development.

We assume poverty line at 68 per cent of the average all India consumption expenditure in rural areas and 54 per cent of average per capita consumption expenditure in urban areas as arrived at by Rangarajan Committee.

Using consumer expenditure surveys of 2023-24 and 2024-25, it corresponds to ₹2,802 per capita per month or ₹93.4 per capita per day in rural areas and ₹3,778 per capita per month or ₹126 per capita per day in urban areas.

Using this data, it is observed that 26.8 per cent of total population is under poverty line; 29 per cent of people in rural areas and 22 per cent of people in urban areas.

The number of persons below poverty line, defined as above, works out to 374 million people who need subsistence-based interventions.

STRUCTURAL AND REGIONAL

Poverty in India is structural and regional. As the graph indicates, the four States of Uttar Pradesh, Bihar, Madhya Pradesh and West Bengal have over 48 per cent of persons below the poverty line, as defined above, though their share in population is fewer than 40 per cent. Jharkhand, Chhattisgarh and Odisha have more than 45 per cent of population below poverty line.

Eighty per cent of poor people reside in the10 States of Uttar Pradesh, Bihar, Madhya Pradesh, West Bengal, Jharkhand, Chhattisgarh, Assam, Maharashtra, Rajasthan and Jharkhand and in each of these States poverty exceeds 20 per cent of their population.

Agriculturally better off northern States of Punjab and Haryana and southern States have much lower poverty ratios.

These States, along with Sikkim, having a share in population of over 25 per cent, have a share of just 8 per cent in total BPL persons. Sikkim, Goa and Tripura are among the States that have eliminated poverty.

Poverty is predominant in States of subsistence agriculture (Uttar Pradesh, Bihar and Assam) or mineral rich (Madhya Pradesh, Chhattisgarh, Jharkhand, Odisha, Rajasthan and West Bengal). Even in Maharashtra and Karnataka, poverty concentration is more in areas which are mineral rich or of subsistence agriculture.

Poverty in these areas is structural in nature with decline slower than the overall. Despite migration of labourers to more productive or industrial townships, poverty has continued to be sticky in these pockets.

According to PLFS 2023-24, dependency ratio in poverty-stricken States is higher at 47 per cent as compared to under 42 per cent in better-off States. The share of working persons in poverty-centric areas in industry (excluding construction), information, professional services, banking and public administration and defence at 11 per cent is less than half of that in the better-off States.

It is observed that 26.8 per cent of population is under poverty line; 29 per cent in rural areas and 22 per cent in urban areas

The higher poverty rates are not necessarily because of rising inequality as the Gini coefficient in Bihar and Uttar Pradesh in both rural and urban areas is lower than the average of All-States. These parameters have not changed over the years making the issue structural.

Attempts so far to eradicate poverty are not designed to overcome the structural constraints. DMF (District Mineral Foundation) and other funds in mineral areas should be used for upskilling, setting up schools, PHCs (primary health centres), nutrition programmes, infrastructure development, creating incentives to set up processing industries near mining areas and improving diversification of local economy beyond mining. Better use of CSR funds must be made.

NOT AN OPTIMAL OPTION

In areas of subsistence agriculture, migration is not an optimal option as migrants tend to suffer from local issues, including isolation, language issues and outright apathy.

Agricultural reforms, land consolidation, cost effective price stabilisation, shift to high value agriculture, increased agricultural productivity and shift of labour to nearby locations in non-agricultural sectors are needed.

Emphasis on local initiatives, local resource endowments, local entrepreneurship and targeted time bound social protection systems should guide the philosophy of all programmes.

POVERTY LINE

Poverty reduction in India has been brought about through social and food security and universal access to basic amenities. International Poverty Line (IPL) defined by World Bank in June 2025 was estimated at $3 a day, adjusted for the purchasing power of money to 2021 prices. Using this as poverty line, World Bank estimated that 5.3 per cent of India's population was below the threshold of $3 per day (PPP) corresponding to ₹60 per person per day.

The Economic Survey and other studies based on the Tendulkar committee methodology and World Bank poverty line indicate a sharp and broad-based decline in poverty. Between 2011-12 and 2023-24, the Survey estimated poverty to have reduced from 21.9 per cent in 2011-12 to 4.7 per cent in 2022-23 and further to 2.3 per cent in 2023-24.

This reduction was contributed mainly by social protection systems which increased their coverage from 22 per cent of the population in 2016 to 64.3 per cent in 2025. But, overall, the reality is perhaps more complex.

Gopalan is former Secretary, Economic Affairs, and Singhi is former Senior Economic Adviser, Ministry of Finance. Views expressed are personal

businessline
bl.portfolio



29 May 2026

Fund of options

Third-party MF payments fine, not salary deduction

In a bid to widen market participation, the Securities and Exchange Board of India (SEBI) is looking to relax one of its long-standing rules governing mutual funds (MFs) — the mandate that fund houses should not accept third-party payments towards investments in MFs. Currently, MFs are allowed to accept only payments that originate from the verified bank account of the investor in whose name the scheme will be held, with redemption proceeds also credited into the same account.



However, SEBI in a recent consultation paper, has sought feedback on allowing third-party payments for MFs in three special cases. One, allowing listed and EPFO- (employees provident fund) registered firms to auto-deduct MF contributions from employee salaries akin to EPF and NPS (National Pension System) deductions. Two, allowing AMCs (asset management companies) to pay part of their distributor commissions in the form of units. Three, allowing investors to nominate verified organisations for direct donations out of their MF balances. Stringent Know-Your-Customer rules and electronic payment modes have made verification of money trails quite easy. The risk of mutual funds being used for money laundering if third party payments are allowed seems negligible. Competing products such as insurance already allow third-party payments. Therefore, enabling payment of distributor commissions in kind or setting up investor donations to third party beneficiaries is unexceptionable.

However, allowing employers to auto-deduct sums from employee salaries towards SIPs (systematic investment plans), needs more debate. The challenges that can arise from putting mutual fund SIPs on the auto-deduct menu can be fourfold. One, even with EPF deductions, there is a pervasive problem of smaller firms failing to deposit employee contributions with the EPFO. Before allowing employer organisations to auto-deduct MF SIP contributions from employee salaries, safeguards against such defaults need to be spelt out. Two, as investment products, mutual funds are very different from EPF which is a simple fixed income product. Investors need guidance on what products and asset mix they ought to choose. It is unclear how employers will provide the right advice. After the initial choice, MF investments also need periodic course correction in the case of poor performance, which the employer organisation will need to handle.

Three, mutual funds carry market risks. Therefore, it is desirable that individual investors make a conscious decision to sign up, rather than have it embedded automatically into their employment contracts. Finally, with EPF contributions already taking up 10-12 per cent of the employees' salaries and the NPS taking off as a retirement vehicle, it is moot if there is room for workers to add a third automated saving to their salary menu. Given the slow growth in household incomes, too many such vehicles eating into the monthly pay cheque can shrink disposable income and impact consumption.

businessline
bl.portfolio
29 May 2026

Tata Sons — should it be listed or remain unlisted?

Preserving the present structure best protects Tata Sons' philosophy of balancing business success with societal responsibilities



B MUTHURAMAN

There has recently been considerable discussion on whether Tata Sons should remain unlisted or seek a public listing. The issue naturally evokes differing views because it is not merely a financial or regulatory question; it also touches upon the history, philosophy and institutional character of one of India's most respected business groups.

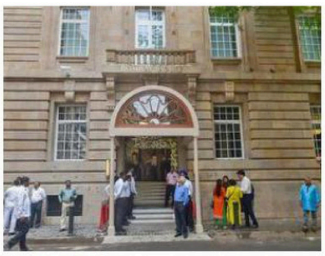
From a financial and market perspective, there are understandable arguments in favour of listing. A listed structure can potentially enhance transparency, improve liquidity, broaden ownership participation and enable shareholders to realise market value more fully. These are important considerations and deserve serious attention.

At the same time, the issue perhaps requires a broader reflection on the role and purpose of industrial enterprises in society.

The Tata Group and Tata Sons evolved over more than 165 years with the belief that business must contribute not only to economic growth but also to the larger well-being of society. Financial performance and operational excellence were always regarded as essential, but as part of a wider institutional purpose that included employees, communities and national development.

Over time, this philosophy became deeply embedded in the culture and decision-making processes of the Tata Group. Long before corporate social responsibility became a formal expectation, the Group had consciously attempted to balance commercial success with wider societal responsibilities.

During my nearly fifty years with Tata Steel and the Tata Group, I witnessed several decisions where broader societal and national considerations were weighed alongside financial outcomes. In many cases, the long-term institutional and societal value of such



PHILOSOPHY. Business must contribute to the larger well-being of society as well

decisions may not have been immediately visible through conventional financial measures alone.

It is in this context that concerns arise regarding the possible listing of Tata Sons. Public markets, by their nature, bring greater scrutiny, accountability and shareholder expectations. While these can strengthen governance and transparency, they can also create pressures towards shorter-term performance priorities and narrower financial benchmarks.

Institutions such as Tata Sons have historically had the ability to take a wider and longer-term view — balancing commercial objectives with national priorities, societal obligations and institution-building. In a developing country such as India, where business institutions continue to play a critical role in social and economic transformation, this ability has particular significance.

MEANINGFUL COEXISTENCE

India needs credible and responsible industrial institutions that can serve not merely as successful business enterprises, but also as examples of balanced and purposeful capitalism. The Tata Group has, over generations, attempted to demonstrate that business success and societal responsibility can coexist in a meaningful way.

Preserving the present structure of Tata Sons would, in my opinion, best protect this philosophy and allow it to continue serving as a guiding influence for Indian industry and society at large.

The writer is former Vice Chairman, Tata Steel

businessline
bl.portfolio





29 May 2026

DELHI TECHNOLOGICAL UNIVERSITY

AI boom makes China less afraid of strong yuan

Bloomberg News

The global AI investment boom is powering a new wave of Chinese exports and making Beijing more comfortable with a stronger yuan.

The tightly managed onshore currency is set for a sixth quarter of gains against the dollar — a streak not seen since 2013. In the past, such a move would have drawn a more forceful response from Beijing, which is usually wary it could hurt exports and economic growth.

But even as the yuan climbed to its strongest level since 2023 and the economy looked more fragile, policymakers have shown little urgency to step in.

That's in large part because the AI investment boom is changing China's trade structure. The country once relied on low-cost manufacturing, with producers of garments, furniture and household goods operating on razor-thin margins that made exchange-rate swings matter more. Now, more companies are riding a lucrative wave as demand for semiconductors, servers and other AI hardware becomes a powerful new export driver, easing the pressure a stronger yuan would traditionally place on manufacturers.

Equally striking has been the surge in imports this year, outpacing export growth as China buys more chips and semiconductor equipment. Deutsche Bank AG noted that the last two times inbound shipments grew much faster than outbound — in 2010-11 and 2017 — the yuan strengthened against the dollar. A stronger currency makes imports cheaper.



STRONG YUAN. Structural changes REUTERS

"What has changed is exports appear less sensitive to currency moves than previously thought, meaning the benefits of currency appreciation carry more weight in exchange rate policy," said Duncan Wrigley, chief China economist at Pantheon Macroeconomics.

Since 2013, China's export engine has expanded dramatically as the yuan fell against the dollar. The country's trade surplus widened from around $260 billion in 2013 to record levels approaching $1.2 trillion last year.

Over that period, the yuan weakened from around 6 per dollar to beyond 7 at various points. Beijing largely tolerated — and at times appeared to encourage — currency weakness when the economy was under strain, including during the 2015 devaluation that shocked global markets and the 2018-20 trade war with the US. The yuan also faced sustained pressure from 2022 through early 2025 as China's interest rates fell below US levels and the property downturn deepened.



Unshackling India's labour laws

Exiting outdated ILO conventions won't make India anti-worker

ILLUSTRATION: BINAY SINHA



In 2023, when Karnataka amended its Factories Act to allow 12-hour shifts for approved factory workers, trade unions lodged a complaint with the International Labour Organization (ILO) in Geneva. The complaint argued that the change violated India's obligations under the ILO's Hours of Work (Industry) Convention, 1919 (C001), which fixes a maximum of eight hours per day and 48 per week. What should have been a domestic debate about trade-offs between productivity, wages, and worker choice became an international case file.

This is not a one-off incident. It is the predictable outcome of a century-old decision: India bound itself to one of the most intrusive parts of the ILO rulebook on working time.

An eight-hour day written in stone: India is a founding member of the ILO and has been a permanent member of its Governing Body since 1922. Over time, we have ratified 47 ILO conventions and one protocol, 39 of which are still in force. Among the earliest was Convention No 1 on Hours of Work (Industry), ratified in 1921. As a consequence, whenever anyone in India wants to experiment with different models of working time, say a four-day week with longer shifts or accommodating seasonal surges in export sectors, we are battling an international treaty.



LAVEESH BHANDARI & BHUVANA ANAND

This would be less of a problem if the convention reflected universal consensus. Only 52 of the ILO's 187 member states have ratified C001, and only 30 have ratified the accompanying Hours of Work (Commerce and Offices) Convention, 1930 (C030). Major manufacturing powerhouses like the United States, Germany, China, South Korea, and Vietnam have not ratified C001. New Zealand, in fact, took the opposite route. After running with the convention for several decades, it "denounced" the working hours convention, and now regulates working time through national law and bargaining.

India is, therefore, in a curious club: A large, still-industrialising, labour-gifted economy that has voluntarily put itself under a 1919-era hours treaty that most of its export competitors have avoided. Not just in working hours, India, with its 47 signed conventions, has been far more active than other large manufacturing countries such as the US with 14, and China with 28. Labour has been assigned to the Concurrent list in India's Constitution; that is, labour is in the ambit of both the Union and state governments, but Union laws override.

Therefore, whenever the national government signs an ILO convention, it automatically overwhelms any state-level action. But that is not all.

How the ILO can influence domestic policy: Why is all of this a problem beyond firm and worker flexibility? ILO conventions are not mere recommendations. What makes the ILO unusual among United Nations bodies is its direct complaint machinery and its tripartite nature. Any employers' or workers' organisation, another member state, a delegate to the International Labour Conference, or the ILO's own Governing Body can lodge a representation or complaint. In serious and persistent cases, this can result in a Commission of Inquiry. If a government does not agree to implement a Commission's recommendations, the ILO Governing Body may recommend to the International Labour Conference "such action as it may deem wise and expedient". Besides, ILO rulings factor into trade and aid conditionalities, particularly with the European Union, and can cause international embarrassment.

For India, this means that those unhappy with reforms need not work only through the political process and the legislature. They can circumvent the natural political process and directly appeal to Geneva, cite C001 and similar instruments, and trigger a formal process that ties the government's hands. Since 2020, many labour unions have reportedly approached the ILO on the new labour Codes, which may have contributed to the delay in their implementation.

Sovereignty is about who decides trade-offs: The question is not whether limits on working hours or the commitments in other conventions are good. The real question is who decides the trade-off between working time, wages, productivity, and employment in India: Our own Parliament and state legislatures, accountable to Indian citizens, workers, firms, or a Geneva-based apparatus of committees, experts, and bodies that are not accountable to our institutions?

We have to do what is right for India and Indians. India is still transitioning out of informality. Rigid formal-sector ceilings on hours can perversely push marginal employers and workers to stay informal. India's large labour unions, which can use the global body's powers, are themselves not subject to many rules. The ILO is designed on tripartite principles; labour unions are parties whose rights are protected through many conventions. However, these same unions are not accountable and, therefore, cannot be censured by the ILO. In other words, it is a one-sided platform where governments voluntarily reduce control over their own laws.

India is competing in global markets with non-ratifying peers like the US, China, South Korea, and Vietnam who enjoy far greater room to adjust working-time regimes. Experimentation with four-day weeks, compressed shifts, and flexible regular hours over extended periods that workers can opt into during peak months are all off the table if we remain locked into our ILO obligations. Even something as basic as the Diwali demand surge cannot be serviced efficiently by the formal manufacturing sector, leaving consumers deprived of quality products and workers stripped of earning opportunities.

None of this means turning our back on core labour rights. India has its own laws that protect its workers. Moreover, India has already ratified six of the 10 "fundamental" ILO conventions, including those on forced labour, equal remuneration, non-discrimination, and child labour. Some, like the child labour convention (C182), now enjoy universal ratification across all 187 ILO members and reflect a genuine global minimum standard. Moreover, nothing stops us from having robust social dialogue at home. In fact, it would be healthier if Indian workers, employers, and governments debated these questions in Indian forums, recognising domestic constraints.

The ILO was born in a world of imperial powers and early industrialisation. A century later, India is a large, self-governing democracy trying to create jobs, move workers out of informality, and compete in global value chains. Our engagement with Geneva should reflect that shift. Reexamining and exiting from a handful of outdated conventions would not make India anti-worker. It would simply free us to determine and execute domestic policy in line with the national interest.

The authors are president of CSEP and CEO of Prosperiti, respectively. The views are personal



The devil wears fine print

David Frankel's *The Devil Wears Prada 2* is, surprisingly, not about fashion but about saving journalism. The sequel to the 2006 superhit set in the world of fashion is an ode to good writing, facts, and bringing untold stories to people. Andy Sachs (Anne Hathaway) comes back as features editor at *Runaway*, a fashion magazine. In the first film, she was an assistant to Miranda Priestly (Meryl Streep), its difficult but hugely successful editor. Only this is 2026. Digital has hit publishing hard. The suits (consultants) are trying to cut costs, staff, features, everything. After much drama, Sachs and Priestly get an investor willing to fund the kind of work they want to do, and it all ends happily.



MEDIASCOPE

VANITA KOHLI-KHANDEKAR

However, real life has shown that getting a big investor to save a publication is, at best, a band-aid solution. Jeff Bezos bought *The Washington Post* in August 2013 for $250 million in cash. He took it digital, made it profitable and repeatedly emphasised his commitment to its editorial stance. That changed in the runup to the presidential elections in 2024, when it broke with tradition to say that the paper would not be endorsing Democratic Party nominee Kamala Harris as President. The staff was cut by a third, and its editorial stance has changed.

Other investors who bought local newspapers have done the same — slashed costs and staff, reducing the brands they bought to almost nothing. There are, however, also those that have invested in deepening the quality and spread of journalism, like John Henry of Fenway Sports Group, who has done so with *The Boston Globe*, which he bought in 2013.

The news business has been in free fall as readers shift online but revenues don't. From about $60 billion in advertising and subscription revenues and 60 million copies sold in 2000, the US newspaper market is down to $20 billion in revenue and 20 million copies sold in 2022. Around a third of global news consumers use Facebook (36 per cent) and YouTube (30 per cent) for news every week, according to the 2025 Digital News Report from the Reuters Institute for Study of Journalism. Instagram and WhatsApp are used by around a fifth. More than half the sample surveyed (58 per cent) remain concerned about their ability to tell what is true from what is false when it comes to online news. This is highest in Africa (73 per cent) and the United States (73 per cent), and lowest in Western Europe (46 per cent), says the report.

The business and consumption model for news was disrupted by the internet and then by streaming and short videos. And there don't seem to be any easy answers. Many serious publications have morphed into doing a lot of clickable stories on lifestyle, food and celebrities instead of hard local, regional, or national news. These are important to survive financially in a market where social media platforms and short video apps are the main sources of news. But for any democracy to function effectively, good journalism that informs people about what is happening is critical. But it does not pay as much as it did before. This has meant losses and the distress sale of once iconic brands. This lack of informed opinion and the dominance of big-tech in news have meant ghettoisation of audiences. It shows up in the crazy amounts of polarisation the world sees. And this is why *The Devil Wears Prada 2* may be a good watch, though it gives only a glimpse of the solution — get a good investor who believes in it.

The second part — creating an ownership structure and a scaffolding of checks and balances have proved to be key to creating a news brand that can invest in quality journalism and is editorially protected. *The Guardian* is owned by a trust that was formed specifically to protect the left-liberal journalistic values it stands for. The BBC is financed by a licence fee that UK citizens pay for owning a TV set. The Economist Group is owned by a clutch of investors that include Exor (an investment firm owned by the Agnelli "Fiat" family), the Cadbury and Rothschild families and employees, among others.

"The company's constitution does not permit any individual or group to gain a majority shareholding, and no shareholder can exercise more than 20 per cent of voting rights. The editor is appointed by trustees, who are independent of commercial, political and proprietorial influences. This structure ensures that *The Economist* can take an independent view of the world — free to challenge conventional thinking and concentrations of power. Its role is to inform, not to serve vested interests," says a section on the brand's website. You may not agree with *The Economist's* point of view at times, but it does a stellar job of informing one on world events and trends.

"*FT* (*Financial Times*) is hundred per cent owned by Nikkei, which is hundred per cent owned by its employees. Therefore we are able to take a long-term view independent of corporate pressure," said John Ridding, chief executive officer of the Financial Times Group, to me in a 2015 interview. Whether it is not-for-profit or corporate, the ownership structure and what checks and balances are in place help good brands sustain.

India, with its over 400 news channels, hundreds of newspapers, and many news sites faces the same issues. Many media researchers worry about "corporate ownership." But almost all media globally is owned by corporations. In fact, the newspaper revolution in India began with benevolent companies financing newspapers, such as *The Hindu* or *Malayala Manorama*, among others, during the freedom movement.

The ownership by a company is not the issue. What is needed is an added layer of protection to fund and sustain good journalism.

@vanitakohlik



Empty chairs

Govt should not delay board appointments at PSBs

The Reserve Bank of India (RBI) has issued draft "Governance Amendment Directions", which, it says, are intended to improve how the boards of banks, including scheduled commercial banks, payments banks, small-finance banks, and local-area banks, operate. Earlier, specific prescriptive instructions had been provided, but the regulator believes that principle-based guidance is a better way to deal with issues of increasing complexity. These new norms are due to come into force later this year, after stakeholder consultations are taken into account. While this is an important step by the RBI to improve bank governance, it implies that the composition and capacity of bank boards is a crucial ingredient in it. And here, an issue arises: What happens if the boards simply do not have the required members? Under such circumstances, the guidance provided by the RBI, particularly as it is now designed around principles, may fail in its application.

Public-sector banks (PSBs) grapple with this aspect, largely due to the Union government's delays in appointing board members, including chairpersons. The directions of the RBI draft stress the importance of the non-executive chairpersons' role, since the board convenes under their direction and they play a crucial agenda-setting function. It is deeply concerning that a mere three of the 11 state-controlled banks have a non-executive chairperson at the moment. As this newspaper has reported, some of them have been missing this position for a considerable length of time. This is also true of other senior positions. Canara Bank, which is among the top PSBs, has not had a managing director, who also serves as chief executive officer, for nearly four months.

Even the boards themselves are shorthanded, aside from the failure to appoint chairpersons. Two of the 11 PSBs have only seven members on their board. The highest number of members that any of the nationalised banks' boards has is 10, and only three of them do so. Of particular concern is that several also lack a director appointed in the category of chartered accountants. Such an appointment is required to ensure that the audit committee of the board, to which many vital duties are delegated, functions in accordance with the regulations. Most also lack the full complement of independent directors, making do with RBI and government nominees. This is a broader problem, of course. There is a shortage of independent directors in the private sector, even as various regulations have piled more and more duties on to those roles.

Over the years, the government has made significant intervention in institutionalising the appointment processes. But of late, action seems to have lagged. The fact is, with or without the RBI's new directions, PSBs require a well-functioning, fully formed board. Without a proper audit committee, for instance, tasks of basic governance will remain unfulfilled. The bank board's undercapacity problem will only increase with the shift to principle-based governance. The norms require boards to dedicate sufficient time to strategy and risk governance, but those that do not have their full strength and have few independent voices or financial expertise will wind up being unable to properly discharge these duties. This will eventually affect the performance of PSBs, with broader implications for the economy.



More guidance and assessment

A revamped NITI Aayog and EAC-PM should supplement efforts at understanding the state of the Indian economy

ILLUSTRATION: BINAY SINHA



Till a few years ago, an internationally acclaimed information technology company was known for its tactful management of its periodic profit guidance. In the normal course of announcing its quarterly results, the company would present a profit growth number for the coming quarters. A retrospective analysis showed that its guidance number for profit growth in the upcoming quarters invariably turned out to be slightly lower than the actual performance that was eventually announced. Many experts interpreted this as a classic case of managing expectations and springing a positive surprise. The stock market and analysts would marvel at the company's ability to exceed its guidance. Over time, this was also described as that company's deliberate guidance management policy.



RAISINA HILL

A K BHATTACHARYA

Should the government's think tank and the Prime Minister's advisory body also follow this principle of providing guidance on the Indian economy's growth and inflation trajectory? Of course, there should be no need to follow the kind of guidance management policy that the company in question might have adopted. But more analyses and forecasts on how the Indian economy is going to fare can surely be of immense help. Not only markets, but even the government's policymakers would benefit from such early assessments.

At present, such guidance comes principally from the Reserve Bank of India (RBI) and the annual Economic Survey from the Union finance ministry. The RBI's assessment is more frequent, coming every two months along with the monetary policy reviews. The annual Economic Survey's outlook for the economy is comprehensive but it can quickly become outdated, as recent developments show. For instance, the Economic Survey for 2025-26 was presented on January 29, almost a month before the war began in West Asia. It had, therefore, forecast an economic growth rate of 6.8 to 7.2 per cent for the Indian economy in 2026-27, which is not what anyone is expecting now.

In recent years, the Monthly Economic Review (MER), produced by the finance ministry, has made a big positive difference to understanding the state of the economy. With a revamped structure and updated content, the MER provides a comprehensive analysis of how the economy is performing and what the headwinds or tailwinds might be. Yet, it prefers not to project a specific growth or inflation number for the year. Perhaps, it can use its own sources of information and parameters, including those of high-frequency indicators, to estimate a growth number that can serve as a more precise barometer for the Indian economy.

The ongoing conflict in West Asia has cast a long shadow over the Indian economy's growth prospects and its ability to keep inflation in check and the external sector under control. In 2025-26, India's gross domestic product (GDP) grew at a healthy pace of 7.6 per cent. Forecasts for growth in 2026-27 from government outfits, international institutions and rating agencies indicate a lower growth rate than what was achieved in 2025-26. Retail inflation projections for the coming months also are on the higher side, compared to 2.1 per cent for 2025-26. And India's balance of payments pressure is set to increase.

The April edition of MER pulls no punches when it says: "India enters FY2026-27 at the intersection of domestic resilience and external turbulence. The outgoing fiscal year delivered real GDP growth of 7.6 per cent, the strongest in recent years, encouraging a 7-7.4 per cent forecast for the upcoming financial year, only to be clouded by an altered macro-outlook in the wake of the West Asia war. A 'supply shock' is apparent in the economy. An accompanying demand compression is a serious concern, given high prices, rising inflation, and a reduced pace of economic activity. Inflation may become cost-push as business/producers pass on their increased input costs to protect their profit margins."

What is missing in India at present is a similar assessment from two of its major institutions — the Economic Advisory Council to the Prime Minister (EAC-PM) and the National Institution for Transforming India (NITI Aayog). While the RBI and the finance ministry present a broad outline of the state of the Indian economy to the nation, the two bodies (EAC-PM and NITI Aayog) currently do not issue similar reports with monthly, quarterly or annual frequency. To be sure, these two institutions produce a large number of reports. But these reports focus on sectors and schemes run by the government.

There is no reason for the EAC-PM or the NITI Aayog not to issue a quarterly or a half-yearly report on the state of the Indian economy and the measures they believe the government should consider. In the past, EAC-PM did produce such reviews of the Indian economy, igniting a healthy debate over how the economy should be managed. In its earlier avatar as the Planning Commission, NITI Aayog was also engaged in producing such reviews to supplement the work done by the RBI or the finance ministry.

It is not that the EAC-PM or NITI Aayog lacks the resources to produce such reports for the government. The EAC-PM has many part-time members, who are also economists with credibility and competence. Similarly, the NITI Aayog has just been reconstituted with Ashok Lahiri, a former chief economic advisor, as its new vice-chairman.

It is time the country had access to a larger and a more varied range of assessments of the Indian economy. The RBI and the finance ministry should continue to bring out its periodic reports on the state of the economy. Given the volatility in the global economic order, caused by the West Asian conflict, the demise of the multilateral trading system and the United States' tariff tantrums, the EAC-PM and a new-look NITI Aayog can supplement the efforts of the RBI and the finance ministry in improving our understanding of the Indian economy and offering policy prescriptions.



The consensus on China's economy is wrong

Is China's development model short-changing domestic consumers? Although there is almost universal agreement that it is, that does not make it true.

Among the various forms that this argument takes, the simplest is based on the mercantilist-free trade dichotomy: China's model is mercantilist and therefore preferential towards production and investment over consumption and welfare. For example, in *Trade Wars Are Class Wars*, Matthew C Klein and Michael Pettis contend that there is a serious distributional conflict within China ("class wars"), with policymakers favouring elites and cronies in big business, and thus prioritising profits over wage income. Alternatively, some argue that repressive labour policies are critical for the success of the Chinese and East Asian model more generally.

Exhibit A for all these arguments is the share of household consumption in Chinese gross domestic product (GDP). Although this metric is lower in China than in the United States, it was respectably high until the early 1990s. That is when China turned mercantilist, running large current-account surpluses that brought the consumption share down dramatically. This metric bottomed out at about 35 per cent in 2010, and stands at only 40 per cent today — substantially below the US and even below comparable countries in East Asia.



ARVIND SUBRAMANIAN

But this often-cited metric is potentially misleading in three ways: It is of more interest to macro-economists than development economists; it does not assess countries at comparable points in development time (meaning at similar points in their growth trajectory); and it is probably of more interest to analysts than to Chinese consumers. The latter arguably care more about how their consumption is changing in real time than about the notional share of GDP or some counterfactual scenario envisioning an alternative development strategy.

That is why my 2011 book on China, *Eclipse*, offered an alternative metric. When one looks at Chinese household consumption per capita alongside comparable countries in terms of their post-war growth "take-off time," the picture changes.

If consumption per capita is a reasonable proxy for the standard of living, Chinese citizens have done remarkably well, even better than their counterparts in the fastest-growing East Asian countries. For example, between 1978 and 2024, Chinese household consumption per capita grew by an astounding 7.6 per cent per year, on average, compared to 5.2 per cent growth in Japan, 5.7 per cent in South Korea, and 6.2 per cent in Taiwan over a comparable 46-year period. That makes China's performance not just impressive but unprecedented.

Of course, several caveats are in order. China's growth and consumption data might be dodgy. Averages can conceal sharp changes in income distribution, masking the median citizen's real experience. And China started off at lower levels of consumption, which tends to flatter catch-up growth rates (at their starting points, other countries' consumption was 3-5 times that of China). Nonetheless, the notion that the Chinese consumer is being short-changed is not consistent with reality.

It is also noteworthy that China's extreme mercantilist phase — when the consumption share of GDP declined sharply from the late 1990s — did not cause any slowdown in per capita consumption growth. Although the consumption share of GDP was declining, GDP itself was rising so rapidly (owing to the broader development strategy) that absolute levels of consumption surged, too.

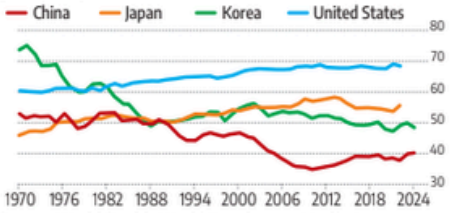
To put it differently, even if real (inflation-adjusted) wages are growing more slowly than productivity at every point in time, preserving global competitiveness will allow for faster and more durable growth over time on the back of the resulting export juggernaut. This is indeed what the data show. Average annual Chinese household per capita consumption growth was 7.9 per cent during the phase of peak mercantilism (1995-2010), coinciding with the sharp decline in the consumption share of GDP; when that went into reverse after 2010, consumption growth declined to 6.2 per cent.

What policy conclusions can be drawn from these trends? For starters, China's mercantilist strategy can be questioned on the grounds that it harms other developing countries by occupying excessive export space in low-skilled goods, as Shoumitro Chatterjee of Johns Hopkins and I recently argued. Moreover, the distortions (from industrial policy and exchange-rate undervaluation) that sustain Chinese mercantilism have generated global imbalances and triggered trade conflicts. And China's approach is also leading to excessive, unproductive investment at home — a problem with the potential to jeopardise future growth.

For all these reasons, calling on China to change its development strategy may well be warranted. But critics cannot question Chinese mercantilism on the grounds that it penalises Chinese consumers. Labour repression has evidently not come in the way of soaring economic gains. It seems odd to criticise a country for delivering growth rates in standards of living and consumption that have been perhaps the fastest, longest, and most broad-based (affecting hundreds of millions of people) in history. The prevailing consensus tells us more about China watchers than it does about realities on the ground. We should be wary of "China bashing" masquerading as a concern for Chinese consumers.

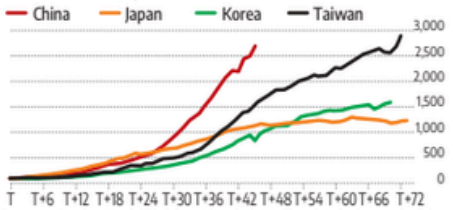
Consumption myth

Final household consumption expenditure 1970-2024
(% of GDP)



Source: World Bank's World Development Indicators

Household consumption per capita in "Take-off Time"
(Constant US 2021 dollars per person; index at 100 for all countries at their start date, T)



Source: Penn World Tables, Version 11. To obtain household consumption per person, the series "rconna" which is total final consumption is divided by population and then multiplied by the share of household consumption in total consumption, using the series "csh_c" and "csh_g". T = 1978 for China, 1950 for Japan, 1953 for Korea and 1951 for Taiwan

The author is a senior fellow at the Peterson Institute for International Economics and co-author (with Devesh Kapur) of *A Sixth of Humanity: Independent India's Development Odyssey* (HarperCollins India, 2025). ©Project Syndicate, 2026

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

The consensus on China's economy is wrong

Is China's development model short-changing domestic consumers? Although there is almost universal agreement that it is, that does not make it true.

Among the various forms that this argument takes, the simplest is based on the mercantilist-free trade dichotomy: China's model is mercantilist and therefore preferential towards production and investment over consumption and welfare. For example, in *Trade Wars Are Class Wars*, Matthew C Klein and Michael Pettis contend that there is a serious distributional conflict within China ("class wars"), with policymakers favouring elites and cronies in big business, and thus prioritising profits over wage income. Alternatively, some argue that repressive labour policies are critical for the success of the Chinese and East Asian model more generally.

Exhibit A for all these arguments is the share of household consumption in Chinese gross domestic product (GDP). Although this metric is lower in China than in the United States, it was respectably high until the early 1990s. That is when China turned mercantilist, running large current-account surpluses that brought the consumption share down dramatically. This metric bottomed out at about 35 per cent in 2010, and stands at only 40 per cent today — substantially below the US and even below comparable countries in East Asia.



ARVIND SUBRAMANIAN

But this often-cited metric is potentially misleading in three ways: It is of more interest to macro-economists than development economists; it does not assess countries at comparable points in development time (meaning at similar points in their growth trajectory); and it is probably of more interest to analysts than to Chinese consumers. The latter arguably care more about how their consumption is changing in real time than about the notional share of GDP or some counterfactual scenario envisioning an alternative development strategy.

That is why my 2011 book on China, *Eclipse*, offered an alternative metric. When one looks at Chinese household consumption per capita alongside comparable countries in terms of their post-war growth "take-off time," the picture changes.

If consumption per capita is a reasonable proxy for the standard of living, Chinese citizens have done remarkably well, even better than their counterparts in the fastest-growing East Asian countries. For example, between 1978 and 2024, Chinese household consumption per capita grew by an astounding 7.6 per cent per year, on average, compared to 5.2 per cent growth in Japan, 5.7 per cent in South Korea, and 6.2 per cent in Taiwan over a comparable 46-year period. That makes China's performance not just impressive but unprecedented.

Of course, several caveats are in order. China's growth and consumption data might be dodgy. Averages can conceal sharp changes in income distribution, masking the median citizen's real experience. And China started off at lower levels of consumption, which tends to flatter catch-up growth rates (at their starting points, other countries' consumption was 3-5 times that of China). Nonetheless, the notion that the Chinese consumer is being short-changed is not consistent with reality.

It is also noteworthy that China's extreme mercantilist phase — when the consumption share of GDP declined sharply from the late 1990s — did not cause any slowdown in per capita consumption growth. Although the consumption share of GDP was declining, GDP itself was rising so rapidly (owing to the broader development strategy) that absolute levels of consumption surged, too.

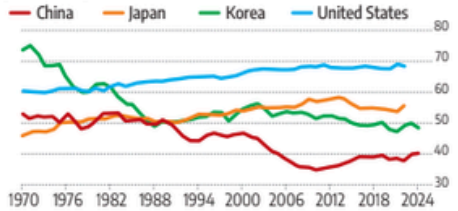
To put it differently, even if real (inflation-adjusted) wages are growing more slowly than productivity at every point in time, preserving global competitiveness will allow for faster and more durable growth over time on the back of the resulting export juggernaut. This is indeed what the data show. Average annual Chinese household per capita consumption growth was 7.9 per cent during the phase of peak mercantilism (1995-2010), coinciding with the sharp decline in the consumption share of GDP; when that went into reverse after 2010, consumption growth declined to 6.2 per cent.

What policy conclusions can be drawn from these trends? For starters, China's mercantilist strategy can be questioned on the grounds that it harms other developing countries by occupying excessive export space in low-skilled goods, as Shoumitro Chatterjee of Johns Hopkins and I recently argued. Moreover, the distortions (from industrial policy and exchange-rate undervaluation) that sustain Chinese mercantilism have generated global imbalances and triggered trade conflicts. And China's approach is also leading to excessive, unproductive investment at home — a problem with the potential to jeopardise future growth.

For all these reasons, calling on China to change its development strategy may well be warranted. But critics cannot question Chinese mercantilism on the grounds that it penalises Chinese consumers. Labour repression has evidently not come in the way of soaring economic gains. It seems odd to criticise a country for delivering growth rates in standards of living and consumption that have been perhaps the fastest, longest, and most broad-based (affecting hundreds of millions of people) in history. The prevailing consensus tells us more about China watchers than it does about realities on the ground. We should be wary of "China bashing" masquerading as a concern for Chinese consumers.

Consumption myth

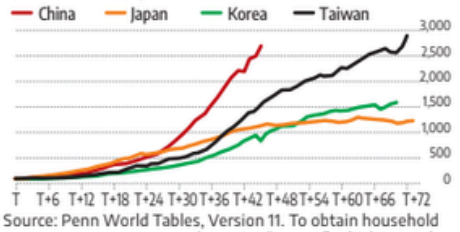
Final household consumption expenditure 1970-2024 (% of GDP)



Source: World Bank's World Development Indicators

Household consumption per capita in "Take-off Time"

(Constant US 2021 dollars per person; index at 100 for all countries at their start date, T)



Source: Penn World Tables, Version 11. To obtain household consumption per person, the series "rconna" which is total final consumption is divided by population and then multiplied by the share of household consumption in total consumption, using the series "csh_c" and "csh_g". T = 1978 for China, 1950 for Japan, 1953 for Korea and 1951 for Taiwan

The author is a senior fellow at the Peterson Institute for International Economics and co-author (with Devesh Kapur) of *A Sixth of Humanity: Independent India's Development Odyssey* (HarperCollins India, 2025). ©Project Syndicate, 2026



More guidance and assessment

A revamped NITI Aayog and EAC-PM should supplement efforts at understanding the state of the Indian economy

ILLUSTRATION: BINAY SINHA



Till a few years ago, an internationally acclaimed information technology company was known for its tactful management of its periodic profit guidance. In the normal course of announcing its quarterly results, the company would present a profit growth number for the coming quarters. A retrospective analysis showed that its guidance number for profit growth in the upcoming quarters invariably turned out to be slightly lower than the actual performance that was eventually announced. Many experts interpreted this as a classic case of managing expectations and springing a positive surprise. The stock market and analysts would marvel at the company's ability to exceed its guidance. Over time, this was also described as that company's deliberate guidance management policy.



RAISINA HILL

A K BHATTACHARYA

Should the government's think tank and the Prime Minister's advisory body also follow this principle of providing guidance on the Indian economy's growth and inflation trajectory? Of course, there should be no need to follow the kind of guidance management policy that the company in question might have adopted. But more analyses and forecasts on how the Indian economy is going to fare can surely be of immense help. Not only markets, but even the government's policymakers would benefit from such early assessments.

At present, such guidance comes principally from the Reserve Bank of India (RBI) and the annual Economic Survey from the Union finance ministry. The RBI's assessment is more frequent, coming every two months along with the monetary policy reviews. The annual Economic Survey's outlook for the economy is comprehensive but it can quickly become outdated, as recent developments show. For instance, the Economic Survey for 2025-26 was presented on January 29, almost a month before the war began in West Asia. It had, therefore, forecast an economic growth rate of 6.8 to 7.2 per cent for the Indian economy in 2026-27, which is not what anyone is expecting now.

In recent years, the Monthly Economic Review (MER), produced by the finance ministry, has made a big positive difference to understanding the state of the economy. With a revamped structure and updated content, the MER provides a comprehensive analysis of how the economy is performing and what the headwinds or tailwinds might be. Yet, it prefers not to project a specific growth or inflation number for the year. Perhaps, it can use its own sources of information and parameters, including those of high-frequency indicators, to estimate a growth number that can serve as a more precise barometer for the Indian economy.

The ongoing conflict in West Asia has cast a long shadow over the Indian economy's growth prospects and its ability to keep inflation in check and the external sector under control. In 2025-26, India's gross domestic product (GDP) grew at a healthy pace of 7.6 per cent. Forecasts for growth in 2026-27 from government outfits, international institutions and rating agencies indicate a lower growth rate than what was achieved in 2025-26. Retail inflation projections for the coming months also are on the higher side, compared to 2.1 per cent for 2025-26. And India's balance of payments pressure is set to increase.

The April edition of MER pulls no punches when it says: "India enters FY2026-27 at the intersection of domestic resilience and external turbulence. The outgoing fiscal year delivered real GDP growth of 7.6 per cent, the strongest in recent years, encouraging a 7-7.4 per cent forecast for the upcoming financial year, only to be clouded by an altered macro-outlook in the wake of the West Asia war. A 'supply shock' is apparent in the economy. An accompanying demand compression is a serious concern, given high prices, rising inflation, and a reduced pace of economic activity. Inflation may become cost-push as business/producers pass on their increased input costs to protect their profit margins."

What is missing in India at present is a similar assessment from two of its major institutions — the Economic Advisory Council to the Prime Minister (EAC-PM) and the National Institution for Transforming India (NITI Aayog). While the RBI and the finance ministry present a broad outline of the state of the Indian economy to the nation, the two bodies (EAC-PM and NITI Aayog) currently do not issue similar reports with monthly, quarterly or annual frequency. To be sure, these two institutions produce a large number of reports. But these reports focus on sectors and schemes run by the government.

There is no reason for the EAC-PM or the NITI Aayog not to issue a quarterly or a half-yearly report on the state of the Indian economy and the measures they believe the government should consider. In the past, EAC-PM did produce such reviews of the Indian economy, igniting a healthy debate over how the economy should be managed. In its earlier avatar as the Planning Commission, NITI Aayog was also engaged in producing such reviews to supplement the work done by the RBI or the finance ministry.

It is not that the EAC-PM or NITI Aayog lacks the resources to produce such reports for the government. The EAC-PM has many part-time members, who are also economists with credibility and competence. Similarly, the NITI Aayog has just been reconstituted with Ashok Lahiri, a former chief economic advisor, as its new vice-chairman.

It is time the country had access to a larger and a more varied range of assessments of the Indian economy. The RBI and the finance ministry should continue to bring out its periodic reports on the state of the economy. Given the volatility in the global economic order, caused by the West Asian conflict, the demise of the multilateral trading system and the United States' tariff tantrums, the EAC-PM and a new-look NITI Aayog can supplement the efforts of the RBI and the finance ministry in improving our understanding of the Indian economy and offering policy prescriptions.



Empty chairs

Govt should not delay board appointments at PSBs

The Reserve Bank of India (RBI) has issued draft "Governance Amendment Directions", which, it says, are intended to improve how the boards of banks, including scheduled commercial banks, payments banks, small-finance banks, and local-area banks, operate. Earlier, specific prescriptive instructions had been provided, but the regulator believes that principle-based guidance is a better way to deal with issues of increasing complexity. These new norms are due to come into force later this year, after stakeholder consultations are taken into account. While this is an important step by the RBI to improve bank governance, it implies that the composition and capacity of bank boards is a crucial ingredient in it. And here, an issue arises: What happens if the boards simply do not have the required members? Under such circumstances, the guidance provided by the RBI, particularly as it is now designed around principles, may fail in its application.

Public-sector banks (PSBs) grapple with this aspect, largely due to the Union government's delays in appointing board members, including chairpersons. The directions of the RBI draft stress the importance of the non-executive chairpersons' role, since the board convenes under their direction and they play a crucial agenda-setting function. It is deeply concerning that a mere three of the 11 state-controlled banks have a non-executive chairperson at the moment. As this newspaper has reported, some of them have been missing this position for a considerable length of time. This is also true of other senior positions. Canara Bank, which is among the top PSBs, has not had a managing director, who also serves as chief executive officer, for nearly four months.

Even the boards themselves are shorthanded, aside from the failure to appoint chairpersons. Two of the 11 PSBs have only seven members on their board. The highest number of members that any of the nationalised banks' boards has is 10, and only three of them do so. Of particular concern is that several also lack a director appointed in the category of chartered accountants. Such an appointment is required to ensure that the audit committee of the board, to which many vital duties are delegated, functions in accordance with the regulations. Most also lack the full complement of independent directors, making do with RBI and government nominees. This is a broader problem, of course. There is a shortage of independent directors in the private sector, even as various regulations have piled more and more duties on to those roles.

Over the years, the government has made significant intervention in institutionalising the appointment processes. But of late, action seems to have lagged. The fact is, with or without the RBI's new directions, PSBs require a well-functioning, fully formed board. Without a proper audit committee, for instance, tasks of basic governance will remain unfulfilled. The bank board's undercapacity problem will only increase with the shift to principle-based governance. The norms require boards to dedicate sufficient time to strategy and risk governance, but those that do not have their full strength and have few independent voices or financial expertise will wind up being unable to properly discharge these duties. This will eventually affect the performance of PSBs, with broader implications for the economy.



Hope for Vodafone Idea

The telco must quickly raise capital

Vodafone Idea (Vi) has signalled to the industry and lenders that it's upping its game with industrialist Kumar Mangalam Birla returning as the telco's non-executive chairman. While Mr Birla has attempted to assuage fears that the telecom sector may turn into a duopoly, the struggling telco, with 49 per cent government shareholding, is yet to enthuse confidence in banks and financial institutions. Its promoters, the United Kingdom-based Vodafone plc and the Aditya Birla group, with a combined holding of 25.64 per cent, had earlier indicated that good money should not be put after bad while seeking government intervention. Now, with the government offering a series of benefits and concessions, including a comprehensive review of the dues linked to Vi's adjusted gross revenue (AGR) amount and converting some of the telco's dues into its own equity, Vi's promoters must show they have skin in the game.

In recent comments to the media, Mr Birla said that Vi's operational metrics were beginning to show tangible improvement and that the momentum would be supported by a $5 billion capex plan. He also expressed hope that the revival of the company would help sustain a "healthy three-player private market". But, banks have reportedly not taken a decision on the ₹35,000 crore loan request from Vi, while maintaining that the telecom company must increase its engagement with them. The moot point is that the lenders want guarantees and commitments from the promoters for infusing additional capital in the case of default. There's no evidence so far on Vi making any assurance of that nature. Even after the reduction of Vi's AGR dues by 27 per cent, paring it down to ₹64,046 crore from ₹87,695 crore, the telecom operator needs to make significant payments for deferred spectrum dues in the next three years. Its AGR dues are payable in six instalments over six years starting FY36, which is a big relief.

To the bankers, Vi's debt, at around ₹2.1 trillion, poses a challenge. Therefore, they insist on the promoters' guarantees before granting more funds. The operator, considered a top player in the market till a few years ago, is facing tough competition from Reliance Jio, and Bharti Airtel in terms of growth in subscriber numbers and monthly average revenue per user (Arpu). At a time when technology advancements drive the pace across sectors, Vi was a late starter in offering 5G service to its customers. As the telecom sector expands into areas such as 6G and satellite broadband, Vi needs a credible long-term vision that can inspire user confidence and reassure lenders.

The government has supported Vi in many ways so that the sector does not slip into a duopoly. It must now try to fix the systemic problems through a review of levies and duties to reduce the burden on the operators, which constantly need to invest in new technology. As for Vi, even as the optics are positive right now, the telco must act to translate the right words into concrete reality. It made several attempts in the past few years to raise funds, but should now be working on this front more actively. Rationalising tariffs is another step that the company and the industry should explore while enhancing the quality of service. This will provide a more secure telecom future in India.



Oil markets wrong on Iran?

Despite the biggest oil supply disruption in history, markets remain slow to react

ILLUSTRATION: BINAY SINHA



There is one great mystery in the Iran conflict: The behaviour of the oil markets. This is said to be the largest disruption in the history of oil markets. Yet the markets have been pricing oil at levels well below what analysts believe the fundamentals warrant. Either the analysts are fools. Or the markets have been hopelessly myopic. We should know in the weeks ahead.

After the Iran conflict erupted in late February, oil prices stayed well below $100 in the initial days. Experts concluded that the conflict would not last more than four to six weeks. The disruption to the world economy would not be considerable.

The notion that the disruption in oil supplies would cease immediately if the conflict stopped within four weeks or so was absurd. As *The Economist* (April 30) points out, production at oil wells cannot be switched on in a trice — it takes several weeks for production to return to normal. Tankers that have switched to other routes have to return to the Persian Gulf, again a time-consuming process. Refineries that were out of action for want of crude oil supplies have to be restarted. The disruption in oil supplies was bound to stretch well beyond any cessation of the conflict.

The oil markets — and the experts who relied on them — were proved wrong. The conflict did not end in four to six weeks. It has stretched to over 10 weeks and is still on. The worry is whether the oil markets are reflecting the Iran situation adequately even now. Analysts do not think so.



FINGER ON THE PULSE

T T RAM MOHAN

The oil markets' big failure was not anticipating Iran's ability and willingness to close the Strait of Hormuz. They seem to have assumed that because this had not happened in the past, it would not happen now. Iran's leaders had issued very explicit warnings about how the country would retaliate to an American attack. These warnings were not taken seriously by the United States administration or the oil markets.

The Economist estimates that the closure of the Strait of Hormuz has taken out supply equivalent to 10 per cent of global consumption over the last two months. Oil prices have been slow to react to a shortfall of this magnitude. In the past, smaller shortfalls in supply had caused much larger increases in oil prices.

It took nearly three weeks from the outbreak of the conflict for oil prices (Brent crude) to touch $100 per barrel. At the time of writing, it is $112 per barrel. This is the price of a three-month futures contract for July 2026. Thereafter, the market sees the oil price dropping to $104, $99 and $95 in August, September and October respectively.

What do the oil markets know that analysts don't? The current oil prices are difficult to square with the supply-demand balance in the oil market. Still less do they square with the status of the conflict between Iran and the US-Israel alliance. Analysts believe that President Donald Trump's upbeat messaging on the course of the conflict — "we are close to a resolution", "it will end soon", and such like — has had much greater effect on the oil markets than is warranted. If the analysts are right, the world economy could soon be in serious trouble.

Even at levels the oil prices have seen thus far, the impact on the world economy will be significant. The International Monetary Fund's World Economic Outlook (April 2026) assumes an average petroleum spot price of $82 per barrel for 2026, in what it calls its "reference" forecast. In this scenario, global growth falls to 3.1 per cent in 2026, from 3.4 per cent in 2024. That is 0.2 percentage points below the IMF's January forecast before the Iran conflict broke out. This fall does not capture the full magnitude of the impact of the Iran conflict. But for the Iran conflict, the IMF reckons, global growth would have been 3.4 per cent or the same as last year.

How realistic is the assumption of an average price of $82 per barrel of oil for 2026 as matters stand today? In the first four months of this year, Brent crude has averaged $87. Most analysts believe that if the Strait of Hormuz remains closed for another four weeks, oil prices will shoot up to well above $125, perhaps even touch $150 per barrel.

If that happens, the prospects for the world economy are truly dire. If oil prices average $100 per barrel, the IMF estimates global growth to drop sharply to 2.5 per cent. At a price of $110 per barrel, growth will drop to 2 per cent, which is close to global recession.

Despite the conflict, US growth in the reference forecast would be 2.3 per cent in 2026, higher than the 2.1 per cent in 2025. While the world languishes, the US remains relatively unaffected. This may explain its appetite for the conflict in the first place. But it's not as if the US has not been impacted by the Iran war. Before the war broke out, US growth in 2026 was projected at upwards of 2.5 per cent.

There is an important fact that has got obscured in the revised growth forecasts consequent to the Iran war. The war has impacted the world economy in a way in which Trump tariffs had not. Economists had warned of the folly of US tariffs and the grave consequences that would follow. They have ended up looking foolish.

Three points are worth highlighting. First, world economic growth was unscathed by the Trump tariffs in 2025 and it was poised to remain unscathed in 2026. Secondly, US growth in 2026, following the tariffs, is projected to be higher than in 2025.

Most dramatically, world trade growth grew by a phenomenal 5.1 per cent in 2025, up from 3.7 per cent in 2024. Expansion in technology-related exports offset slower growth in other categories. China reoriented its exports from the US to Asia and Europe and recorded a new high in goods trade surplus of $1.2 trillion.

President Trump's instincts about tariffs have been proved right — they benefitted the US economy without harming the world economy. What a pity his instincts have let him down on Iran.

ttrammohan28@gmail.com



The next IT state

New govt can make West Bengal an upscale tech hub

The Bharatiya Janata Party (BJP) has finally won West Bengal but the real test for the party lies in fulfilling its promise of taking the state to its former glory as an industrial and business powerhouse. Doing so entails not just reversing decades of a leftist political economy but also dealing with structural constraints in state policy and finances. Much has been made by the Trinamool Congress about the "poriborton" (change) in the state's economy during 15 years of Mamata Banerjee's rule. Chief among these achievements are the sharp reduction in poverty and fivefold growth in gross state domestic product (GSDP). Poverty reduction has been the result of a sustained social-sector focus, especially on schemes for women, which have proven genuinely transformational. The focus on expanding micro, small and medium enterprises (MSMEs), which provide employment to nine million people, has also driven growth.

These are not negligible achievements, but they have come at a cost. Heavy social-sector spending has impacted the fiscal situation; at 40 per cent, West Bengal's debt-to-GSDP ratio is among the highest in the country. The BJP's promise to implement the recommendations of the 7th Pay Commission for all state employees and pensioners within 45 days can only worsen this position. The focus on MSMEs has not translated into meaningful capital formation, which sustains industrial growth and employment. Compounding this is the agitation over compensation for the land acquired for the Tata Nano project at Singur, which powered Ms Banerjee to chief ministership. The Singur agitation enhanced the state's image as being innately business-unfriendly, which Ms Banerjee struggled to alter despite high-profile investor summits and overseas visits. Sustained political violence did nothing to encourage investors, either; some 6,600 firms shifted their registered offices from West Bengal to other states during her term. Last year, the state inexplicably scrapped all industrial incentives granted since 1993 with retrospective effect, a move that underlined the state's poor "ease of doing business" reputation.

Despite the BJP's business-friendly image, the new administration will likely struggle to draw in large manufacturing enterprises. This is mainly because the Centre's Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act of 2013, which largely reflects West Bengal's laws, has also made it near impossible to acquire the critical landmass needed for world-class manufacturing. The BJP's attempts to overturn these provisions when it came to power in New Delhi in 2014 proved unsuccessful and the political climate is such that this is unlikely to change. A workable alternative presents itself in the shape of information technology (IT), for which the state, with its high literacy levels and relatively good quality of life, is in a strong position to sustain. IT does not require mega-land investment. Ms Banerjee understood this and had started the process of attracting IT investment. Her initiative of setting up a 200-acre Bengal Silicon Valley Tech Hub provides a useful building block for the new administration to build on. Most of the marquee Indian names plus global data centres have invested here. The exponential growth of Gurugram as a dynamic IT hub, which enhanced the fortunes of agrarian Haryana, offers an example of the direct and indirect employment potential of IT investment. West Bengal can make a similar transformation.



Manufacturing ambition

India needs a coherent strategy

The Union government's recent decision to fast-track approval to foreign direct investment (FDI) from China and other neighbouring land-border countries in 40 manufacturing sub-sectors within 60 days reflects a growing recognition that India's industrial ambitions require deeper integration with global supply chains. After years of heightened scrutiny following the introduction of Press Note 3 in 2020, India now appears more willing to open up and integrate into global production networks, which continue to be dominated by Chinese firms. Significantly, China is India's largest trading partner with bilateral trade reaching $151.1 billion and the trade deficit with Beijing widening to $112.16 billion in 2025-26. It has been argued that one of the ways to reduce the trade deficit and dependence on China is to attract Chinese investment so that production shifts to India.

The sectors identified for quicker clearances — such as rare-earth magnets, printed circuit boards, advanced battery components, display modules, machine tools and polysilicon wafers — lie at the core of India's push in electronics, electric mobility, and renewable energy. The move must be welcomed because it provides clarity and will help increase manufacturing output over time. Unfortunately for India, manufacturing's share in gross domestic product has remained stuck at 15-17 per cent for a long time, far below the government's target of 25 per cent and behind several East Asian economies. A recent analysis showed that manufacturing firms' share in the gross value added of listed companies fell to 33.4 per cent in 2024-25 from over 40 per cent before the pandemic. The government has taken several measures over the years, including the production-linked incentive (PLI) scheme, but the results have not been as desired. The PLI scheme, for instance, worked in the mobile space, but the effects in other sectors have been sobering.

Thus, it must be recognised that faster clearances for investment from certain countries in certain sectors alone will not solve India's manufacturing challenge. The sector continues to face structural bottlenecks such as higher logistics costs, skill shortages in areas such as electronics and advanced manufacturing, rigid compliance systems, and weak contract-enforcement mechanisms, all of which raise the cost of doing business. As a result, India has not been able to generate employment at scale for its rising workforce.

In a fast-changing global environment, India needs a coherent strategy and a set of reforms to attract investment and meaningfully increase manufacturing output. The labour Codes passed by Parliament in 2019 and 2020, for instance, were intended to simplify compliance, improve labour flexibility, and encourage the formalisation of employment. However, their implementation was delayed because the rules were notified only last week. Acquiring land for large industrial units remains a challenge, which needs to be addressed. The government also needs to review the trade policy. While India signed several free-trade agreements in the recent past, including with the European Union, its average tariffs are still quite high compared to its peers. It must be recognised that the bulk of the global trade happens in intermediates, and higher tariffs tend to create friction. To push manufacturing output, it's important to integrate with global value chains. FDI flows are also often linked to trade openness and the level of integration in global value chains. Thus, India needs to go beyond selective opening for FDI. Economists have argued that India is failing to capture the low-cost manufacturing space being vacated by China. The Indian policy establishment must ask why.



ILLUSTRATION: AJAYA MOHANTY



Japan and India

Firms in the country need to prioritise Japanese engagement more



SNAKES & LADDERS
AJAY SHAH

The internationalisation strategy of the Indian business elite has traditionally been focused on the United States (US). For decades, this was a rational choice. The US provided the world's deepest capital markets, the most advanced technology, and a predictable institutional environment. This landscape has changed: The quality of institutions in the US has declined. Decision-makers in India must now cautiously rethink their strategy. A diversified approach to global engagement is now a necessity. This search for stability leads to the mature democracies of the Organisation for Economic Co-operation and Development (OECD). Within this, a significant opportunity for Indian firms lies in a greater prioritisation of Japan.

The US is the largest economy in the world, with a nominal gross domestic product (GDP) of $28.78 trillion. Japan has a nominal GDP of $4.11 trillion. This is a big country, with which Indian firms can do more. Our biases from recent decades of Japanese experience need to be reviewed and questioned.

After 1945, the Japanese state engaged in industrial policy on a substantial scale. Bureaucrats attempted to direct credit and pick winners. This was done well in the early years by the competent Japanese state. This approach reached its limits by the mid-1980s. Government control of resource allocation is synonymous with government interference in the financial system. The state-led approach in Japan unsurprisingly led to a massive misallocation of capital. Japan suffered "lost decades", characterised by mediocre growth and a loss of global competitiveness.

Conditions have changed. The Japanese policy establishment realised the limitations of the 1980s model and transitioned towards a more market-oriented, globally integrated, and financially sophisticated system. While the state still plays a significant role, a formidable institutional architecture based on market principles has arisen.

Japan now has a fully open capital account and a largely floating exchange rate, which absorbs external shocks. There is high economic freedom in finance, and financial regulation is competent and underpinned by the rule of law. Through the "lost decades", Japanese policymakers chipped away at slowly building the institutional capability required for a modern market economy.

The Nikkei 225 index provides insights into this progress. Equity prices reflect the market's assessment of future cash flows and institutional quality. The Nikkei 225 reached a peak of 38,915.87 in late 1989. The subsequent collapse and the demoralisation of the "lost decades" meant the index stayed below that peak for over 30 years. It regained the level of 1989 only in 2024. After that, we got a 61.1 percent rise in the Nikkei 225. Global and Japanese investors see in the Japanese economy a new potential that was absent for decades.

We should not be too concerned about Japan's demographic decline. For an analogy, the hoped-for Indian "demographic dividend" did not work: Population is not central to the process of economic growth. The absolute headcount required to create great corporations and generate immense value is quite small (for example, consider the tiny headcount directly employed in the US tech industry). Japan will not run short of the numbers required to sustain its technological and business frontier.

There is genuine intellectual excellence in Japan. The country possesses extremes of capability that are hard to match globally. Whether it is the design of automobiles, advanced materials, or the semiconductor industry, Japanese capabilities are at the top end. In the past 20 years, there were 14 STEM (science, technology, engineering and mathematics) Nobel prizes that went to persons who did their research in Japan. There is now a surge in Japanese defence research & development (R&D), reflecting a fresh Japanese effort in coping with the Chinese threat. In time, this will yield new strengths in universities and high-tech firms, which will spill over to civilian applications.

Supply chains are no longer just about cost; they are also about trust. Japan and India see eye to eye on a wide variety of global issues. This alignment includes a shared concern over Chinese aggression and the unpredictability of the US. The commitment in Japan to Indian success is comparable to that found in Israel, South Korea or Taiwan. This shared strategic interest makes it safe for Indian firms to build deep, long-term ties with Japanese partners. Myriad firms and governments worldwide are pushing to reduce their connection with China; everyone is happy to work more with Japan, given the decency of the Japanese state.

For Indian firms, much remains to be done with Japan working on the basis of traditional strategies, which worked well in the automobile sector: To integrate business models into the workings of Japanese giants, to produce in India for the world market. But many other pathways are also visible in business activities of recent years: Deploying Japanese capital to acquire distressed heavy industry via the Insolvency and Bankruptcy Code (Nippon Steel and AM/NS India), capital-intensive technology investment (the NTT group's hyperscale data centres), and securing deep-tech supply chains through joint ventures (Renesas and CG Power in semiconductors). Japanese financial institutions like MUFG are actively deploying capital in domestic Indian credit markets. The new conception of the Japan strategy is to fuse Japanese patient capital and advanced intellectual properties with Indian scale to sell into the world market, including the Japanese market.

Implementing such a Japan pivot will take time, effort and a shift in mindset. The language barrier has become less important because the Japanese business elite now speaks some English. There are deep cultural differences in how business is conducted. Relations in Japan are built on long-term trust and patience. The low-ethics "*jugaad*", which is often an element of Indian business culture, aiming for quick and dirty wins, will not work well. Indian firms will need to invest time and effort to learn how to engage with the Japanese business world.

The difficulties in the US and the risks posed by revisionist powers require a strategic response. Indian firms must diversify their international linkages into advanced Western democracies other than the US. Prioritising Japan is one logical response to this new reality.

The author is a researcher at XKDR Forum



Managing fiscal fallout

Government must make the necessary adjustments

Prime Minister Narendra Modi's appeal to reduce the consumption of several items, including fuel and gold, has led to an interesting debate in the country. The intent behind the appeal is to reduce dependence on imports and conserve foreign exchange. Elevated prices of crude oil are expanding the current account deficit (CAD). Some economists expect the CAD this financial year to expand to over 2 per cent of gross domestic product (GDP), compared to below 1 per cent in 2025-26. Capital is also flowing out because of global uncertainties, resulting in significant pressure on the external account, which is reflected in the decline in the rupee's value. While considerable focus is on the external account, the impact of the crisis in West Asia on the Union Budget also needs assessment.

Although it can be argued that it's too early in the financial year to revisit Budget assumptions, starting the adjustment process at this stage will help. The Union government was aiming to contain the fiscal deficit at 4.3 per cent of GDP this year, which now looks difficult for a variety of reasons. The GDP base has been marginally revised lower in the new series. The government has reduced special excise duty on petrol and diesel to provide relief to oil-marketing companies (OMCs), and that is estimated to result in a revenue loss of about ₹1.5 trillion on an annual basis. It has also been reported that fertiliser subsidy is likely to increase by 20 per cent because of higher prices of inputs. Further, oil companies, which are significant contributors to the central exchequer through corporation tax and dividends, may not be able to contribute much this year. Putting these elements together indicates that the fiscal deficit could expand to about 5 per cent of GDP.

Notably, higher fuel prices and limited gas availability are affecting economic activities, which could result in lower overall tax collection and add further pressure on the Budget. However, even as the real growth rate comes under pressure, a higher expected inflation rate could push up the normal growth rate and contain some of the crisis' harmful effects on the Budget. To be fair, the final impact on the Budget will depend on how long the supply of crude oil and gas remains disrupted. However, as things stand, there is no clarity as to how long the Strait of Hormuz will remain blocked. Experts also believe that resuming normal supply could take time even after the strait is opened, keeping prices elevated for some time. Thus, the government would do well to start adjusting. There is an immediate need to revise fuel prices. OMCs are reported to be facing an under-recovery of about ₹30,000 crore per month. This is clearly unsustainable, and the government will eventually have to support them, with significant consequences for the Budget.

The government may also have to restructure its spending. The objective here should be not to cut capital expenditure because it supports growth. It is likely that some projects may see cost escalation because of higher costs of inputs. It would also be important that the government does not abandon its disinvestment plans. Although foreign investors are selling, domestic flows remain strong and are supporting the market. In fact, once things improve, the government should consider increasing the disinvestment target to contain the impact of the crisis. While the debt and deficit have declined from the pandemic highs, they are still at a high level and would limit policy space. Thus, to minimise medium-term risks, it will be important to keep the fiscal deficit closer to the target.



Scenarios, not forecasts

In an uncertain world, policymaking must be based on flexible scenarios rather than rigid forecasts

ILLUSTRATION: BINAY SINHA



The global economic system since the 1990s was based on relatively depoliticised trade and finance relations. It led to a substantial acceleration in growth in China and a significant rise in India. There was some concern about the openness that emerged with the extraordinary dominance of China in manufacturing and trade and, to a lesser extent, with the rise of India. But the big change has come now with Donald Trump becoming President of the United States.

The era of significantly depoliticised globalisation with rising links between developed and emerging market economies is giving way to a system where inter-country relations, even in trade, technology and commercial finance, are linked with security and strategic considerations. This is leading to a degree of nationalism and even mercantilism, particularly by the US, which is setting political constraints on global trade, supply chains and even finance.



NITIN DESAI

In many ways, this change was captured by the Prime Minister of Canada, Mark Carney, who in his famous Davos speech said: "Great powers have begun using economic integration as weapons, tariffs as leverage, financial infrastructure as coercion, supply chains as vulnerabilities to be exploited," I think his reference to the great powers was basically to Trump's America.

In such a complex world, it is difficult to forecast behaviour by foreign governments or, for that matter, by global financial or manufacturing corporations. Hence, it is not right to design policy based on forecasts that assume the present pattern of global disquiet would continue. What we need is an analysis that will indicate a set of likely possibilities — whether the present relationship pattern will continue, whether new patterns will emerge, whether the strong assertion of power by the US or other great powers will change.

Our policy has to be designed not with any forecast of the global economy but as a policy that can be redesigned quickly depending on which scenario plays out. In a large country like India, the government can also consider the role it can play in directly influencing global prospects.

This stress on scenarios rather than forecasts or projections has been reinforced by what we are experiencing with the rising isolationism and unilateral exertion of power by the US. Francis Fukuyama, who wrote the famous book *Trust: The Social Virtues and the Creation of Prosperity*, now says: "If I were to re-write Trust today, I would not characterise the United States as a high-trust society."

What Mr Fukuyama is saying, in effect, tells us that our global relations policy should not be based on trust but on an assessment of potential action and response by key global partners. As these actions are not accurately predictable, it is best to work out scenarios and design policies that are quickly adjustable.

This focus on potential scenarios is most important for our link with the great powers. Consider the issue of trade and finance. The three major partners of India are the US, Europe, and China. Our trade relationship with them in 2024-25 amounted to about $380 billion, which is about one-third of our global trade. If one were to add the combined share of the US and Europe in net services trade, remittances, and investment payments, the proportion would be higher.

First, let's take what is perhaps the most relevant example, the trade and finance relationship with the US. Two alternative scenarios of US global policy beyond 2029 depend on whether a supporter of Mr Trump's policies is elected President or whether an opponent is elected. In fact, one has to go a little further and assess whether the isolationist and aggressive policies on trade and multilateralism that are the basis of US policy reflect emerging opinion among US citizens. Design a policy that is able to cope with the current attitude of the US government but is flexible enough to take advantage of a new government that is less isolationist, more willing to de-politicise its trade policy, and less demanding in its control over the global activities of its manufacturing and finance corporation.

A similar scenario-oriented policy design approach is even more necessary for the other great power, China. Will China continue with its trade restrictions on important commodities like rare earths, or will the tension in its relationship with the US prompt it to reduce the restrictions for other countries? Will the political control over its global trade policy continue or will it be diluted by the growing global presence of its private corporations? Is there a prospect of China becoming a substantial destination of our exports? Should we liberalise Chinese finance flows? There are other similar questions that need to be addressed, and a policy approach needs to be designed to be flexible enough to cope with changes in China.

The scenario building in the relationship with Europe is important because we are relying substantially on better trade relationships with Europe and the United Kingdom through the new free-trade agreements (FTAs) that we are moving towards. There is also an emerging sign of the European states moving away from the US. In fact, recently when the US grossly misbehaved at the G7 summit and refused to admit one of them, Canada, the four European states and Japan walked out. France, holding the G7 Presidency at present, has not formally called for a permanent "G7 minus the USA" structure. However, French President Emmanuel Macron has proactively expanded the 2026 G7 summit to include India, South Korea, Australia, Brazil, and Kenya to "correct global economic imbalances" and foster cooperation among democracies. The scenario that is most plausible now is Europe as a substitute for the US in many areas of trade and finance. But our policy should also consider the scenarios that would arise if Europe's relations with Russia worsen further or if Europe moves closer again to the US.

I have focused attention largely on the issues of trade, finance, and technology access. But scenario-building is even more necessary for political and defence relations. Scenarios can include possibilities that at present are not obvious. In 1987, anyone looking five years ahead for a projection forecast would not have forecast that communism would collapse in the Soviet Union, that the two Germanies would unite under the Christian Democratic Party government in West Germany, and that apartheid would end in South Africa and Nelson Mandela would emerge as the President of South Africa.

At that time, these three dramatic developments did not appear likely but were still possible. All three occurred, which explains why scenario-based projections are more effective than forecast-based projections for designing policy. If we had prepared a scenario that included such possibilities, then we would have anticipated the collapse in the nature of our trade relationship with Russia and the new prospects in South Africa. That is why the government should launch a dialogue among experts and bureaucrats that would outline possible scenarios of global economic relationships rather than attempt excessively precise forecasts.

desaind@icloud.com



Managing fiscal fallout

Government must make the necessary adjustments

Prime Minister Narendra Modi's appeal to reduce the consumption of several items, including fuel and gold, has led to an interesting debate in the country. The intent behind the appeal is to reduce dependence on imports and conserve foreign exchange. Elevated prices of crude oil are expanding the current account deficit (CAD). Some economists expect the CAD this financial year to expand to over 2 per cent of gross domestic product (GDP), compared to below 1 per cent in 2025-26. Capital is also flowing out because of global uncertainties, resulting in significant pressure on the external account, which is reflected in the decline in the rupee's value. While considerable focus is on the external account, the impact of the crisis in West Asia on the Union Budget also needs assessment.

Although it can be argued that it's too early in the financial year to revisit Budget assumptions, starting the adjustment process at this stage will help. The Union government was aiming to contain the fiscal deficit at 4.3 per cent of GDP this year, which now looks difficult for a variety of reasons. The GDP base has been marginally revised lower in the new series. The government has reduced special excise duty on petrol and diesel to provide relief to oil-marketing companies (OMCs), and that is estimated to result in a revenue loss of about ₹1.5 trillion on an annual basis. It has also been reported that fertiliser subsidy is likely to increase by 20 per cent because of higher prices of inputs. Further, oil companies, which are significant contributors to the central exchequer through corporation tax and dividends, may not be able to contribute much this year. Putting these elements together indicates that the fiscal deficit could expand to about 5 per cent of GDP.

Notably, higher fuel prices and limited gas availability are affecting economic activities, which could result in lower overall tax collection and add further pressure on the Budget. However, even as the real growth rate comes under pressure, a higher expected inflation rate could push up the normal growth rate and contain some of the crisis' harmful effects on the Budget. To be fair, the final impact on the Budget will depend on how long the supply of crude oil and gas remains disrupted. However, as things stand, there is no clarity as to how long the Strait of Hormuz will remain blocked. Experts also believe that resuming normal supply could take time even after the strait is opened, keeping prices elevated for some time. Thus, the government would do well to start adjusting. There is an immediate need to revise fuel prices. OMCs are reported to be facing an under-recovery of about ₹30,000 crore per month. This is clearly unsustainable, and the government will eventually have to support them, with significant consequences for the Budget.

The government may also have to restructure its spending. The objective here should be not to cut capital expenditure because it supports growth. It is likely that some projects may see cost escalation because of higher costs of inputs. It would also be important that the government does not abandon its disinvestment plans. Although foreign investors are selling, domestic flows remain strong and are supporting the market. In fact, once things improve, the government should consider increasing the disinvestment target to contain the impact of the crisis. While the debt and deficit have declined from the pandemic highs, they are still at a high level and would limit policy space. Thus, to minimise medium-term risks, it will be important to keep the fiscal deficit closer to the target.



Scenarios, not forecasts

In an uncertain world, policymaking must be based on flexible scenarios rather than rigid forecasts

ILLUSTRATION: BINAY SINHA



The global economic system since the 1990s was based on relatively depoliticised trade and finance relations. It led to a substantial acceleration in growth in China and a significant rise in India. There was some concern about the openness that emerged with the extraordinary dominance of China in manufacturing and trade and, to a lesser extent, with the rise of India. But the big change has come now with Donald Trump becoming President of the United States.

The era of significantly depoliticised globalisation with rising links between developed and emerging market economies is giving way to a system where inter-country relations, even in trade, technology and commercial finance, are linked with security and strategic considerations. This is leading to a degree of nationalism and even mercantilism, particularly by the US, which is setting political constraints on global trade, supply chains and even finance.



NITIN DESAI

In many ways, this change was captured by the Prime Minister of Canada, Mark Carney, who in his famous Davos speech said: "Great powers have begun using economic integration as weapons, tariffs as leverage, financial infrastructure as coercion, supply chains as vulnerabilities to be exploited," I think his reference to the great powers was basically to Trump's America.

In such a complex world, it is difficult to forecast behaviour by foreign governments or, for that matter, by global financial or manufacturing corporations. Hence, it is not right to design policy based on forecasts that assume the present pattern of global disquiet would continue. What we need is an analysis that will indicate a set of likely possibilities — whether the present relationship pattern will continue, whether new patterns will emerge, whether the strong assertion of power by the US or other great powers will change.

Our policy has to be designed not with any forecast of the global economy but as a policy that can be redesigned quickly depending on which scenario plays out. In a large country like India, the government can also consider the role it can play in directly influencing global prospects.

This stress on scenarios rather than forecasts or projections has been reinforced by what we are experiencing with the rising isolationism and unilateral exertion of power by the US. Francis Fukuyama, who wrote the famous book *Trust: The Social Virtues and the Creation of Prosperity*, now says: "If I were to re-write Trust today, I would not characterise the United States as a high-trust society."

What Mr Fukuyama is saying, in effect, tells us that our global relations policy should not be based on trust but on an assessment of potential action and response by key global partners. As these actions are not accurately predictable, it is best to work out scenarios and design policies that are quickly adjustable.

This focus on potential scenarios is most important for our link with the great powers. Consider the issue of trade and finance. The three major partners of India are the US, Europe, and China. Our trade relationship with them in 2024-25 amounted to about $380 billion, which is about one-third of our global trade. If one were to add the combined share of the US and Europe in net services trade, remittances, and investment payments, the proportion would be higher.

First, let's take what is perhaps the most relevant example, the trade and finance relationship with the US. Two alternative scenarios of US global policy beyond 2029 depend on whether a supporter of Mr Trump's policies is elected President or whether an opponent is elected. In fact, one has to go a little further and assess whether the isolationist and aggressive policies on trade and multilateralism that are the basis of US policy reflect emerging opinion among US citizens. Design a policy that is able to cope with the current attitude of the US government but is flexible enough to take advantage of a new government that is less isolationist, more willing to de-politicise its trade policy, and less demanding in its control over the global activities of its manufacturing and finance corporation.

A similar scenario-oriented policy design approach is even more necessary for the other great power, China. Will China continue with its trade restrictions on important commodities like rare earths, or will the tension in its relationship with the US prompt it to reduce the restrictions for other countries? Will the political control over its global trade policy continue or will it be diluted by the growing global presence of its private corporations? Is there a prospect of China becoming a substantial destination of our exports? Should we liberalise Chinese finance flows? There are other similar questions that need to be addressed, and a policy approach needs to be designed to be flexible enough to cope with changes in China.

The scenario building in the relationship with Europe is important because we are relying substantially on better trade relationships with Europe and the United Kingdom through the new free-trade agreements (FTAs) that we are moving towards. There is also an emerging sign of the European states moving away from the US. In fact, recently when the US grossly misbehaved at the G7 summit and refused to admit one of them, Canada, the four European states and Japan walked out. France, holding the G7 Presidency at present, has not formally called for a permanent "G7 minus the USA" structure. However, French President Emmanuel Macron has proactively expanded the 2026 G7 summit to include India, South Korea, Australia, Brazil, and Kenya to "correct global economic imbalances" and foster cooperation among democracies. The scenario that is most plausible now is Europe as a substitute for the US in many areas of trade and finance. But our policy should also consider the scenarios that would arise if Europe's relations with Russia worsen further or if Europe moves closer again to the US.

I have focused attention largely on the issues of trade, finance, and technology access. But scenario-building is even more necessary for political and defence relations. Scenarios can include possibilities that at present are not obvious. In 1987, anyone looking five years ahead for a projection forecast would not have forecast that communism would collapse in the Soviet Union, that the two Germanies would unite under the Christian Democratic Party government in West Germany, and that apartheid would end in South Africa and Nelson Mandela would emerge as the President of South Africa.

At that time, these three dramatic developments did not appear likely but were still possible. All three occurred, which explains why scenario-based projections are more effective than forecast-based projections for designing policy. If we had prepared a scenario that included such possibilities, then we would have anticipated the collapse in the nature of our trade relationship with Russia and the new prospects in South Africa. That is why the government should launch a dialogue among experts and bureaucrats that would outline possible scenarios of global economic relationships rather than attempt excessively precise forecasts.

desaind@icloud.com



Entrepreneurship vs corporate governance



SWOT

KANIKA DATTA

Whenever a corporation in India rises meteorically, the instinct is to wait before exhaling. Mostly, these corporations survive and thrive, riding on the sparkling new opportunities of economic reform. But too often, India's unleashed entrepreneurial spirits leap far ahead of sober corporate governance practices, resulting in headline-making controversies.

Two things define this trend. First, it gathered momentum around the second decade of this century, the go-go years for private enterprise. Second, it partly reflects the sub-optimal functioning of government and regulatory oversight and/or the outright failure of auditors and corporate boards. This was the pattern set by Satyam Computer Services, Sahara, Ranbaxy, Kingfisher Airlines, Nirav Modi, Infrastructure Leasing and Financial Services (IL&FS), Byju's, Yes Bank, and the National Stock Exchange.

The latest in the line is nine-year-old Paytm Payments Banks Ltd, which had its licence cancelled by the Reserve Bank of India (RBI) late last month. The Paytm brand is the undisputed standard bearer of the mobile wallet. Just a decade ago, Paytm, promoted by Vijay Shekhar Sharma under the One97 Communication umbrella, shot to national attention when it hyped the virtues of its Paytm wallet in full-page advertisements the morning after the nation was stupefied by the announcement that the government would withdraw 86 per cent of the value of currency in circulation.

Mr Sharma's lightning instincts in getting those ads out on the same night the Prime Minister announced demonetisation — and just hours before newspapers were put to bed — established his entrepreneurial creds. He rode high not just in the traumatic months that followed but till at least 2022, after which mobile wallet interoperability allowed competitors such as PhonePe, Google Pay and others to gain critical mass. Though PhonePe and GPay soon outstripped Paytm on the Unified Payments Interface platform, Paytm remains the verb Indians used for instant online payment rather like "xerox" or "fridge" or "google".

The payments bank was set up as a sort of backward integration, building on the mobile wallet base. Yet just five years later, in 2022, the RBI barred the company from on-boarding customer, citing weak risk management protocols, including in Know Your Customer verifications. The fact that the parent company failed to get its act together in almost four years thereafter is notable — though this is a victim-less controversy since customers were migrated to other institutions. But given the accolades that were showered on the promoter between 2016 and 2022 from media houses and the state, these compliance shortcomings are noteworthy.

Crash-landings such as the one by Kingfisher Airlines could be ascribed to ill-judged government policy. The airline borrowed heavily from state-owned banks after the government included airlines within the definition of low interest infrastructure loans. Siddharth Mallya, who was gifted the airline to run by his now fugitive debt-ridden father, dismissed the failure as the kind of business error that happens all the time. But you have to wonder at the airline's board — stuffed with lawyers, bankers, former airline chiefs plus Vijay Mallya's close aides — endorsing a strategy offering business class services at economy class fares.

Questions of board responsibility could be asked of IL&FS which, Enron-style, was loading debt on to myriad subsidiaries to conceal losses and leveraging short-term debt to finance long-term projects. When the scale of defaults came to light in late 2018, the government moved quickly to supersede the board and appoint new members to revive the company. Light-touch regulation for "shadow banks" such as IL&FS had clearly failed — though the earlier collapse of Sahara's "parabanking" model should have raised red flags. Regulatory oversight and audit and rating standards have been tightened since, but the crisis in one of India's largest non-banking finance companies constrained the credit system for many months.

IL&FS or the co-location scandal embroiling the National Stock Exchange underline the risks of assuming that institutions with sterling reputations can get away with less oversight. In NSE's case, remarkable — and hugely entertaining — revelations of the managing director and chief executive officer sharing sensitive information with a mysterious Himalayan Yogi presents a disturbing picture of governance standards in institutions that are supposedly professionally run.

But whereas these crises impacted the domestic business ecosystem, Satyam, Ranbaxy, and Byju's caused international reputational damage. Satyam's stellar board comprised worthies from Harvard and Silicon Valley, all of whom remained blithely unaware that funds were being siphoned off.

Ranbaxy, run by two brothers from a storied business family, was feted for research breakthroughs and exports to the United States. It attracted more accolade when Japan's Daiichi Sankyo acquired a majority stake in a $4.6 billion deal, the largest in the domestic pharma industry till then.

Six years later, a whistle-blower revealed fraud of the worst order — substandard manufacturing, counterfeit drugs and all manner of dodgy practices. The book *The Truth Pill* reveals in shocking detail the selective short-sightedness of the Indian drug regulator. Ranbaxy was under US Federal Drug Administration scrutiny before Daiichi invested, a fact it omitted to disclose to its Japanese partners. Byju's, India's first unicorn, went about acquiring assets with gay abandon during the Covid years and is now mired in debt, a US court case over loans and concealment of funds, and accusations in India of misleading customers. Who was monitoring this company?

It is possible to argue that business scandals occur worldwide. Certainly there is no shortage of them in the US. The problem is that India, always thirsting for foreign investment, can least afford them. Whatever its entrepreneurial talents, governance remains India Inc's soft underbelly.



After freebies, the fiscal reality

For the newly elected state governments, fulfilling their election promises may prove costly

ILLUSTRATION: BINAY SINHA



Now that the elections in the four states are over, the focus of the newly elected governments shifts to governance. Having promised large giveaways in their manifestos, the reality of limited fiscal space and the questions on the feasibility of implementing those promises will now take precedence.

The challenge of implementing them is bound to be formidable because these states are already fiscally stressed. In addition, the ongoing West Asia war is likely to have considerable direct and indirect adverse effects on revenues as well as on energy and other input prices. The opportunity cost of these promised transfers and subsidies is high, as they could displace long-term spending that accelerates growth and enables human empowerment.



POLICY PILLARS

M GOVINDA RAO

Of the four states where elections were held, there is a regime change in three, and only in Assam there is continuity. A common factor across all four states is that the winning political parties made exorbitant promises to appeal to voters. It is in implementing these promises that they will have to confront the fiscal reality. Ironically, three of the four states — Kerala, Tamil Nadu, and West Bengal — have been fiscally stressed for a considerable period of time, and there are no easy ways to mobilise revenues to meet the cost of the promised freebies, particularly in the prevailing difficult economic scenario.

With the same party ruling in both the state and the Centre, Assam and West Bengal are likely to receive a more sympathetic treatment from the Union government. The new government in Tamil Nadu has also been avoiding confrontationist rhetoric. However, the Union government itself will face a severe fiscal crunch due to the ongoing war in West Asia, and will have limited capacity to loosen the purse strings. In any case, the challenge of fulfilling the promises made by the newly elected state governments without adversely impacting the quality of services provided will be formidable.

Elections in India have become fertile ground for the proliferation of freebies. Every political party thinks it is the only way to come to power and invents new forms of subsidies and transfers. The Sixteenth Finance Commission drew attention to this fast-growing trend of cash transfers when it stated, "The unconditional transfers have grown at a rate of 28.8 per cent between 2018-19 and 2025-26 BE (Para 14.30)." And, "....unconditional transfers are also witnessing a rapid geographical expansion, with an increasing number of states embracing them as the preferred instrument of transfers (14.32)." All political parties, without exception, have been making tall promises in their manifestos to win elections, and once elected, those promises come back to haunt them.

The story of the three newly elected governments in Kerala, Tamil Nadu, and West Bengal is no different. The three states have little fiscal room to manoeuvre. The revenue deficit as a ratio of their respective gross state domestic products (GSDP) is currently at 2.1 per cent for Kerala, 1.5 per cent for Tamil Nadu, and 2.4 per cent for West Bengal, constituting 77 per cent, 47 per cent, and 60 per cent of their fiscal deficits, respectively. This implies that about 50 to 70 per cent of the borrowed funds are being spent on meeting revenue expenditures.

The interest payments in these states constitute almost 20 per cent of their revenue receipts. The outstanding liabilities as a ratio of their GSDP were 37 per cent in Kerala, more than 30 per cent in Tamil Nadu, and over 40 per cent in West Bengal. In addition, according to the Sixteenth Finance Commission, in Kerala, there are off-budget borrowings, and the outstanding debt of the Kerala Infrastructure Investment Fund Board in March 2025 amounted to ₹28,880 crore. In the case of Tamil Nadu, the outstanding loan of the state power distribution company was ₹1.73 trillion in 2023-24 (Table 13.2; p.283).

Yet freebies galore. In its 40-point manifesto, the Tamilaga Vettri Kazhagam (TVK) party has promised a monthly payment of ₹2,500 to every woman; six free gas cylinders; 200 units of free power; free transport in government buses; eight grams of gold and a silk saree to girls for their weddings; a gold ring for a newborn child; unemployment support of ₹4,000 per month for every graduate and ₹2,500 for every diploma holder; free coaching for competitive examinations; and medical insurance up to ₹25 lakh for every family, among other promises.

Finding resources for these promises is going to be a challenge when the state has almost ₹10 trillion in outstanding liabilities in the budget and another ₹2 trillion liabilities in the power distribution sector.

In Kerala, the United Democratic Front has promised to implement five guarantees, which include an increase in social welfare pensions to ₹3,000 every month; free bus travel for women in government buses; a monthly allowance of ₹100 for every college-going female student; health insurance of ₹25 lakh per family; and interest-free business loans of up to ₹5 lakh for young entrepreneurs.

In West Bengal, the Bharatiya Janata Party (BJP), which has come to power in the state, has promised in its manifesto to implement dearness allowance in accordance with the Central Seventh Pay Commission award for employees and pensioners; create 10 million new jobs; provide ₹3,000 per month in support for women; and fix support prices for rice, mangoes, and potatoes.

In Assam, too, the ruling party has promised to provide 200,000 government jobs and increase the aid amount to low-income families under the Orunodoi Scheme to ₹3,000 in a phased manner. While these freebies win elections, they are likely to prove costly and can be implemented only at the expense of growth-enhancing capital expenditure and human development. This type of populism could spread to other states as well, unless it is shown that factors other than freebies at the cost of growth are more important in determining electoral outcomes.

The author is former director, National Institute of Public Finance and Policy. 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
DELHI TECHNOLOGICAL UNIVERSITY
DTU DELTECH UNIVERSITY

Stability and growth

India needs to accelerate the pace of reforms

Nearly 35 years after India embarked on the path of economic reforms, much still remains to be done to enable the country's economy to achieve its full potential. NITI Aayog Member Rajiv Gauba rightly described a major shortcoming of the Indian policy establishment in his remarks this week at the Confederation of Indian Industry's Annual Business Summit: "The 1991 reforms dismantled industrial licensing, but not the Licence Raj." The level of engagement between businesses and government, along with the numerous permissions, licences and compliances required to start and run an enterprise, often discourages entrepreneurs. To be fair, the government has been working on this front. It has eliminated thousands of compliance requirements and decriminalised a large number of provisions.

Clearly, a lot more needs to be done. It is worth recognising that the global business environment has changed over the past few years, and a country like India has to improve its business environment more proactively. India runs a current-account deficit, which is usually not very large, but it still needs stable foreign flows to finance it. The need is being felt particularly today, when it is facing capital outflows. As economists have pointed out, this financial year may be the third consecutive year with a deficit in the balance of payments. While the crisis in West Asia is currently affecting capital flows, at a net level, India has been witnessing weak flows for quite some time. A truce in West Asia will definitely provide relief in the short run, but India needs to revisit its macroeconomic management framework from a medium- to long-term perspective. This is not only important for macrostability but also for pushing up growth in the long run. However, it's not only that foreign investors are reluctant, Indian businesses have also not been investing in a robust way despite various policy interventions.

There could be many reasons for this, such as domestic and international demand, but the ease of doing business is likely one of them. In this context, while the Centre has taken several steps to improve conditions, firms also have to deal with state and local governments, which may not be on the same page. As Mr Gauba rightly noted, India needs many success stories like Apple. However, it must be recognised that Apple was facilitated in ways that may not be the case for other businesses, particularly small businesses. Therefore, to build a vibrant business environment where even small businesses, which are usually more dynamic, can also aspire to grow, India needs clear policy formulations and seamless clearances. "Permitted unless prohibited" will be the right approach.

Further, rules and regulations should be stable and predictable. Intervention to achieve a short-term objective must be avoided. The government, for instance, has asked Indians to reduce gold buying, which can help address stress in the balance of payments. Such a call will inevitably affect businesses in the jewellery sector and signal to other businesses that the government can actively hamper their prospects to achieve other policy goals. The government has also increased Customs duties on gold and silver. Aside from affecting the jewellery industry, it could have unintended consequences. People might buy more gold and silver at the first sign of stress because a possible increase in duties would raise the value of their holdings. Overall, it is well known what needs to be done to improve the business environment, and the government, to its credit, has been working in this direction. The pace now needs to be accelerated.



Coal gasification emerges as a priority

Picture a lump of coal. For decades, coal in India had a singular role — to be burned for power. Today, that same lump can be transformed into fertiliser, steel inputs, transport fuels, and hydrogen, redefining it from a combustion fuel into a strategic industrial feedstock. This transformation, enabled by coal gasification, is no longer experimental. It is fast becoming a national priority.

At its core, gasification is a chemical, not thermal, process. Coal is heated at 700-1,500°C in a low-oxygen environment, producing synthesis gas (syngas), a mixture of hydrogen and carbon monoxide. This intermediate unlocks an entire value chain — ammonia, urea, methanol, synthetic natural gas, and petrochemical feedstocks. In a resource-constrained economy, this is not merely technological diversification, it is value maximisation.



INFRATALK

VINAYAK CHATTERJEE

India's recent moves signal a shift from hesitation to intent. Underground Coal Gasification (UCG), where coal is converted in situ without mining, is being piloted in Jharkhand. Bharat Heavy Electricals Ltd (BHEL) has developed indigenous gasification technology suited to India's high-ash coal, to produce high-value methanol. Simultaneously, the private sector is emerging as a serious participant.

The transition is underpinned by India's unique resource position. India produced over 1,047 million tonnes of coal in FY25, crossing the one-billion-tonne mark alongside China. It holds nearly 199 billion tonnes of proven reserves and 401 billion tonnes total geological reserves, one of the largest coal endowments globally. Yet nearly 80 per cent of the mined coal is still burnt for power. This is serious underutilisation of an advantageous natural endowment.

The urgency is amplified by import dependence. India imports 88 per cent of crude oil, over 90 per cent of methanol, and 13-15 per cent of ammonia, with ammonia imports alone costing $982 million (2024). Each geopolitical disruption, from the Strait of Hormuz to tariff regimes, translates directly into inflation. Coal gasification offers a strategic domestic hedge.

Estimates suggest a scaled gasification programme could reduce imports by $15 billion annually and generate savings of ₹60,000 crore-90,000 crore through domestic fertiliser and chemical production. This is not just energy transition but a macroeconomic stabilisation lever.

Policy and investment momentum reflect this shift. The ₹8,500 crore viability gap funding scheme (2024) targets 100 mt of gasification capacity by 2030: ₹4,050 crore for public sector units and ₹4,450 crore for private players. The Cabinet on Wednesday approved a ₹37,500 crore unified incentive scheme, with a maximum support of ₹3,000 crore per project (up from ₹1,000 crore for private projects and ₹1,350 crore for public projects), targeting self-reliance in liquefied natural gas (LNG), urea, ammonia, methanol, and direct reduced iron. Complementing this framework is a proposed ₹50,000 crore plan to revive 20,000 Mw of idle gas-based capacity. Seven major gasification projects worth ₹64,000 crore across Maharashtra, Odisha, and West Bengal are already underway. Experts estimate 15-20 large complexes will be needed between 2026 and 2030 to meet the 100 mt target.

The project pipeline reflects an ecosystem that looks credible: Policy, technology, capital, and execution are converging. Key developments include the Coal India Ltd-BHEL joint venture at Lakhanpur, Odisha (₹11,782 crore); Coal India-Gas Authority of India Ltd (GAIL) joint venture at Sonepur Bazari, West Bengal (₹13,052 crore); and CIL-Steel Authority of India Ltd joint venture at Durgapur Steel Plant commissioning by FY29. The ₹13,000 crore Talcher Fertilizer Plant in Odisha, India's first coal gasification-based urea project producing 1.27 million tonnes annually, has been developed as a joint venture between GAIL, Coal India, Rashtriya Chemicals & Fertilizers Ltd and Fertilizer Corporation of India Ltd, was inaugurated by the Prime Minister in September 2018.

Private sector initiatives are equally significant: Jindal Steel's Angul facility, among the world's largest syngas-based steel plants, is operational, with new projects in Raigarh in Maharashtra. New Era Cleantech's $2.5 billion coal-to-ethanol investment and NLC India's lignite-to-methanol project further expand the ecosystem. Recent developments indicate deepening engineering and execution capability: L&T Energy Hydrocarbon Onshore has secured a large order from Bharat Coal Gasification and Chemicals Ltd in Odisha. The total pipeline now exceeds ₹85,000 crore. More large Indian companies are preparing to enter.

What distinguishes the current moment is the alignment of five enabling conditions: Abundant domestic coal supply, India-adapted technology, strong policy backing, rising private participation, and a geopolitical environment penalising import dependence.

The economic logic is compelling. Syngas from domestic coal can substitute for imported LNG, supply farmers with home-grown urea, reduce coking coal imports in steel, and bridge the hydrogen economy transition. But this is also where caution is warranted. Gasification projects are capital-intensive, technologically complex, and highly sensitive to global price cycles. India has faced this before. When oil prices declined in the past, interest in gasification waned. China, by contrast, persisted. Both countries began exploring gasification simultaneously, but China treated it as a strategic priority, deploying patient capital across price cycles. Today, China gasifies over 80 mmpta annually and dominates global methanol and ammonia production through coal-derived syngas. India's output is a mere 3-5 per cent of that scale.

India now stands at an inflection point. The debate on coal is often framed as one between continuation and transition. Gasification reframes it entirely: From combustion to conversion, from fuel to feedstock, from constraint to opportunity, from black to green. If executed strategically, it can redefine energy security, industrial policy, and economic and environmental resilience.

One wonders why this transformation was delayed for decades!

The author is an infrastructure expert. He is also the founder & managing trustee of The Infravision Foundation. With inputs from Mutum Chaobisana



Managing demand

Gold imports need structural solutions

After Prime Minister Narendra Modi's appeal to reduce the consumption of items such as fuel and gold, the government has taken several steps. While the government itself at various levels is pushing to reduce fuel consumption, the Union Ministry of Finance on this week increased the effective import duty on gold and silver from 6 per cent to 15 per cent. Given that gold is the biggest component after crude oil in the import basket, the expectation is that the higher duty will discourage Indians from buying and help improve the external balance. In FY26, India imported gold worth about $72 billion, and the import bill has more than doubled since FY23. Thus, there is little debate that gold imports put pressure on the external account and have a significant impact during times of stress. However, a tariff increase may not have the desired impact.

India is one of the biggest consumers of gold in the world, and most of it is imported. A variety of social, cultural, economic and religious factors drive demand. All of that is unlikely to significantly change because of the tariff increase. Silver also has a significant industrial use, and higher duty will push up the prices of final goods. In terms of pure economic reasons, gold is seen as a store of value and a hedge against inflation. Since liquidity is not much of an issue, even poor families prefer keeping some savings in gold, which can be used in times of stress. Notably, the pure investment demand for gold has increased substantially over time. According to the World Gold Council data, exchange-traded fund demand for gold, for instance, surged from about 7 tonnes in the first quarter of 2025 to about 20 tonnes in the first quarter of 2026. This demand might be tempered a bit by the expectation that the duty increase may be reversed once conditions improve, which would lower the value of holdings. It remains to be seen how the other demand drivers behave.

Notably, international gold prices increased about 50 per cent during FY26. Although the physical demand declined by about 5 per cent compared to the previous year, the outgo went up over 24 per cent. Thus, for India, movements in international prices would be more important than the duty increase. Besides, there are other complications. It is well known that higher duties encourage smuggling. The Directorate of Revenue Intelligence reported a considerable decline in gold seizures in 2024-25, after the government reduced duty in July 2024. The reverse can now be expected. Further, under the India-United Arab Emirates Comprehensive Economic Partnership Agreement, India is expected to gradually reduce import duty on silver to zero over a 10-year period. Gold can be imported at a tariff that is one percentage point lower than the most-favoured-nation rate. The share of the United Arab Emirates in India's gold imports more than doubled between FY23 and FY25. It is likely that more imports will be routed through this channel.

Therefore, in the overall policy framework, gold imports must be treated as a structural factor and addressed to the extent possible over time. The government attempted to address the issue through sovereign gold bonds, but the scheme did not succeed for a variety of reasons. It is worth debating whether reducing financial repression will help. Banks are mandated to invest in government bonds under the directive of maintaining the statutory liquidity ratio, which artificially keeps market interest rates low. This helps the government and businesses but hurts savers. Better market-determined interest rates and greater financial inclusion could help shift investment demand from gold.



The arithmetic of Viksit Bharat

India's 2047 aspirations require large foreign capital inflows and deep reforms to reverse the recent outflow

ILLUSTRATION: BINAY SINHA



The political discourse in India is unified around the aspiration of becoming a developed nation, or Viksit Bharat, by 2047. We must examine the arithmetic of this ambition.

The World Bank defines a high-income country as one with a per capita gross national income of around $14,000. India currently stands at about $2,700. A mechanical calculation shows that reaching a per capita of $14,000 from $2,700 over 20 years would require an annual compound growth rate of 8.5 per cent.

Concurrently, the Indian population expands by roughly 1 per cent a year. When we adjust for this moving target and population expansion, the required growth rate in aggregate output is roughly 9 per cent a year. Sustaining a 9 per cent compound growth rate over two decades is a formidable task.



AARTHIKAM CHINTANAM

K P KRISHNAN

Economic growth requires a mechanical coming together of two variables: The volume of investment and the efficiency of that investment. The metric for efficiency is the incremental capital output ratio (ICOR). It measures the units of capital required to generate one additional unit of output. In a well-functioning developing economy, the ICOR is typically around 4. In India, recent data places the ICOR closer to 5. If the required growth rate is 9 per cent, and the ICOR is 5, the arithmetic dictates an investment-to-gross domestic product (GDP) ratio of roughly 45 per cent.

To begin with, our own savings can finance this investment. India's current gross domestic savings (GDS) rate is approximately 30 per cent of GDP. There is a structural ceiling to this number. A developing country cannot compress current consumption indefinitely without causing human distress. A required investment rate of 45 per cent minus a domestic savings rate of 30 per cent yields a gap of 15 percentage points of GDP. For a $4 trillion economy today, this translates to a capital shortfall of $600 billion a year. As aggregate output expands, this absolute financing requirement scales up proportionally.

Two distinct problems come to mind when we see these numbers. The first is the current hesitation of the private sector to invest anywhere near the required numbers. Firms, both Indian and foreign, require specific conditions to commit capital at this scale. They require predictability in the policy framework. They demand equal treatment for private firms, foreign firms, and public sector undertakings. They require a retreat from central planning, a modern tax administration, and deep internationalisation of the economy. Most of all, they base their calculations on the operation of the rule of law in the economy. Let us assume that the government completes the execution of the large reform projects required to achieve this environment over the next two years, thus removing this constraint.

The second problem is the availability of funds. There is a shortfall of 15 percentage points of GDP between the available resources (30 per cent of GDP) and the required number (45 per cent of GDP). The gap must come from abroad.

The global financial system holds infinite capital. This capital is constantly searching for yield and institutional safety. If India constructs a sound policy framework and offers viable investment projects, global capital will readily deploy in India at the required scale.

We must compare this requirement with Indian economic history. Over the past three decades, India integrated into the global economy and became an established investment destination. Yet, the current account deficit has not seen large values. In the latest decade, it has averaged just 1.07 per cent of GDP.

India's growth aspiration requires 15 per cent. The historical peak is 5 per cent. If India is to decisively move towards developed status, we cannot rely on the conventional trickle of foreign capital. We require a flood. The change required cannot be achieved through minor adjustments in sectoral policy or marketing campaigns. It requires a foundational overhaul of institutional certainty.

What constitutes this institutional overhaul?

First, the removal of most capital controls. At present, foreign capital faces an obstacle course in entering India. We need to change gears from a system of capital controls to a system of capital encouragement. This will require a full transformation of overt capital controls, taxation of foreigners, financial regulation and AML/CFT (anti-money laundering and countering the financing of terrorism) frameworks. The Indian state has to stop being hostile to foreign capital if we want to grow the economy.

Second, regulatory and legal predictability. Long-term capital, such as sovereign wealth funds and pension funds, evaluates risk over decades. These allocators abhor the drama of the Indian policy environment, where bold new measures are announced frequently. Capital requires mundane predictability. What is required is the implementation of simple, economically sound policy frameworks, followed by decades of little change. The flow of non-strategic policy adventurism deters capital.

Third, the depth of debt markets. Equity capital alone cannot supply 15 per cent of GDP. A large fraction of these inflows must come in the form of debt to finance infrastructure and corporate expansion. In addition to removing capital controls, the domestic debt market has to work better.

Fourth, reducing the cost of capital. Foreign investors apply a risk premium to Indian assets. This premium stems from macroeconomic uncertainty. When the state executes discretionary currency policy, loose fiscal policy, and opaque debt management, risk premiums rise. Consistent fiscal consolidation, formal inflation targeting, and a mature view of exchange rate fluctuations are required. They are the essential mechanisms that lower the risk premium faced by Indian projects. A stable macroeconomy, managed by independent and technically competent government policy agencies, is the foundation for large-scale foreign investment.

The road to 2047 is paved with capital. The arithmetic suggests that our domestic engines, while strong, are insufficient to reach the required altitude. The gap between domestic savings and required investment is a structural reality. To become a developed nation, the Indian state has to change its colours: From a suspicious system that seeks to block foreign capital to one that promotes capital flows. This demands a restructuring of domestic institutions to make India the most efficient, certain, and predictable home for capital in the emerging global order.

The author is an honorary senior fellow at the Isaac Centre for Public Policy, and a former civil servant



Optical illusions

Gains from Trump-Xi summit were underwhelming

Much was expected of the meeting between Chinese President Xi Jinping and his United States (US) counterpart, Donald Trump. But beyond the elaborate pageantry, there were few tangible outcomes from the two-day summit between the leaders of the world's two largest economies. The absence of a joint statement and differences between the US and Chinese readouts underlined the divergence between the two countries on the major sources of friction between them: The conflict in West Asia, for which Mr Trump had postponed his Beijing visit; trade; the security of Taiwan; nuclear proliferation; and artificial intelligence. The positives lay principally in the optics. Mr Trump was notably less hawkish than before, and the large business delegation that accompanied him signalled that he might be willing to do business with China. This aligns with what Mr Xi called "constructive strategic stability". But these slight shifts in emphasis are heavily conditional.

Nothing underlined this better than the differing positions on Taiwan. The Chinese readout of the meeting quoted Mr Xi as warning Mr Trump to exercise extra caution over its ties with Taiwan, or else the entire Sino-US relations would be in jeopardy. The background to this is an $11 billion armaments package the White House approved for Taiwan in December and a further $14 billion awaiting the presidential signature. The US readout, however, made no mention of Taiwan. Equally, the US President has not made any statement suggesting he would weaken US support for Taiwan, and US Secretary of State Marco Rubio reiterated to reporters that US policy on Taiwan had not changed.

If Beijing did not achieve its objectives on Taiwan, US progress on other issues was underwhelming. US hopes for Chinese cooperation in influencing its major energy partner Iran to reopen the Strait of Hormuz yielded only a holding statement from the Chinese calling for a "comprehensive and lasting ceasefire" — the issue eluding Mr Trump at the moment. China sees the Iran war as essentially a US problem. As for the "fantastic trade deals, great for both countries", of which Mr Trump spoke, evidence on this is thin. Among the deals the US President listed were Chinese commitments to buy soybean and 200 Boeing aircraft with a potential commitment to purchase up to 750 jets. Though Boeing has confirmed this agreement, China has neither acknowledged this nor mentioned any of the others. China's agreement to restore trade in beef with the US as a goodwill gesture a day ahead of Mr Trump's visit was partially clawed back later that day. There was no breakthrough deal of the US selling advance Nvidia chips, despite the chief executive officer's last-minute inclusion in the trip. Perhaps the most consequential development of the summit was the establishment of a Board of Trade and Board of Investment to mediate disputes and negotiate expanding two-way trade under a reciprocal tariff-reduction framework.

Though Mr Xi has accepted Mr Trump's invitation to visit the US in September this year, it is noteworthy that Beijing will be hosting Russian President Vladimir Putin on May 19-20, to strengthen the four-year-old "no limits" partnership. The back-to-back timing is dictated by Mr Trump's postponement of the China visit. But the fact that the Beijing-Moscow axis remains as sturdy as ever is a compelling sign of the US' waning influence over large swathes of global geopolitics. The Trump-Xi summit has comprehensively underlined this fact.



Bonds, barrels and bulls



IRRATIONAL CHOICE

DEBASHIS BASU

This April, the Nifty Microcap index was up 21.55 per cent, an unprecedented rise since its launch in 2022. The CNX500 rose 10.5 per cent, the only month in the last five years in which it was up by more than 10 per cent. The market decline in March was treated like a festival-season discount sale. Retail investors kept pouring more than ₹28,000 crore a month into systematic investment plans (SIPs). Even though the Strait of Hormuz — through which roughly 20 per cent of global oil passes and gas trade takes place — has been closed off since March 2, something changed last week. For starters, Prime Minister Narendra Modi made an extraordinary public appeal urging Indians to avoid foreign travel and buying gold for one year. Governments do not usually ask citizens to postpone holidays or curb gold purchases unless there is a serious underlying anxiety about the balance of payments, currency stability, and foreign-exchange outflows.

Then, on Friday, the United States' (US') 10-year treasury yield — the benchmark that influences borrowing costs, asset valuations and capital flows across the globe — breached 4.5 per cent. At the close on February 27, the yield had stood at 3.95 per cent, after having fallen sharply that day. Missiles blazed over that weekend, so when the markets opened on March 2, the yield shot up as traders started pricing in higher oil rates, disrupted supply chains, sticky inflation, and permanently elevated interest rates. Through much of April, yields drifted sideways as headlines about possible ceasefires and backchannel diplomacy created periodic bursts of optimism. When those hopes proved false, yields started edging higher.

Then came last Friday's decisive break. The 10-year treasury yield jumped and finally breached 4.5 per cent, after it became clear that US President Donald Trump's highly publicised China trip had produced little beyond diplomatic theatre and that the Strait of Hormuz would remain effectively closed for the foreseeable future. What are the implications of this for India?

To Indian investors, a sharply rising bond yield in the US may sound like an obscure statistic from a distant financial universe. In reality, it is the gravitational constant of global finance. When it moves sharply, everything else eventually shifts around it, especially since it comes at a particularly difficult time for India. The rupee has weakened sharply in recent months and is now drifting dangerously towards the psychologically important level of ₹100 versus the dollar. The Indian unit already depreciated more than 6 per cent this year, making it one of Asia's weakest major currencies. This is not happening because the dollar is staging a spectacular global rampage. The dollar index remains well below its 2022 peak near 114. The rupee is weakening even without an overwhelming dollar surge, suggesting the pressure is increasingly India-specific.

Weakening currencies are like fevers, indicating a systemic illness. India's vulnerability has always been energy. The country imports 88-90 per cent of its requirements of crude oil. Oil accounts for roughly a quarter of India's import bill. For years, abundant global liquidity masked this weakness. Investors were willing to overlook trade deficits so long as the macroeconomic situation remained stable. But old vulnerabilities re-emerged with surprising speed when Iran closed Hormuz. Brent crude, which averaged around $78 a barrel earlier this year, briefly crossed $120 amid fears of supply disruptions and continues trading well above $100. For India, expensive oil is a tax on the entire system. Every $10 increase in the price of crude oil widens India's current account deficit by 0.3-0.4 percentage points of its gross domestic product (GDP) and raises inflationary pressures across sectors. As I wrote in March, energy drives fertiliser costs, which drive food prices. Food drives inflation, and inflation feeds back into energy through currency depreciation. This seems to be happening now.

In April, the rate of the wholesale price index leapt to 8.30 per cent (accelerating sharply from 3.88 per cent in March), while the inflation rate in several categories remains in double digits. All eyes are on the retail inflation rate, which will be hit with a lag. If it goes above 6 per cent, breaching the Reserve Bank of India's tolerance band, while the rupee slides toward 100, policymakers will be forced to tighten liquidity conditions again. India's growth story currently rests on a fragile balancing act: Consumption, public-capex spending, and domestic liquidity. Higher interest rates threaten each pillar simultaneously.

Bond markets are beginning to sense this tension. India's 10-year government bond yield has climbed back above 7.3 per cent, reflecting concerns over inflation, capital outflows, and higher government borrowing requirements. Bond markets are often the first place where economic reality reasserts itself. Equities usually notice later. The trouble for India is that the warning lights are beginning to flash all at once: US treasury yields above 4.5 per cent, oil above $100, inflation above 6 per cent, bond yields above 7 per cent, foreign outflows above ₹2 trillion, and a rupee inching toward 100. Each problem alone is manageable. Together, they begin to resemble the ingredients of a macroeconomic pressure cooker. If there is no resolution to the US-Iran stalemate in the next few weeks, Indian markets will have to adjust to the new emerging risks.

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'



Course correction

The impact of increase in fuel prices needs to be managed

State-run oil-marketing companies (OMCs) last week raised the prices of non-branded petrol and diesel by ₹3 per litre. This was the first price increase in four years. Gas-distribution companies also raised the price of compressed natural gas by about ₹2 per kg. Global crude-oil prices have increased by about 50 per cent over the past few months owing to the war in West Asia and the blockade of the Strait of Hormuz by Iran and the United States. The government resisted increasing the prices for various reasons, but the proposition became more unsustainable with each passing day. It has also taken a hit with the reduction in special excise duty on petrol and diesel. Nevertheless, the OMCs were reported to be facing underrecoveries worth ₹1,000 crore per day. The price increase will lessen some pressure but is unlikely to be sufficient. Pump prices need to increase further in the coming days and weeks.

The general concern over price increases is valid. The pressure of higher prices is the hardest on the poorest sections of society. However, it is not possible for the government or oil companies to absorb losses for an extended period. Even though demand for fuel is considered less elastic, price increases will likely encourage more conservation than appeals. While passing on the price increase to the end consumer is the most prudent policy choice, it will have other macroeconomic consequences, which need to be managed. An oil price shock tends to have stagflationary effects. In other words, it reduces the growth rate and increases the inflation rate. The current shock may potentially have a bigger impact because, apart from higher prices, availability — in the case of gas, for instance — has also been an issue.

The wholesale price index-based inflation rate increased to 8.3 per cent in April compared to 3.9 per cent the previous month, largely because of higher fuel prices. The consumer price index-based inflation rate for April was a modest 3.5 per cent, primarily because of the limited passthrough of higher oil prices. After the increase in fuel prices, economists expect the retail inflation rate to inch towards 4 per cent. It is a relief that the inflation rates were at lower levels at the beginning of the conflict. Since there are no clear signs of an early resolution to the conflict, a further passthrough of fuel prices will push up the inflation rate. In the context of monetary policy, central banks usually look through spikes in energy prices. However, sustained higher prices could lead to second-round effects, which can increase policy challenges.

Things could get more complicated for the Reserve Bank of India in the coming months because the monsoon this year is expected to be below normal. If left unaddressed, a significant increase in food and fuel prices could affect inflation expectations. The Monetary Policy Committee (MPC), therefore, needs to be extremely alert. It is also worth noting that inflation rates in many parts of the developed world are running well above target, and they may be forced to raise interest rates sooner than India does. The Reserve Bank of Australia, for instance, raised the policy rate earlier this month for a third consecutive time. The inflation rate in the US is running close to double the target. Potential rate increases in the developed world could further affect capital flows and put pressure on the currency. The June meeting of the MPC will have to deal with several moving parts.



Donald Trump gives up

The US President's Beijing trip shows that his attempt to corner China has ended in a stalemate

ILLUSTRATION: AJAYA KUMAR MOHANTY



If there was one thing that United States (US) President Donald Trump was supposed to do in office, it was to push back against the People's Republic of China. Throughout his political career, and even earlier, he repeatedly stated that the terms of trade between the US and China were unfair. The big lesson of his visit to China last week, however, is this: Mr Trump's signature project has failed. He has simply given up.



POLICY RULES

MIHIR S SHARMA

Chinese President Xi Jinping said as much when he described the current state of US-China relations as "constructive strategic stability". What this means is that, first, at the moment nobody is trying to blow things up, but actually to improve relations; and, second, that no disruptive shifts are expected and thus China's rise will continue unimpeded.

This is probably not what Mr Trump would have expected when he took office just over a year ago. But one of the most obvious lessons of his attempt to levy tariffs on the entire world was that countries like Cambodia or Vietnam might have no way of fighting back, those like the European Union might be unwilling to do so — but China was both capable of economically harming the US and was perfectly willing to try. And thus we wound up with the paradoxical situation that a trade policy that had originally been devised and justified in response to Chinese control of supply chains and manufacturing overcapacity was deployed against everyone else but barely against China itself. Mr Trump is not famed for his sagacity, but he was able to infer fairly soon that tariffs did not have the power to force Beijing into making concessions to him, and that its control over critical minerals and vital products built from them — such as magnets — consisted of a sufficient deterrence. A stalemate emerged quite soon, one that Mr Trump has no idea how to break.

The headlines that emerged from the trip — aside from all the trivial atmospherics, which were the usual product of Mr Trump's bone-deep reverence for authoritarians — reflected this new reality. They focused mainly on Taiwan's status. This is a conversation that Beijing wants to have, not the one Washington would prefer. Mr Trump was silent about the issues that have exercised him for so long — from China's blatant mercantilism to its disruptive overcapacity in vital industries from steel to chemicals.

On the other hand, China hawks in Washington and worried policymakers across the Indo-Pacific will recognise that it could have been worse. There were genuine concerns that Mr Trump's long-anticipated visit would result in the informal coalescence of a new G-2, and that his obvious disinterest in the security of the region and focus on the Western Hemisphere would cause him to essentially accept China's right to a sphere of influence in its neighbourhood, which included long-time US allies and partners. He did indeed emerge from that meeting saying he was deeply unenthusiastic about American forces having "to travel 9,500 miles to fight a war" that might emerge from a declaration of independence by Taiwan; but he did not depart further from the policy of strategic ambiguity about US defence of the island, which has been the norm in recent years. Mr Xi had reportedly pressed him on the subject in their closed-door meetings, as well as about arms sales to Taiwan, especially a $14 billion deal that Mr Trump said he would decide on in a "fairly short period". The Chinese President said, according to his state media, that "the Taiwan question is the most important issue in China-U.S. relations".

On the other hand, nor has Beijing got everything it wants. Mr Trump's effusive praise for his counterpart provided ample fodder for the propaganda machine, but the long train of billionaires and chief executive officers that travelled with the President on Air Force One did not result in any major corporate deals. Nvidia's Jensen Huang was among them, for example, but the vexed question of what high-end chips China would receive access to was not solved on the trip. On the other hand, Mr Huang did eat a photogenic bowl of noodles in zhajiang sauce at a street food market while wearing his trademark leather jacket. This made for great content and was sufficient to distract China's hyper-patriotic internet away from the fact that the crucial tech-access concessions the country wanted didn't materialise.

Part of the problem for Mr Trump is that he has focused on too many things simultaneously. If he wants to break his stalemate with China, the fact that he has been forced into another one on the Strait of Hormuz doesn't help. He claimed that Mr Xi assured him that Iran would not receive Chinese weaponry, but Beijing's own readout of the meeting broke no new ground on the subject.

One year in, the President is coming to terms with the fact that he cannot, in fact, reshape the world to his whims. Even reshaping America might be too hard a task. We should not be surprised if he winds up settling for reshaping just the White House. Certainly, that fits what seems to be the main lesson he took away from the state visit. On his social network, Truth Social, he posted a photograph of himself alongside Mr Xi outside the Great Hall of the People and said: "China has a Ballroom, and so should the USA!" He promised the controversial new White House wing would open "around September 2028". At that point, he would be a few weeks from being a lame-duck President. The courts have tried to stop his pet construction project from going ahead. Still, it's far more likely that, by then, the White House has a new ballroom than that he will have broken his stalemate with Mr Xi.

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
DELTECH UNIVERSITY

The power of prices in times of crisis

When an economy is hit by a shock — whether a war, or a pandemic — it can adjust in two broad ways: Through prices or through administrative controls imposed by the state. Market economies rely primarily on prices. Centrally planned systems depend on bureaucratic allocation. The distinction matters because prices allow millions of households and firms to adjust voluntarily, whereas controls require the state to decide who gets what, and at what price. The current disruptions in global energy markets offer a useful illustration of why this difference matters.

Consider a simple example. Suppose an economy normally consumes 100 units of fuel, but a global disruption reduces the available supply to 80. Since supply cannot quickly increase, demand must fall to match it. This can happen in only two ways: Either the state forces demand down through rationing and controls, or prices rise and people voluntarily reduce consumption until demand matches supply.



MACRO PULSE

RAJESWARI SENGUPTA

The second mechanism is often far more efficient and less disruptive. Let's understand why.

First, prices perform two critical functions: They convey information and shape incentives. In many ways, the market is like a giant opinion poll — except people back their views with money. Prices aggregate the decisions of millions of consumers, businesses, traders, and investors into a single signal about scarcity or abundance.

When fuel prices rise, people respond by driving less, postponing discretionary travel, or shifting to public transport, while businesses cut wasteful energy use or seek alternatives. Producers receive the opposite signal: Higher prices encourage them to increase supply, reroute shipments, or find substitutes.

The alternative is for the state to make these decisions. But this raises difficult questions. If cooking gas becomes scarce, should priority go to households or restaurants? Small eateries or luxury hotels? Should fertiliser subsidies go equally to all farmers or mainly to small farmers?

There are no easy answers because no state can fully understand the preferences of millions of households and businesses. Prices solve this coordination problem more effectively by allowing people to adjust their own behaviour as conditions change. This preserves economic freedom and ensures that decisions about what to consume, conserve, or prioritise are made by those directly affected, rather than by a central authority with limited information.

Second, state interventions often create unintended consequences. Export bans on agricultural products can depress farm prices and discourage production, while restrictions on gold imports can lead to shortages, black markets, and smuggling. Artificially suppressing prices may feel comforting initially, but the costs eventually appear elsewhere, often through higher taxpayer burden.

Since the West Asia war began, India's state-run oil companies have incurred losses of around ₹1 trillion as fuel prices were kept largely unchanged. In effect, consumers face a trade-off: Either reduce fuel consumption today in response to higher prices or pay more than ₹1 trillion in taxes at a future date. Most countries have raised fuel prices since the war started, including Malaysia, Pakistan, and the Philippines, where prices have gone up by 50 per cent. India, in contrast, has adjusted the least, allowing fuel prices to increase by only 3 per cent.

Finally, repeated state intervention can create uncertainty because people stop responding to market signals and start trying to anticipate state actions instead. Businesses delay investment decisions because they do not know what new controls, or bans may appear next. This weakens confidence in the broader policy environment.

Over time, mature market economies have learned to trust prices. After Russia invaded Ukraine in 2022, Europe allowed energy prices to rise, which encouraged conservation, reduced demand, and attracted LNG supplies from around the world, helping avoid a deeper shortage. The United States has followed a similar approach during the current West Asia conflict. Despite being largely self-sufficient in oil, gasoline prices have risen by about 45 per cent, allowing the market to allocate scarce fuel more efficiently.

This adjustment mechanism is also transparent and reversible. As supply conditions improve, prices naturally fall back, allowing normal economic activity to resume without the state having to dismantle complex controls and restrictions.

India itself has undergone this learning process gradually over the past few decades. There was a time when people expected the state to determine the prices of petrol, steel, airline tickets, and more. Today, most accept that these prices move with market conditions. Yet large shocks such as wars still trigger demands for intervention. Policymakers increasingly need to recognise that markets are better at determining prices than the state. Where prices remain controlled, such as petrol and diesel, a more effective approach may be to announce future price increases in advance, giving households and firms time to adjust.

Prices are not the problem. They are how economies adjust to shocks. The role of policymakers is not to suppress these signals, but to protect the vulnerable in a targeted manner while allowing the price system to continue doing its job.

The author is associate professor of economics, IGIDR, Mumbai. The views are personal



Steel walls

India should resist delays in implementing FTAs

This newspaper reported last week that the implementation of one of India's landmark free-trade agreements (FTAs) of the past few years, the one with the United Kingdom (UK), may run into delay because of Whitehall's decision to introduce new restrictions on all imports of steel. It recently declared that it intended to reduce the amount of steel permitted to be imported tariff-free by 60 per cent through its anti-dumping powers. This will come into force relatively quickly; from July, imports above the designated tariff-free quota will have a 50 per cent duty imposed. The Comprehensive Economic and Trade Agreement calls for tariffs on such imports to drop to zero. No major FTA faces a smooth path from signature to implementation. But things are evidently even harder at a time of domestic political populism and global overcapacity.

Both these factors have contributed to the UK's decision. The embattled Labour government of Keir Starmer needs to show that it is willing to defend British jobs and industries. But it has also decided to move closer economically to the European Union (EU), which it traumatically left in 2020, after a referendum in 2016. It will need, as part of this process, to introduce restrictions on various sectors that are closely aligned with European regulations. Steel will, as a matter of course, be one of those sectors. It is worth noting that one of the big beneficiaries of the UK's new policy for the sector will be Tata Steel, which has a large installation at Port Talbot, which is in Wales; it might break even in 2026-27. Production at the unit in Port Talbot has shifted from traditional steel-making, with its blast furnaces closing down in 2024; new production comes from greener electric arc furnaces, which use recycled steel among other inputs.

The vexed and central question will be what the EU calls the Carbon Border Adjustment Mechanism (CBAM), which, in straightforward terms, is a tariff on the carbon content of imports. New Delhi will have to adjust to the fact that its major trading partners will follow Brussels' lead in putting up relatively high bars to products that emerge from processes which are intensive in their emission of greenhouse gases. European nations, including the UK, believe that their industries can no longer afford the reduction in competitiveness involved in being more stringent on their carbon footprint than their global counterparts. This eminently predictable process should not be seen as problematic enough to derail the broader process of integration.

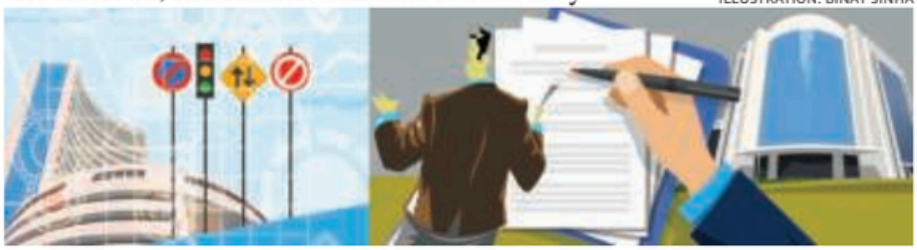
Indeed, it should be seen as a way out of a major problem facing the Indian steel sector: The question of Chinese overcapacity. The level of investment in traditional steel-making in China has caused anti-dumping concern to flare up all over the world, including in India. But new investment in the sector in India should prioritise higher-end processes that will be more able to surmount various border restrictions in the West. This will be a future source of competitive advantage. It is important for New Delhi, therefore, not to slow the process of operationalising its new free-trade agreements. The ebb and flow of politics in Europe and the UK is dynamic enough to make any additional sources of delay doubly problematic. The various gains made — not just for industrial sectors that will be encouraged to move up the value chain but also for services sectors that are already strong — must be locked in as soon as possible.



Future-ready market regulation

Effective regulation requires consultation, expertise, incentives, and institutional credibility

ILLUSTRATION: BINAY SINHA



The draft Securities Market Code (SMC) consolidates and modernises the Securities Contracts (Regulation) Act, the Securities and Exchange Board of India (Sebi) Act, and the Depositories Act.

An ideal regulatory framework must mitigate Type I errors of market failures, while avoiding Type II errors of onerous regulations that constrain innovation and capital formation.

Balancing both objectives in increasingly complex markets requires transparent consultation, deep expertise, the right incentives, and institutional credibility.

Dialogue before regulation

Transparent consultation is essential for balanced regulation. To Sebi's credit, its current process already sets a high bar. Its consultation papers identify issues, articulate the context and objectives, lay out alternatives, and evaluate trade-offs. Regulatory proposals have materially improved through transparent public consultations. The draft SMC further reinforces consultation and transparency in regulation-making.

This requirement should also extend to government policies that impact capital markets. In a complex interconnected world, for instance, market-related taxation can influence savings behaviour, capital flows, and long-term capital formation in unexpected ways.

Authorities do engage with stakeholders. But that is not the same as transparent consultation on specific proposals. While secrecy may be necessary in some areas, policy outcomes are dramatically improved when objectives, context, and proposals are clearly articulated, publicly debated, and refined beforehand rather than only defended post facto.



POLICY IN PRACTICE

ANANTH NARAYAN

Building domain expertise

Sebi oversees multiple areas that are each extraordinarily complicated. These include primary and secondary markets across asset classes, funds, intermediaries, market infrastructure institutions, governance, cybersecurity, and more.

It is crucial that regulatory capability and expertise evolve in step with the ecosystem. In any consultation around regulation-making, stakeholders have their own diverse and divergent interests. Some voices are invariably louder than others. Smaller investors and firms often lack representation. In all, regulators have their job cut out. They must objectively evaluate all viewpoints, including those of the unseen and unheard, and strike the right balance between risk containment and ease of doing business. This requires deep domain expertise.

Similarly, for effective enforcement, regulators must assess the materiality of each case and differentiate between jaywalking and murder. This again requires deep domain knowledge.

The case for specialisation

Sebi has exceptionally capable and committed officers, most of whom are generalists. In an interconnected world, generalists are invaluable. To deepen institutional expertise, however, some officers should be encouraged to specialise by spending 12-15 years across different facets of a single domain.

To understand the perspective of the regulated, specialists should also be encouraged to undertake industry sabbaticals, alongside relevant advanced education and international exposure. Potential conflicts of interest can be transparently addressed.

Balancing caution and risk

Regulatory officers disproportionately bear the consequences of Type I errors of failing to address market failures, since these are visible and attributable. By contrast, the costs of Type II errors, such as stifling legitimate activity, innovation, and capital formation, can be diffused and less visible. This can bias regulators towards caution, willing to risk Type II errors rather than Type I.

To address this, senior-level promotions at Sebi should objectively identify officers who have consistently demonstrated the professional judgement required to balance effective risk management with facilitation of legitimate capital formation.

Developing the right mix of expertise, judgement, and regulatory balance is itself a long institutional apprenticeship. A majority of Sebi's whole-time members should, therefore, emerge from within Sebi's own ranks.

Board structure and expertise

The proposed Sebi board structure under the SMC remains unusual by global standards. In major jurisdictions, securities regulators operate through relatively compact, executive-led boards or commissions, appointed by the government, but without ex-officio government representation.

In contrast, the SMC proposes a 15-member Sebi board comprising the chairperson, at least five whole-time members, two ex-officio central government officials, one Reserve Bank of India (RBI) representative, and other part-time members.

Every securities market regulation requires Sebi board approval. By comparison, the RBI board has a limited role in regulatory decisions, with day-to-day policy run by the executive.

Beyond the power of appointment, the government also has direct representation on the Sebi board. This was perhaps understandable when Sebi was a fledgling regulator. However, both markets and Sebi have since matured significantly.

Autonomy is often debated in the context of central banks. For securities market regulators as well, given the sensitivity of regulatory, supervisory, and enforcement decisions, institutional credibility depends on actual and perceived independence. In addition, markets are complex and fast-moving, requiring specialist regulatory and domain expertise.

As with other global securities market regulators, Sebi could, therefore, be given greater operational autonomy, with the executive empowered to handle day-to-day regulatory decisions. After all, Sebi's regulation-making is already subject to transparent consultation requirements, while the Securities Appellate Tribunal (SAT) hears appeals against its enforcement actions. The broader board could then focus on governance and oversight.

Of course, the appointment of the Sebi chairperson and whole-time members, and their removal for cause, will remain the government's prerogative.

If the SMC's proposed structure is retained, to ensure institutional credibility, the emphasis on expertise and balanced judgement must also apply to all other board members. The relevant arms of the government (and SAT) should also further develop deep domain expertise and market understanding, even at the cost of institutional overlap.

For better governance, there is also merit in limiting external board appointments to a single term, akin to the framework governing external members of the Monetary Policy Committee.

MIIs and conflicts of interest

A final issue concerns market infrastructure institutions (MIIs), viz. exchanges, clearing corporations, and depositories.

MIIs are commercial entities that actively compete among themselves for business. At the same time, they also regulate, supervise, and conduct surveillance over their paying members. This leaves room for perceived conflicts of interest.

To enhance trust and credibility, there is merit in considering moving the regulatory functions of MIIs into a separate non-commercial entity, akin to the Financial Industry Regulatory Authority (FINRA) in the United States.

Conclusion

India's securities markets have achieved enormous depth and sophistication. The next phase of reform should focus on strengthening institutions through transparent consultation, deeper expertise, balanced incentives, and greater institutional credibility.

The writer is a former whole-time member, Sebi. The views are personal



Financing India's structural transformation

India's growth story has moved into a new transformational phase. The production-linked incentive scheme, the National Infrastructure Pipeline, Gati Shakti, asset monetisation, and the Digital India stack have created the foundations for sustained acceleration. The next phase will require a steady surge in investment to fund the three transformations now underway in human development, energy systems, and compute infrastructure.

China's experience offers useful lessons. Between 2007 and 2014, China's gross domestic product (GDP) rose from $3.5 trillion to $10.5 trillion. Gross capital formation averaged 44 to 45 per cent of GDP and peaked at 46.6 per cent in 2011. Gross national savings ran higher still, peaking at 52 per cent in 2008. The savings surplus over investment made China a net exporter of capital. Foreign direct investment fell from 2.4 to 1.2 per cent of GDP across the period. Portfolio flows were limited because the capital account was tightly controlled. Note that the investment surge that built 40,000 kilometres of high-speed rail, the world's dominant manufacturing base, and the electric vehicle (EV) and renewables industries was financed almost entirely from domestic sources.



JAYANT SINHA

The Chinese financing system held deposit rates below inflation. The exchange rate was undervalued. Wage growth ran below productivity. The closed capital account ensured savings could not exit at a market price. The state banking system intermediated those savings to infrastructure and state-owned enterprises at administered rates.

This financing system is not available to India. Our capital account allows savings to exit at a market price; if we repress bank deposit rates, it will push savings into gold, real estate, or external assets. Moreover, our middle class savers will not allow persistent negative real returns. A growth model premised on rising household consumption cannot sustain a parallel strategy of compressing household income share.

Nonetheless, India needs to lift gross capital formation from 32 per cent towards 38 to 40 per cent of GDP to fund the three transformations in people, energy, and compute necessary now. These incremental investments are unlikely to be financed through household savings or foreign capital. Gross domestic household savings, which averaged 36 to 38 per cent during the late 2000s, have moderated to 30 to 31 per cent over the past five years. Household debt has risen to 41 per cent of GDP, the highest in the historical series. As Indian households gain access to formal credit, more saving capacity is being deployed for housing, vehicles and consumption smoothing.

Foreign capital faces its own constraints. The Cambridge Associates infrastructure benchmark places median net dollar internal rate of return (IRR) for US funds at about 10 per cent. A well-performing India focused infrastructure fund might deliver 15 to 18 per cent gross in rupee terms. After adjusting for currency depreciation and fees, this compresses to 8 to 9 per cent net. Thus, foreign capital can contribute meaningfully but cannot close a gap of this scale on its own. How then should our economy build long-duration capital pools at scale quickly? The challenge is to create professionally governed, transparent, and voluntary channels through which long-duration domestic savings can finance long-duration national assets.

Four institutional initiatives could materially accelerate the investment surge. First, a national infrastructure investment vehicle scaled significantly beyond current capital, anchored by public capital, asset monetisation proceeds, and voluntary participation from regulated long-duration institutions on commercial terms and under fiduciary safeguards. Such a vehicle should have independence on the lines of Singapore's Temasek and GIC, professional management with private-sector compensation, parliamentary reporting, and strict co-investment discipline with private capital. The deployment horizon should be 15 to 20 years.

Second, the regulators of long-duration savings pools could consider raising permitted allocation ceilings to long-duration equity and infrastructure vehicles to 10 to 15 per cent of incremental flows, against current single digit limits. This would be regulated portfolio construction into professionally managed vehicles, with independent investment committees, transparent benchmarks and risk limits set by the regulators themselves.

Third, a blended finance facility partnering with development finance institutions could combine concessional capital with commercial capital, structured with first-loss tranches and currency hedging windows that compress the dollar return gap by 200 to 300 basis points. This would unlock institutional capital from global pension and insurance pools currently unable to clear their internal hurdle rates on emerging market infrastructure. The bulk of the financing would remain domestic; the blended layer would catalyse incremental flows. Fourth, a deep market for long-duration green and infrastructure bonds, with appropriate tax treatment, would channel household savings towards these instruments alongside traditional bank deposits.

India's transformations are achievable. The question is one of pace and ambition. Building long-duration capital vehicles would allow the financing to keep pace with the demographic, climate and technology windows that frame this decade.

The author is president of the Everstone Group and visiting professor in practice at the London School of Economics. He is a former Union minister of state for finance and civil aviation, and former member of the Lok Sabha, where he chaired the Standing Committee on Finance



Not just an external threat

More attention needs to be paid to fiscal implications of the West Asian conflict for the Union and state governments

ILLUSTRATION: BINAY SINHA



With Prime Minister Narendra Modi outlining a series of austerity steps that Indians should take in the wake of the ongoing West Asian conflict, the Union and state governments must now plan strategies to manage the fiscal costs that higher crude oil prices will impose on their finances. India faces not just an external account problem, but an equally grave fiscal challenge.

Austerity measures, in whatever form, should conserve the country's foreign exchange resources and help the government manage its external account. A widening current account deficit, along with capital outflows, will require concerted efforts by the Union government to bridge the balance of payments gap, which is certain to increase. The fiscal challenge, however, differs from a potential external account crisis, though the two are interrelated.



RAISINA HILL

A K BHATTACHARYA

In the last few days, the Union government has initiated steps such as allowing two rounds of increases in the retail prices of petrol, diesel and compressed natural gas (CNG). It has also sent directives to central ministries and public-sector enterprises, including state-controlled banks, on how to conserve foreign exchange. These measures should help oil companies recover some of the losses incurred since the sharp increase in crude oil import costs.

State governments have also announced austerity measures, but a couple of them have reduced taxes on aviation turbine fuel, which will impact their revenue. Most of them, however, are yet to take steps towards managing their expenditure or revenues. Clearly, states have not done enough to convince anyone that they fully recognise the magnitude of the crisis ahead. But before assessing the scale of the challenges for the states, it would be useful to first get a sense of the likely increase in the Union government's fiscal burden.

The Union Budget for 2026-27, presented on February 1, set a fiscal deficit target of 4.3 per cent of gross domestic product (GDP). The exercise to set this target, compared to a fiscal deficit of 4.4 per cent of GDP in 2025-26, could not have accounted for the likely impact of the West Asian conflict, which will surely affect both revenue and expenditure.

Take the revenue impact first. On March 26, the Union government cut the special additional excise duty on petrol and diesel by ₹10 per litre, which will result in an annual revenue loss of over ₹1 trillion in 2026-27. The states were spared this fiscal burden because the entire duty reduction came from a change in the special additional excise duty, whose proceeds are not part of the divisible pool.

On the expenditure side, the Union government faces a fertiliser subsidy burden, which the Budget for 2026-27 had estimated at ₹1.7 trillion. This subsidy bill is now set to rise to ₹2.4 trillion. This means an additional fiscal burden of ₹70,000 crore.

There are a few other steps that will increase the fiscal pressure on the government's finances. Within days of the West Asian conflict erupting on February 28, the finance ministry announced it had allocated ₹1 trillion to the Economic Stabilisation Fund as a precautionary measure. This aimed to create an emergency cushion for responding to global headwinds, supply-chain disruptions, sudden stress in specific sectors, or any event with significant fiscal implications.

The department of economic affairs had created a provision for an Economic Stabilisation Fund in its revised estimates for 2025-26, allocating ₹50,000 crore under this head. Till the end of February 2026, hardly any amount from this fund had been used. It appears the ₹1 trillion allocation for the Economic Stabilisation Fund will be managed by the department of economic affairs as needed. Necessary provisions will be made through supplementary demands for grants to be approved by Parliament. It is a sign of prudent fiscal management, but it nevertheless increases the pressure on government finances.

There is also a credit guarantee scheme for micro, small and medium enterprises (MSMEs) and airlines that will provide financial support by guaranteeing loans worth ₹2.55 trillion to units affected by the West Asian conflict. The scheme's fiscal cost for the government is estimated at about ₹18,000 crore.

Even after accounting for some revenue from the export tax levy on petroleum products (aimed at conserving them for domestic use), the burden of additional expenditure and revenue loss will be around ₹2.9 trillion. Assuming India's nominal economy size will be around ₹393 trillion, as projected in the Budget, this could widen the fiscal deficit by 0.73 percentage points from the estimated 4.3 per cent. The Union government could, therefore, face a fiscal deficit of well over 5 per cent of GDP in the current financial year. This could be even higher, as it is likely that non-tax revenues may take a hit. In addition, there will be second-order effects on direct and indirect tax revenues, expenditure slippages won't be reined in, and economic growth will be adversely affected.

Given this scenario, the states' fiscal situation becomes more problematic. For 2025-26, 23 states accounting for about 85 per cent of the total size of all the state budgets have released their provisional estimates. The combined fiscal deficit of these 23 states is over 3.3 per cent of their gross state domestic product (GSDP), but many states have already exceeded the 3.5 per cent deficit level (Andhra Pradesh at 4.6 per cent, Bihar at 6.9 per cent, Himachal Pradesh at 6 per cent, Madhya Pradesh at 4.6 per cent, Rajasthan at 3.8 per cent, and Telangana at 4.36 per cent).

More worryingly, the dependence of most of these states on devolution of taxes from the Union government is substantial — a little more than half of what they collect by way of own tax revenues. If their own tax revenues amounted to 6.5 per cent of GSDP in 2025-26, their reliance on the share in Union taxes was 3.45 per cent. If the Union tax collections suffer during 2026-27 due to the external economic turmoil, the states' revenue situation will also take a hit and their fiscal balance will be the first casualty.

Many of these 23 states may squeeze their capital expenditure (which saw a marginal dip to 2.3 per cent of GSDP in 2025-26, compared to 2.4 per cent the previous year) to adhere to the promised fiscal deficit target. But that solution will have other adverse growth ramifications, a path the Union government should also avoid when the private sector's investment rates have yet to rise sustainably.



Right signals from Airtel

Next generation must ensure professional functioning

Bharti Airtel Chairman Sunil Bharti Mittal, 68, has chosen to follow a staggered succession plan, which is rare among Indian family-owned businesses. In an earnings call last week, Mr Mittal announced a 10-year generational shift he proposed to bring to Bharti Airtel. Having secured another five-year term as chairman, Mr Mittal will be able to start the process of leadership transition soon, while maintaining the continuity and stability of the business under his watch. While he had hinted earlier this year that succession planning was on his mind, his surprise appearance at the recent earnings call, where he outlined the road map for this, put things in perspective. The Bharti Airtel share price responded favourably to the announcement.

Succession planning needs both time and effort, as SBM (as Mr Mittal is referred to by his colleagues) has been the name and face of the group ever since it was founded in July 1995, coinciding with the birth of mobile telephony in India. Often cited as an example of a professionally run family-owned business, the Bharti group's future leaders from the Mittal family will be expected to follow that model. Many of the company's top executives, including former chief executive officer and now Executive Vice-Chairman Gopal Vittal, have had long stints and steered the core business, with Mr Mittal providing the vision and addressing the big picture. Mr Mittal's twin sons — Shravin and Kavin — have experience in entrepreneurship. Shravin is the founder of tech startup Unbound and managing director of London-headquartered Bharti Global, the international investment arm of Bharti Enterprises. Kavin founded Hike, a tech company, which recently shut down. Mr Mittal's daughter, Eiesha, is on the board of Bharti Foundation, a philanthropic organisation, and has an interest in the fashion and lifestyle business.

While over the years, the company, under the leadership of Mr Mittal, has managed to come out of several storms, such as the disruption in the telecom market following the 2G spectrum controversy, the entry of Reliance Jio and the ensuing tariff war, the legal tangle on adjusted gross revenue (AGR) dues, the new-gen will need guidance and handholding to reach that level of competence and agility. Another point made by Mr Mittal at the earnings call is worth taking note of. He said the promoter entity, Bharti Telecom, should become the single controlling shareholder of the company, at around 51 per cent, as he hands over the reins to the next generation. Currently, Bharti Telecom holds 40.5 per cent in Airtel.

The shareholding consolidation that Mr Mittal referred to aligns with his focus on Bharti Airtel as a telecom behemoth. The group's fleeting interest in the retail sector came to an end in 2013 because Bharti's ambitious joint venture with Walmart didn't go anywhere owing to policy flipflops, and, more recently, United Kingdom-based Prudential plc agreed to acquire a 75 per cent stake in Bharti Life Insurance for ₹3,500 crore. Within telecom, the company's partner Eutelsat OneWeb is waiting to start its satellite telecommunication venture in India. Its international foray, especially the Africa telecom business, is also a high-attention business. Against that backdrop, succession planning, phased over years, is a step in the right direction to forestall any split and acrimony, which could affect not only the telecom sector but also the larger economic landscape of India.



Invisible crisis

AI-powered cyberattacks can endanger financial stability

An analysis published recently by the International Monetary Fund (IMF) warns that artificial intelligence (AI) is increasing risks to financial stability by making cyberattacks faster, cheaper and more sophisticated. Advanced models can now identify vulnerabilities in software, payment systems, and Cloud infrastructure at machine speed. Anthropic's "Claude Mythos" model reportedly demonstrated the ability to exploit weaknesses across major operating systems and browsers. Such developments dramatically reduce the time and cost required to launch attacks, widening the gap between attackers and defenders. This changes the nature of cyber risk itself. Modern finance is deeply interconnected through common software, Cloud service providers, payment networks, and digital infrastructure. A single vulnerability in a widely used system could ripple across multiple institutions simultaneously. Unlike traditional banking crises triggered by bad loans or asset bubbles, AI-driven cyber shocks could emerge suddenly through payment failures, frozen liquidity, or loss of public trust in financial intermediaries. The IMF warns that such "correlated failures" could create funding strains, solvency concerns, and broader market disruption.

The threat is serious for India as well. Over the last decade, India has built one of the world's largest digital public infrastructures. The annual volumes of transactions on Unified Payments Interface (UPI) expanded from just 20 million in 2016-17 to more than 24 billion in 2025-26, while fintech adoption has expanded rapidly across banking, insurance and lending. This digital transformation has increased efficiency and financial inclusion, but it has also expanded the attack surface. A coordinated cyberattack on payment systems, Cloud infrastructure, or banking networks could disrupt economic activity at scale and trigger panic among consumers and investors. Recognising this, the Reserve Bank of India last year had proposed the Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI), which seeks to ensure responsibly deploying AI with stronger safeguards in governance, transparency, audit processes, and cybersecurity. India has also strengthened cyber supervision of regulated financial entities and expanded digital-fraud monitoring systems. Yet major gaps remain. Smaller cooperative banks and fintech firms often lack sophisticated cyber defences. Dependence on foreign Cloud infrastructure and frontier AI systems creates strategic vulnerabilities.

The challenge is not only national but global. Cyber threats may not respect borders. An attack on a global Cloud provider or payment network can spread rapidly across jurisdictions. Emerging economies are especially vulnerable because they often lack adequate cyber capacity. This is why the IMF has emphasised intelligence sharing and coordinated regulatory standards. Importantly, AI itself can be part of the solution. Financial institutions are increasingly using AI tools for fraud detection, threat monitoring, vulnerability assessment, and incident response. AI can help identify weaknesses before hackers exploit them and improve resilience through faster recovery systems. But such technological solutions alone are insufficient. Cyber resilience requires continuous stress testing, board-level oversight, redundancy in critical systems, and human supervision. Hence, the growing fusion of AI and finance demands global governance frameworks and preparedness to deal with threats.



US Fed: From Powell to Warsh

Kevin Warsh will now lead the world's most influential central bank, the United States Federal Reserve. At the beginning of the year, this column argued that threats to the Fed's independence would be among the biggest issues to watch, and the change in leadership is an important aspect in this regard. This is vital because the US has the biggest and most liquid financial market in the world, and the US dollar is the world's most important currency. Even signs of systemic stress in the US markets can potentially destabilise the entire global financial system. The outgoing Fed Chair, Jerome Powell, faced frequent attacks from President Donald Trump. In Mr Trump's view, interest rates need to be brought down substantially — something Mr Powell and his colleagues did not deliver for sound economic reasons.



REAL TERMS

RAJESH KUMAR

Besides the verbal attack, the administration's Department of Justice (DoJ) initiated an investigation against Mr Powell, which was seen as a direct attack on the central bank's independence. The DoJ had to drop the investigation because some senators made it a condition for confirming Mr Warsh. Mr Trump also attempted to fire one of the Fed's governors. This is the broader context in which the leadership change is happening.

Mr Warsh is not new to the Fed. In 2006, he became the youngest-ever member of the Board of Governors of the Federal Reserve System. He quit in 2011, and much has changed since then. He is said to have lost the race for the Fed's top job to Mr Powell eight years ago, and some commentators argue that he has since shifted his positions to qualify for the role. How Mr Trump reacts to his decisions will soon be known. The US inflation rate stood at 3.8 per cent in April, nearly double the medium-term target of 2 per cent. With sustained uncertainty in West Asia, inflation is likely to remain elevated. It will be interesting to see how the new Fed Chair approaches the situation, given that inflation has remained above target for about five years.

To better understand Mr Warsh's position on various issues, his speeches, writings, and statements before the Senate Banking Committee are being analysed. Responding to concerns about pressure from Mr Trump, he told the Senate Committee that the President had never asked him to commit to any interest rate decision and that he would not agree to do so. He also noted that elected officials stating their views on interest rates does not, in itself, affect monetary policy independence, and that the Fed's independence is up to the Fed. However, he would not be facing a usual elected official. Mr Trump is a disruptor with little regard for conventional economic thinking. Thus, how he reacts to the Fed's decisions in a relatively high-inflation environment, which is partly his own creation, will be worth watching.

While Mr Warsh has often spoken and written about the Fed over the years, his November 2025 article in *The Wall Street Journal* provides a quick glimpse into his views. He noted, "...inflation is a choice, and the Fed's track record under Chairman Jerome Powell is one of unwise choices." He further argued that inflation is caused by the government spending too much and printing too much. And that the Fed's balance sheet can be reduced substantially. Notably, Mr Warsh studied under the legendary economist and Nobel Laureate Milton Friedman. But implementing these ideas may not be easy.

Inflation in the US surged after the pandemic because of a range of factors, including supply chain disruptions, loose fiscal policy, and excessive monetary accommodation. With the benefit of hindsight, it can be argued that policy interventions could have been more restrained. One of the biggest challenges of Mr Powell's term was to bring down the inflation rate, which went over 9 per cent. However, to the Fed's credit, interest rates were adjusted quickly, and the disinflation process was nearing completion without triggering a recession, before Mr Trump's tariffs and the Iran war complicated the situation.

Now, odds favour a rate hike. Although Mr Warsh has argued that artificial intelligence will be a significant deflationary force and productivity booster, other members of the Federal Open Market Committee would likely approach the situation more conventionally. Further, while the Fed is reducing its balance sheet, a faster reduction could push up market interest rates, something Mr Trump will not like, and could prove disruptive under current conditions.

In addition, Mr Warsh will have to steer monetary policy in an environment of higher government spending. According to International Monetary Fund projections, US general government debt is projected to rise from the present level of about 125 per cent of gross domestic product to 142 per cent by 2031. Rising debt and higher budget deficits will likely keep borrowing costs elevated and could become a source of friction between the Fed and the government. How Mr Warsh manages this will be closely watched.

Notably, Mr Warsh is also in favour of reducing Fed communication. He has argued that policymakers can become prisoners of their own words. Central bank communication has evolved into an important tool, particularly since the global financial crisis, and has helped financial markets adjust to evolving conditions. It also often helps central banks achieve outcomes without actually pulling policy levers. Mr Warsh wants to significantly reform the way the Fed functions, but his real challenge may be outside the central bank.



Nordic outreach

India will benefit from technology and capital flows

The recently concluded third India-Nordic Summit, held in Oslo and attended by Prime Minister Narendra Modi, marks a significant broadening of India's engagement with the Nordic region — from conventional diplomatic ties to a deeper strategic partnership centred on green technology, innovation, defence manufacturing, and long-term capital flows. The summit produced several key outcomes, including a "Green Technology and Innovation Strategic Partnership", enhanced cooperation in climate action, Arctic and polar research, the blue economy, and the mobility of students and researchers. Nordic countries also committed themselves to investing $100 billion in India over the next 15 years. India, in turn, offered 100 per cent foreign direct investment access to Nordic defence firms in its defence industrial corridors.

This reflects a wider shift in Indian foreign policy towards geoeconomic and technology-driven partnerships. In this context, the Nordic countries offer capabilities that India urgently requires. Bilateral trade between India and the region has reached nearly $19 billion, while more than 700 Nordic companies operate in India. Norway's strengths in offshore wind, carbon capture & storage, and sovereign wealth capital complement India's decarbonisation ambitions. Denmark's expertise in renewable energy, port logistics, and cybersecurity; Sweden's advanced manufacturing and defence technologies; and Finland's telecom and digital infrastructure capabilities align closely with India's industrial and technological priorities. The summit also underlined India's attempt to diversify its strategic partnerships amid growing global uncertainty. Supply chains remain heavily concentrated in China and East Asia. India's outreach is, therefore, about building trusted technology ecosystems and resilient economic networks with advanced innovation-driven economies in the region.

The clean-energy dimension of the partnership is especially important. India's transition to green industrialisation will require a wide-range of technological inputs, infrastructure financing, and specialised expertise. Nordic countries are global leaders in offshore wind, green hydrogen, sustainable shipping, circular economy models, and climate-resilient infrastructure. Norway's $2.1 trillion sovereign wealth fund, the world's largest, already holds investment worth over $34 billion across several Indian companies, and can play an important role in financing projects relating to India's infrastructure and energy transition. Thus, India's engagement with the Nordic region increasingly intersects with Arctic geopolitics, climate science, and maritime strategy. Cooperation with Nordic countries gives India access to expertise in polar research, maritime technologies, and emerging governance discussions around the Arctic region.

The Italy leg of the Prime Minister's tour reinforced the same strategic direction. India and Italy elevated ties to a "Special Strategic Partnership" and signed agreements on critical minerals, maritime infrastructure, scientific research, and skilled mobility, reflecting India's growing emphasis on technology partnerships and supply-chain resilience across Europe. Yet challenges remain. For instance, Nordic investors operate under strict environmental, governance and transparency standards, as reflected in controversies surrounding investment in certain Indian companies. India will, therefore, need to strengthen regulatory predictability and governance standards to attract sustained long-term capital.



ILLUSTRATION: BINAY SINHA



A clarion call from India's oil trade deficit

Reducing oil import dependence requires India to also curb its demand for oil

The West Asia crisis is rippling through the Indian economy in multiple ways, with energy commodities, especially crude oil, having one of the biggest impacts. Crude oil prices have risen a staggering 60 per cent since the conflict started in late February.

Despite declining, oil and oil products still account for a quarter of India's total energy supply. India's rising oil import dependence — with over 85 per cent of the domestic requirement being imported — makes it structurally vulnerable.

We import crude oil and export only a part of it as refined petroleum products. As the volume and cost of imports far exceed those of petroleum exports, there is a persistent oil trade deficit, which stood at $120 billion in FY26.

Typically, when crude oil prices fell, India's oil trade deficit came down, and vice versa. But since the past two financial years (2024-25 and 2025-26) this relationship has broken down.



DHARMAKIRTI JOSHI & ADHISH VERMA

Despite cheaper crude oil — with the average price falling 15 per cent from $83 per barrel in FY24 to $70.3 per barrel in FY26 — India's oil trade deficit surged 27 per cent, from $94.5 billion to $120 billion, because exports of petroleum products slipped.

There were largely three reasons for the softer global oil demand: The waning of post-pandemic surge in mobility, sluggish industrial growth, and the rising adoption of electric vehicles.

In India, the trend has gone the other way: Imports of crude oil have kept rising due to the country being the fastest-growing large economy. Not surprisingly, then, oil has been the largest contributor to India's goods trade deficit in the two financial years since 2024. Worryingly, the current surge in crude oil prices could be sticky.

Crude oil markets are facing a significant supply deficit due to the closure of the Strait of Hormuz and damage to oil production facilities in West Asia. Even if the transit conditions via the Strait of Hormuz improve, it will take time for the production apparatus destroyed by the West Asia conflict to return to normal.

Crisil expects Brent crude price to average $90-95 per barrel this financial year, compared with $70.3 per barrel last financial year. Consequently, India's oil trade deficit is set to go up even further in FY27.

The rising oil trade deficit, among other factors, will widen India's current account deficit to 2.2 per cent of gross domestic product this financial year, a sharp jump from around 0.8 per cent last financial year.

That, along with expected weak capital inflows — as in the past two financial years — will mean the pressure on the rupee and forex reserves will remain elevated.

S&P Global expects India's oil dependency to rise closer to 94 per cent from 85 per cent by 2030 (*India forward: Strategic initiatives*, S&P Global, May 2026).

This is in sync with the International Energy Agency's (IEA) latest medium-term global demand projection (*Oil 2025: Analysis and Forecast to 2030*) of June 2025, which captured these trends before the current West Asia-driven disruptions.

The IEA said India's demand for crude oil will rise by 1 million barrels/day in the forecast period (2024 to 2030), the largest increase for any country by far, driven by rapid urbanisation, relatively strong industrial growth, and a booming transportation sector. On the other hand, global demand is seen remaining in the slow lane, even contracting in 2030.

While subdued global growth prospects will weigh on demand, the most significant long-term factor, the IEA said, is the rapid shift to electric vehicles. To boot, work-from-home (WFH) practices are enduring in many parts. So, India's oil trade deficit is headed higher over the medium to long run.

To tide over the current oil disruption, the government is trying to manage through austerity measures and moral suasion — pushing for WFH, to wit. Until recently, oil marketing companies and the government were absorbing the burden of higher oil prices. Now, it is being gradually passed on to the end consumer. A price signal to manage demand was sent recently when, in two tranches, petrol and diesel were made dearer at the pump.

As for supply, crude oil is being procured from alternative sources through deft diplomacy. The lifting of sanctions on Russian oil also helps. To manage demand in the medium to long term, diversification of supplies should continue, and strategic reserves need to be shored up. Prime Minister Narendra Modi, during his recent visit to the United Arab Emirates, signed a series of landmark agreements towards this. One of the pacts includes a strategic collaboration agreement between Indian Strategic Petroleum Reserves Ltd and Abu Dhabi National Oil Company to strengthen India's energy security.

Prioritising the use of available domestic energy sources is crucial for ensuring energy security and affordability in times of geopolitical flux. Curbing import dependence also requires a concerted push towards upstream exploration. To its credit, the government has begun moving in that direction. The recent reduction in royalty rates on crude oil and natural gas production is intended to encourage domestic exploration and improve investment visibility. The Samudra Manthan programme is aimed at deep-sea exploration of oil, gas and critical minerals. These need to be pursued on a war footing. But these initiatives have long gestation periods, often layered with uncertainties, so there is a need to simultaneously find additional, more certain, paths to reduce crude oil import dependence as well.

The newly announced target of 100 per cent ethanol blending, after already achieving 20 per cent blending, is a step in that direction. A sharper focus on developing better and more widespread EV infrastructure, along with more investment towards improving public transportation (high-speed rails, metro networks, etc), is also desirable.

Coal is the largest source of primary energy in India and import dependence on it is low, with domestic production meeting over 70 per cent of demand. While cleaner coal technologies can be adopted, coal-based power will continue to provide essential base-load capacity, given the intermittent nature of renewable energy. This approach will facilitate faster investments in renewables, particularly solar power, where India has already made significant progress. Additionally, accelerating the adoption of nuclear technology to reach a target of around 22 gigawatts (Gw) by 2031-32 should be a relentless quest.

With India's oil trade deficit set to become structurally larger in a business-as-usual scenario, ways to reduce import dependence must shift from a long-term aspiration to immediate, actionable priorities.

This is aligned with the goal of achieving Viksit Bharat 2047 through greater *atmanirbharta*.

The authors are, respectively, chief economist and senior economist at Crisil Ltd



Bajaj@100

Yesterday's resilience, tomorrow's challenge

Economic liberalisation has not been kind to India's family-managed business conglomerates. By the early noughties, the inability to compete in open markets precipitated acrimonious internal squabbles, which caused storied "licence raj" giants to disintegrate — Singhania, Shriram, Mafatlal, to name a few. This could have been the fate of the Bajaj group, which entered its 101st year last week. Between 2002 and 2008, a public feud among the brothers of the third generation posed the danger of splitting and weakening the group, just as new competitors were threatening its core businesses. It speaks much for the prudence of the antagonists that better sense (and, apparently, deep family feeling) prevailed. A memorandum of understanding split key assets between the larger-than-life scion Rahul Bajaj and his cousins, on one side, and his younger brother Shishir and his son Kushagra, on the other, and concluded a financial settlement to untangle crossholdings. The Rahul Bajaj faction retained Bajaj Auto and the finance business, and his brother consumer goods, the sugar business, and real estate.

That the group's flagships remain more or less dominant in their respective fields speaks volumes for the capabilities of the third and fourth generations, which inherited this divided empire. In the 2025 annual Barclays Private Clients Hurun India Most Valuable Family Business, the Bajaj group weighs among the top five, a consistent ranking. This is a creditable achievement, considering it keeps company with younger groups such as Reliance (at 68 years), Jindal (74 years), and HCL (a mere 49). Among the top five groups, only A V Birla is older at 169 years. Bajaj Auto is a good example of managerial competence and risk-taking, such as Rahul Bajaj's well-documented risk in launching the indigenous Chetak scooter when his licence with Piaggio ended in 1972. A protected market ensured the Chetak had a long waiting list and the surpluses from consumer advances made Bajaj Auto one of India's most cash-rich companies.

Instead of relying on the Chetak workhorse, Rahul Bajaj's son Rajiv decided to scrap it — despite his father's disapproval, it is said — when he saw the two-wheeler market trending towards motorcycles. This risk certainly paid off (the Chetak returned in 2020 as an e-scooter). Bajaj Finance, overseen by younger son Sanjiv under the Bajaj Finserv umbrella, has emerged as India's largest private non-banking financial company and earned a Harvard Business School case study in 2022. Bajaj Hindusthan remains Uttar Pradesh's largest sugar and ethanol producer.

Prima facie, the relative stability and success of the Bajaj group flagships make them poster boys for Indian family-managed businesses. But yesterday's resilience could become tomorrow's challenges. The group's management ethos remains conservative. Group companies are run by professionals, but the scions retain control of strategic decision-making. Its core pre-liberalisation businesses have been successful, but the group has not managed to move beyond this mix. A foray into cars via a partnership with Nissan did not work. Its venture into e-three-wheelers has been successful and it dominates that segment, but the group has been less successful in the e-two-wheeler market. In consumer goods, where multinational brands compete, Bajaj Electricals has a negligible market share. Few businesses are said to survive beyond the fifth generation. Bajaj's Gen-Next, thus, will be put to the group's toughest test yet.



Power planning

Surging energy demand needs better preparation

A developing super El Niño has led to scorching temperatures across the Indian subcontinent, at least a month ahead of schedule. With Indians cranking up cooling equipment, parts of the country are experiencing large power outages. On May 22, electricity supply across the so-called Millennium City, Gurugram, was disrupted and the Rapid Metro service suspended for over an hour owing to a massive transformer fire. Set against surging national demand, which peaked at 270.8 Gw on May 21 — up from the 2025 peak of 242.49 Gw in sultry June — the government's advisory to citizens to "use electricity wisely and judiciously" cannot be faulted. The problem is that such appeals are unlikely to work, mainly because citizens have few options. Given that, with or without the El Niño impact, summer temperatures hit new highs each year, a steady increase in power demand should have been anticipated.

The past decade has been the warmest in India's history. Every year, summers have arrived earlier and temperatures have scaled new peaks. Preparing for the inevitable demand surges, therefore, has become imperative. Yet, as the transformer fire in Gurugram demonstrated, infrastructure maintenance and upgrades are rarely carried out in advance (such as during the cooler weather). And, more to the point as India aspires for its net-zero target, the adoption of technological solutions to expand the availability of renewable power to bridge power deficits has been tardy. To be sure, India has come a long way from the dramatic north Indian grid failure of 2012, the world's biggest blackout at the time. Since then, there has been a reorganisation of the grid architecture to ensure that overdrawing in any state does not trip the system. More recently, the railway, coal and power ministries collaborated to ensure that the distribution system for coal, the principal source of energy in India, was streamlined so that thermal-power stations could replenish their stocks in time. These improvements have certainly reduced the chances of a nationwide collapse.

But the government's advisory suggests that a crisis is brewing even as the meteorological department predicts a prolonged heatwave. This too could have been avoided, had renewable energy been in a position to shoulder more of the load, though renewable power is playing a notably larger role in meeting and absorbing daytime peaks between 2 pm and 4 pm, when maximum demand coincides with the bright sunshine, enabling solar power to bridge the deficit. Together with wind and hydropower, solar accounts for about a third of total peak power in the daytime. The problem begins after sunset, when another, smaller residential peak occurs, for which thermal power takes the brunt. Soaring demand has made meeting this night-time requirement increasingly challenging. While pumped hydro storage systems can partially bridge this gap, they have limited utility. It is increasingly obvious that solar-power generators need to acquire battery storage systems at scale. Since 2021, the Centre has provided a slew of incentives to establish battery manufacturing capacity, but progress has been snail-paced. India's continuing reliance on China for raw materials has complicated the process. These longstanding structural issues need to be sorted out quickly, since no amount of judicious use will bridge India's burgeoning power demand in the foreseeable future.



A big push in economics

Special times call for special initiatives

ILLUSTRATION: AJAYA MOHANTY





SNAKES & LADDERS

AJAY SHAH

There is anxiety regarding the Indian economy. The present macroeconomic data operates with a lag, leaving analysis in a zone of subjective perception. However, a sequence of shocks has shaped the current environment. The economy was in poor shape in 2018 and 2019. After that, we got the pandemic, Ukraine war, United States (US) tariffs, war in Iran, and ensuing oil-price shock. The political foundations of global prosperity — liberal democracy and globalisation, built upon Western leadership — are exhibiting structural weakness. The macroeconomic conditions feature similarities to the Indian situation in the late 1980s, an era characterised by fiscal strain and a socialistic state apparatus.

The oil shock poses to India a threat similar to the problems of the 1970s. But the central problem lies in the sustained difficulties of private investment, which forms the core of Indian economic growth. The last time the domestic private sector achieved a one-year gain of net fixed assets above 20 per cent in nominal terms was 2009-10. The last time this metric crossed 10 per cent was 2019-20. The Indian private corporate sector is exhausted and risk-averse. How can economic policy navigate these frictions and generate a sustained private-investment cycle? It is safe to say that the growth process is stuck. Business as usual — conventional tinkering measures — will not help; we need to think on a bigger scale. Ten ideas matter in the required economic policy strategy.

First, the oil price shock must fully pass through to the consumer. Price signals are the mechanism through which supply and demand reach an equilibrium. When prices are controlled, it introduces distortions and strains the fiscal balance. Higher prices of petroleum products will induce the necessary adjustment in both consumption and production.

Second, the macroeconomic shock must fully pass through into the exchange rate. Attempts to manage the exchange rate harm economic growth and will prove futile. A flexible exchange rate acts as a necessary shock absorber.

Third, Indian economic success is built upon the emergence of high-productivity firms, with a starring role for exporters and multinational corporations. These firms face an uncertain global environment and require enhanced access to finance. To navigate the age of chaos, they require full access to the global financial system to obtain low-cost capital and hedging instruments. Numerous direct-tax frictions have come to impede cross-border activities, all these require solving. Delivering this requires a comprehensive package of capital-account liberalisation. The Ministry of Finance must establish an expert committee, supported by a technical team, to design this reform package and draft the required legal instruments.

Fourth, higher fuel prices and currency depreciation will generate inflationary pressures. Macroeconomic stability requires price stability. Economic agents are judging the institutional commitment to the 4 per cent target. A failure of the de jure macroeconomic framework will harm policy credibility for a decade. We must improve the economics capabilities in the inflation-targeting process. To build credibility, the Ministry of Finance should now narrow the tolerance band assigned to the Reserve Bank of India (RBI), shifting it from the current 2-6 per cent to a tighter 3-5 per cent. To increase the credibility of monetary policy, the RBI Act must be amended to give non-government economists the super-majority of the Monetary Policy Committee.

Fifth, macroeconomic stability also requires fiscal prudence. General government debt surged during the pandemic and has not reverted to prior trajectories. While the current year presents difficulties for immediate fiscal consolidation, the structural path must be designed and agreed upon now. The government requires an expert committee to design a fiscal strategy through which the Budgets for 2027 and subsequent years have a sustained primary surplus of 0.5 per cent of gross domestic product (GDP).

Sixth, firm internationalisation is essential for Indian growth. Fostering this requires deep trade agreements with members of the Organisation for Economic Cooperation and Development, excluding the US. These agreements must feature greater Indian trade liberalisation than that observed in the free-trade agreements with the European Union and United Kingdom. A reversion to the philosophy of the "bilateral investment treaty" of the 1990s is necessary. To reassure private foreign players, we require international arbitration and international tax arbitration that work. The economic nationalism and tax activism of recent years have reduced the confidence of foreign firms; this stance requires structural recalibration.

Seventh, the indirect tax system weighs heavily on the spreadsheet of every firm evaluating an investment in India. Barriers to input tax credit have reversed the economic gains from the reform in goods and services tax (GST) in many respects: Every impediment to input tax credit within GST must be removed. GST should transition to a single rate of 10 per cent. Various indirect taxes are not refunded to Indian producers at the point of export; these must be repealed.

Eighth, global foreign direct investment and portfolio investors have come to fear the non-standard ways of the Indian state. It is in our interests to look more like a sophisticated emerging market, rather than take an idiosyncratic approach that fluctuates. On most issues, we need to quietly hew to the median approach of 10 strong emerging markets.

Ninth, reform requires project management and technical capacity. This government has three success stories: Inflation targeting, GST, and the Insolvency and Bankruptcy Code. These initiatives generated respect and policy credibility. We should learn more from the theory of change that worked for that period and bring these ways to attack the above eight areas of work.

Tenth, economic agents require an Indian state that is committed to the rule of law and globalisation, and charting a course out of central planning. Oddball statements can disproportionately disrupt the trust of the people who matter. Greater discipline in messaging is required.

Economic agents sceptically watch the gap between words and deeds, and slowly learn to trust. The Budget speech of July 1991 generated a private investment boom only by 1995. The reforms of the Vajpayee government yielded a private investment boom only by 2003. Economic agents that matter observe the Indian state over time and only gradually allocate capital.

The author is a researcher at XKDR Forum

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'



Revenue channels

RBI's surplus transfer will not ease fiscal pressure

The Reserve Bank of India's (RBI's) Central Board last week decided to transfer a surplus of ₹2.87 trillion for 2025-26 to the Government of India. The RBI also decided to reduce the provisioning under the contingent risk buffer to 6.5 per cent of its balance sheet, compared to 7.5 per cent in the previous year. Although the RBI's economic capital framework allows it to keep the contingent risk buffer between 4.5 and 7.5 per cent of its balance sheet, it is unclear why the central bank decided to reduce the buffer. Although the amount transferred is about 7 per cent higher than that of the previous year and is a new record, it is unlikely to ease fiscal pressures significantly for the government. The surplus transfer is in line with expectations, and the government had already budgeted for it. This year's Budget estimate for dividend/surplus from the RBI and nationalised financial institutions is ₹3.16 trillion. However, the government's total dividend receipts could be substantially lower this year. Oil companies are usually major contributors, but they may not be able to contribute much.

The crisis in West Asia and the resultant surge in prices of crude oil have significantly complicated the overall Budget arithmetic. The state-run oil-marketing companies (OMCs) were reported to be facing underrecoveries worth ₹1,000 crore per day until recently. Three increases in the pump prices of petrol and diesel have helped reduce those, but more needs to be done. At this stage, it is difficult to gauge the extent of the damage high oil prices may have caused to the finances of OMCs. Only the June-quarter results will provide a clear picture because the March quarter will reflect only a partial impact. But dividends are not the only factor that will affect government finances. The government may have to substantially increase expenditure in certain areas, such as fuel and fertiliser subsidies, while also facing pressure on the revenue front.

The government has reduced special additional excise duty on petrol and diesel, which could lead to an annual revenue loss of about ₹1.5 trillion. Besides, tax collection would suffer due to the supply-chain disruption and lower production. It is also worth noting that the monsoon is expected to be below normal this year, which could have implications not only for food production but for overall demand. A consumption slowdown could again increase demands on the Budget while affecting revenue collection. The government has budgeted to contain the fiscal deficit at 4.3 per cent of gross domestic product, which now looks difficult. Much will depend on how long the West Asia crisis persists and how the government approaches its plan for capital expenditure.

While the RBI has done its bit in supporting the government through surplus transfers, it faces its own challenges. The rupee has been under pressure and is inching towards the 100 mark against the dollar. As economists have rightly argued, the RBI should not aim to defend the currency to prevent it from crossing a psychological mark. The other big challenge will be responding to the inevitable increase in the inflation rate. Since the monetary policy needs to be forward-looking, projecting the inflation rate over the next four to six quarters and adjusting the policy accordingly will be enormously complicated in the current environment. Bond yields have been rising in anticipation of tighter monetary policy and possible fiscal slippage.



Eyes in the sky

SpaceX is aiming to make history on Wall Street

The initial public offering (IPO) of Space Exploration Technologies Corp (SpaceX), headed by Elon Musk, promises to be the most extraordinary ever, going by the filing last week at the United States (US) Securities and Exchange Commission. SpaceX is looking to raise around $75 billion at a valuation of $1.75 trillion-2 trillion. This will make it the largest ever initial listing in the US. SpaceX will be listed as the seventh-most valuable company on the S&P 500. If the IPO achieves its aim, it will boost Mr Musk's personal net worth to well over $1 trillion. Much of the prospectus reads like a compilation of science-fiction themes. The mission statement is to take "the light of consciousness to the stars", a phrase that occurs repeatedly. The prospectus speaks of mining on asteroids, manufacturing in orbit, energy production on the moon and Mars, along with transporting cargo and passengers to those celestial bodies, and setting up a one-million population colony on Mars.

These plans require a large number of scientific and technological breakthroughs in multiple disciplines. In addition, SpaceX also owns Grok, the artificial intelligence (AI) programme that powers the Chatbot in X (formerly Twitter). It owns X too. It runs the satellite internet service, Starlink, which is the core of the connectivity division. The company has different divisions. SpaceX, which would attempt to implement the futuristic ideas mentioned above, has two revenue streams. It has contracts with the National Aeronautics and Space Administration (Nasa) to ferry supplies and astronauts on its reusable spacecraft, and it launches satellites for various clients. The AI division (formerly another Elon Musk company, xAI) is hoping to generate significant revenues in 2026.

The balance sheet shows $102 billion in assets and carries $60.5 billion of debt. In the 24-year history of the company, SpaceX has accumulated over $37 billion in losses. Last year (2025), SpaceX reported $18.6 billion in revenues with a net loss of $4.9 billion, even though Starlink had an operating profit of $4.3 billion. In the first quarter of 2026, SpaceX reported $4.7 billion in sales, aggregated across divisions, with a net loss of $4.3 billion. The "space" division lost $662 million on revenues of $619 million, with $930 million spent on research & development (R&D).

SpaceX has set aside provisions of over $500 million for potential legal liabilities as it fights a long list of cases. Many of those cases were initiated by individuals whose photographs were "deepfaked" by using Grok to create pornographic content. SpaceX is also contesting claims of patent infringement, copyright infringement, and data breach, as well as being under investigation by the European Union for alleged noncompliance with content-moderation norms. The finances are, to put it politely, dreadful. Asteroid mining and colonies on Mars are decades or centuries in the future, if achievable at all. The mismatch between the valuation asked and revenues is stark. The IPO will make SpaceX the seventh-most valuable listed company in the US, while $18 billion in revenues leaves it ranked outside the top 200. But Starlink and SpaceX rockets are market leaders, and growth rates are strong. Given Mr Musk's deeply embedded position in the tech ecosystem and his proximity to political power, he could soon become the world's first trillionaire.



Time to stop slipping on oil

Renewable energy can make India resilient to oil shocks

ILLUSTRATION: BINAY SINHA



T N NINAN

The whole world, India included, will have breathed easier following the announcement that the United States and Iran have come close to an initial agreement. Hopefully, that should extend the ceasefire and reopen the Strait of Hormuz for shipping. No details are available at the time of writing, and one cannot be certain that there won't be more blips on the way to a deal — or deals, since a preliminary one is likely to need follow-up agreements with difficult details. So the release of tension is probably accompanied by people also holding their breath!

Sunday's announcement should help lower the prices of oil, gas and other critical commodities like urea. But even if a deal is actually reached, it will take months for the situation to return to the pre-war normal. Still, the world economy will have avoided the sharp slowdown that seemed a real prospect last week. India, hugely dependent on imports of both oil and gas, as well as urea and other commodities produced in the Gulf area, will be particularly relieved.

The country has had a crisis-prone history associated with oil price shocks, one that is worth a brief recount in order to underline the need to avoid repeating that history. For, every oil price spurt so far has led to an economic crisis that, in turn, has provoked political change. This was true of the first oil shock of 1973, which quadrupled oil prices almost overnight, from $3 per barrel to $12. Inflation soared to 30 per cent, and the Opposition was able to force Indira Gandhi on to the back foot. The chain of events led to India's only experience with dictatorial "Emergency" rule.

The second oil shock, in 1979, saw oil prices double to $23.50 per barrel, with prices in the spot market surging to $40. India's shell-shocked economy shrank by an unprecedented 5 per cent. The government fell, and Indira Gandhi returned to power. The third oil shock of 1990, caused by Saddam Hussein's invasion of Kuwait, was less severe and lasted barely six months, yet it provoked a foreign exchange crisis. That triggered a positive outcome: Widespread economic reforms by (you guessed it) a new government.

Finally, the oil shock of 2012 saw oil prices reach $125 per barrel and stay above $100 till 2014. That led to a surging current account deficit, and the rupee getting famously grouped with the "Fragile Five". That more or less sank an already embattled Manmohan Singh government, and (along with other factors) helped bring Narendra Modi to power. His government began on a lucky note. Oil prices halved to $50 by 2015, and fell further to an average of $44 per barrel in 2016. That boosted economic growth to over 8 per cent for a couple of years.

It is this historical vulnerability to oil shocks that caused the US-Iran war to provoke worries among Indian consumers and policymakers, not just about oil prices (up 50 per cent and more) but also about the assured supply of gas and urea. The grim prospect was of higher inflation, lower growth, a higher current account deficit, and a bigger fiscal deficit. Those four horsemen may still show up, but it won't be the crisis that some had feared.

The averted crisis should provoke thought about the steps required to insulate the economy from external shocks. Past attempts have focused on finding domestic oil and gas, with very modest results; import dependency has increased to 90 per cent for oil and about 50 per cent for gas. Now, for the first time in our history, solar and wind energy offer an alternative solution, not just because of their enormous generation potential, but also because they are now competitive when compared to new coal-based power plants. Indeed, solar energy may be competitive even after considering storage costs, thereby reducing the need for back-up power.

Renewable energy generation has already grown by leaps and bounds, and now accounts for about a quarter of electricity generation. The ambitious target is to raise that share to 50 per cent by 2030. Even that should be only a mid-term goal, for non-fossil-based electrification has the potential to grow even further.

In broad terms, India should aim to become an electro-state. The railways have already electrified virtually all their traction. But the electrification of road transport (though competitive, compared to petrol and diesel) has made slow progress compared to other countries, with relatively few public charging stations installed. Domestic cooking should be electrified too, reversing the push for gas-based cooking. Many industrial processes that currently rely on hydrocarbons could also switch to electricity, as China has done on a massive scale. The need for oil and gas will not disappear, but the dependence can be reduced enough to make the economy resilient to West Asian tremors.

Such a drive is likely to have much greater potential, and meet with greater success, than the government's renewed stress on coal. For instance, coal-based fertiliser plants have been tried in the past, didn't do well and had to be shut down. And coal gasification, another policy thrust, will require massive quantities of water at a time when the country is already water-stressed.

A renewable energy drive will have a critical impact on India's external balances. The country's large and growing deficit in trade in goods (a massive 8 per cent of gross domestic product or GDP in 2025-26) has been covered for the most part by the surplus on trade in services (5 per cent of GDP). The composite trade deficit of 3 per cent of GDP is almost entirely on account of oil and gas, and would more or less disappear if their imports could be sharply reduced.

The country would then be less dependent on capital inflows, which so far have been a reliable feature and helped to double foreign exchange reserves over the past decade to a peak of some $730 billion. But foreign portfolio investors, once enthusiastic about the Indian stock market, have pulled out as much as $45 billion in the last 18 months, while net foreign direct investment has shrunk dramatically. The rupee reflects this external weakness, even as the Reserve Bank's foreign exchange reserves have fallen by $40 billion to $688 billion. The currency weakness has further affected India's appeal to foreign investors. India needs to be made a more attractive destination. A more hydrocarbon-proof economy will take the country a big step closer to that goal.

The author is former editor and chairman of *Business Standard*



Powering transition

India needs resilient electric-mobility infrastructure

The increase in fuel prices, owing to the crisis in West Asia, demands urgency in accelerating the transition to electric vehicles (EVs). For India, where petrol and diesel account for more than 80 per cent of the transport sector's energy consumption, expanding electric mobility is critical to reducing long-term dependence on imported crude oil and gas. Yet India's EV transition, particularly in passenger cars, remains uneven and slow. EVs accounted for around 8 per cent of all new vehicle registrations in 2025, far below the country's target of achieving 30 per cent by 2030. Much of this has been driven by electric two-wheelers, which accounted for nearly 57 per cent of EV sales in 2025, while electric three-wheelers contributed around 35 per cent. The adoption of electric cars, however, continues to lag behind global trends. The International Energy Agency's latest "Global EV Outlook" notes that despite being the Asia-Pacific region's second-largest car market, India's sales of electric cars remained lower than those of countries such as Vietnam and Thailand. China has already crossed 50 per cent EV penetration in new car sales, while several European countries in 2025 moved well beyond 20 per cent.

One of the primary bottlenecks is the lack of charging infrastructure. India had around 29,000 charging stations for the public early this calendar year, a significant improvement from the barely 5,000 a few years ago. However, this is grossly inadequate for a country of India's size. A recent analysis pointed out that in July last year, India's charger-to-EV ratio stood at roughly 1:235, far below the global benchmark of six to 20 EVs per charger. Deloitte's 2026 "Global Automotive Consumer Survey" for India found that an inadequate charging network, long charging durations, and limited residential charging access were among the biggest deterrents to EV adoption. Affordability is another challenge. Electric cars have higher upfront costs than vehicles running on the internal combustion engine (ICE) because of expensive battery systems. India also remains heavily dependent on imports for lithium-ion cells and critical minerals such as lithium, cobalt and nickel, exposing the sector to supply-chain vulnerabilities and geopolitical risks. Consumers also remain uncertain about battery life, resale value, inadequate servicing networks, and replacement costs.

The government has, nevertheless, taken steps to strengthen the EV ecosystem. The recently launched PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) scheme and its earlier versions have aimed to support EV adoption, public-transport electrification, and the expansion of charging infrastructure. The production-linked incentives for advanced chemistry cells aim to promote domestic battery manufacturing. EVs also attract a lower goods and services tax than ICE vehicles, while several states offer subsidies and exemptions on road tax. However, it appears more needs to be done to facilitate a quicker transition. It requires a coordinated strategy. Charging infrastructure must expand rapidly across highways, Tier-II and -III cities, residential complexes, and public spaces. Investment in domestic battery manufacturing and research is essential to reduce import dependence and lower costs. As India pursues its net-zero target for 2070, accelerating electric mobility will be indispensable in building a cleaner and more energy-secure transport system.



Wealth erosion will deepen slowdown

Prime Minister Narendra Modi's recent call to citizens to economise on fuel, cooking oil and foreign travel has set off a debate on the impact of the West Asia crisis on the Indian economy. With government-owned oil firms finally biting the bullet and increasing petrol and diesel prices in the last fortnight, after four years of holding retail prices steady, inflation is expected to inch up sharply from a benign under four per cent for many months.

With household budgets under strain from rising prices, coupled with slow income growth due to a decelerating economy, the consumer goods sector is bracing for a demand slowdown, even demand destruction in some categories. Businesses are going back to spreadsheets, revisiting their costs, supply chains, sales and demand forecasts and some reworked strategies are already visible in the market — from price increases, product and packaging tweaks to delayed deliveries and launches.



ACROSS THE BOARD

SHAILESH DOBHAL

Prices of essentials are already up anywhere from 2 per cent to 7 per cent, and this when only a third of the losses incurred by oil firms in selling petrol, diesel and cooking gas at below-market prices is passed on in terms of higher pump prices. Even if just half of the ₹30,000 crore per month underrecovery of oil marketing firms is passed on to consumers, the direct hit to households' budgets will be over ₹1.75 trillion on an annualised basis. In the United States, where pump prices reflect rising crude prices, consumers have already spent an additional $45 billion (about ₹4.25 trillion) on petrol and diesel since February 28 this year, compared to last year, due to the US-Iran war. And we have not even started counting the second- and third-order impact of rising fuel costs that can quickly result in a generalised price rise.

Though opinion is divided on how serious the West Asia crisis-led demand slowdown can be, one often overlooked factor this time around is the stock-market wealth effect. There are over 240 million demat/trading accounts in the country, with a run-rate of 3 million additions every month, though many individuals hold multiple accounts across online/physical brokers. Take any statistics, whether the government's or a private research firm's, and the number of unique registered investors in the Indian stock market will work out to the 127-130 million mark, including around 60 million in mutual funds alone. This is not a small number. It works out to almost 10 per cent of the Indian population! Even the cohort of currently active unique investors, around 45 million, is sizeable, given that they constitute the country's top income and consumption layer.

Now, over ₹40 trillion in stock market wealth has eroded since the beginning of the year. That's almost a tenth of the stock market capitalisation. And almost half of all assets under management with mutual funds in the country. Of course, not all of this ₹40 trillion is the retail investors' loss. But with domestic institutional investors' share of market capitalisation at a high of around 25 per cent, a sizeable portion here, over a third, is accounted for by investments by retail investors indirectly in mutual funds. Add retail investors' around 10 per cent direct equity holding in the market, and what you get is Indian households sitting on ₹8-9 trillion of stock market wealth erosion.

To put that number in perspective, look at the size of key consumer sectors in the country. The fast-moving consumer goods (FMCG) sector that constitutes daily essentials like soap, toothpaste, shampoo, house cleaners and packaged food is at ₹20-25 trillion. The entire auto market in the country is around ₹22 trillion. Organised retail is at ₹30-33 trillion and consumer durables & electronics market is ₹5-6 trillion.

Key marketers in the FMCG sector have already pared their volume growth forecast for this calendar year, down almost two percentage points from 5 per cent to 3 per cent. Consumer durables makers are also bracing for a tougher demand scenario, even as they are forced to take a series of price hikes due to input and freight costs going up.

Surprisingly, the commentary on demand for 2026-27 from auto firms seems to be sanguine, primarily based on pending orders and sales trend till April. Discounting the impact of a sizeable ₹8-9 trillion financial asset loss, primarily of the well-off consumer, on sales of goods like mid-to-high-priced cars, bikes, housing, and even services like expensive domestic and foreign holidays, will be at a marketer's own peril. With forecasts of a weak monsoon, and its concomitant adverse impact on rural sentiment/income and rising food prices for all, a perfect storm may be descending on the country's consumer markets.



ILLUSTRATION: BINAY SINHA



Policies to raise India's FTA utilisation rates

High tariffs and complex compliance requirements continue to deter free-trade agreement utilisation

India has signed several free-trade agreements (FTAs) over the last couple of years, including relatively deep ones with the European Union (EU) and the United Kingdom (UK). The government, in its recent interactions with industry, has repeatedly emphasised the need for increasing the utilisation rates of these FTAs. This is most appropriate, given the growing pressure on India's balance of payments arising from a combination of factors, including a rising current account deficit, which is expected to widen further due to the persistent West Asian crisis and high prices of imported oil and gas, declining net foreign investment inflows over the past two years, and a fast-depreciating rupee.

However, as a return to stability and pre-conflict levels of oil and gas shipment traffic may take several months even after the resolution of the conflict, a longer-term, more comprehensive approach beyond mere exhortation of industry is required to increase the utilisation rates of FTAs. The fact that the FTA with the EU is still to be ratified, the one with the UK is yet to be implemented, and negotiations with Canada have only just restarted gives us valuable time to undertake concrete measures towards maximising FTA utilisation and benefits.



STRAIGHT TALK

AMITA BATRA

FTA utilisation by firms is primarily led by the extent of the "preference margin" (that is, the difference between the most-favoured nation or MFN duty and preferential duty), simplicity of the rules of origin and the administrative ease of compliance with the FTA provisions. While there is no accepted threshold level of preferential margin, a 3-4 per cent differential between the MFN and corresponding preferential duty is considered worthwhile for firms to use the FTA. The cost of information collection, logistics and compliance is otherwise greater than the small margin of benefit that the FTA may offer the exporter. India, given its high level of average applied MFN duties in the manufacturing sector relative to developed and comparator developing economies, offers a significantly higher preferential margin to the partner country in its FTAs relative to the expected gain for its exporters.

For example, in the case of the India-Asean FTA, commonly used by policymakers as a yardstick to highlight the low FTA utilisation by Indian companies in the past, the preferential margin was favourable to the Association of Southeast Asian Nations (Asean) economies relative to India. At the initiation of the first phase of tariff liberalisation under the FTA in 2010, over 60 per cent of the tariff lines, covering 80 per cent of imports, were under the duty-free or less than/equal to 5 per cent tariff category in major Asean economies. There was, therefore, little, if any, incentive for Indian firms to use the FTA to export. In comparison, India had 45 per cent of its imports in the higher tariff category of 5-10 per cent, thereby giving a distinct advantage to the Asean nations. India's tariff structure remained the same till the completion of the tariff liberalisation process in the FTA with Asean in 2016.

More importantly, India has since undertaken a further increase in its average MFN applied tariffs in the manufacturing sector. The number of tariffs lines in the 10 <=15 per cent and 15 <=25 per cent tariff category has increased markedly in the last decade, from 1.4 per cent and 1.7 per cent (2014) to 33.5 per cent and 14.9 per cent (2024), respectively. Inevitably, this gives a greater advantage to our partner countries in the FTA. This dimension is even more significant now that we are signing FTAs with developed economies such as the European Free Trade Association (EFTA), the EU and the UK, where a majority of tariff lines are in the duty-free or less than 5 per cent tariff category.

With India's much higher average manufacturing MFN tariff of about 13 per cent, the preferential margin and hence, gain is significantly higher for the European exporter relative to the negligible margin for the Indian exporter. The fundamental reform, therefore, that India needs to undertake is a comprehensive review of its tariff structure, as announced in Budget 2025, to align its average applied MFN tariffs with those of its comparator developing economies, such as in the Asean

The second factor that discourages the use of FTAs is the complexity of the rules of origin (RoO) and cumbersome procedures for certificate/ proof of origin. Countries that want to facilitate their industry's participation in global value chains (GVCs) allow for simpler and GVC facilitative RoOs in FTAs. The Comprehensive and Progressive Trans-Pacific Partnership RoOs, for example, allow full cumulation with multiple sourcing of intermediate inputs from across member economies and self-certification of origin with simple and standard information documentation procedures. While India has included bilateral cumulation in its recent FTAs and simplified origin certification procedures in 2025, the requirement of additional supplementary documentation has increased the compliance burden on the importer and the discretionary power of the Customs authority to initiate enquiry. The consequent unpredictability, coupled with higher manufacturing sector tariffs, act as major deterrents for domestic producers to use the FTA to import critical inputs.

Finally, the mere existence of FTAs does not imply that firms will automatically use them. Firms need to be aware of FTA provisions, detailed preference specifications and standards and regulations in the partner country/countries. Simply putting the FTA text on the ministry website may not help as there could be legalese that is not easily comprehended by businesses, especially small and medium enterprises, which are unlikely to have separate trade and legal departments.

This is especially true for the deeper trade agreements that India has signed with the EU and the UK. There is a substantial regulatory- and standards-related learning curve, and related compliance costs, in using these FTAs that these enterprises may find expensive to incur on their own. A thin preferential margin coupled with high costs of compliance can be a major deterrent to using FTAs, especially if trade volumes are also small, as with EFTA nations.

In South Korea and Japan, for example, the state provided technical and financial assistance through specific workshops and programmes designed to educate businesses. This helped them increase their FTA utilisation rates from 20 per cent in the first decade of the 2000s to around 70 per cent in the 2010s. It is, therefore, necessary for the Indian Ministry of Commerce to set up a dedicated portal for information and free consultation for FTA utilisation, as well as organise workshops in collaboration with industry chambers for creating necessary FTA literacy.

Hence, alongside the early completion of the announced comprehensive review of its high tariff structure, the government needs to design and implement FTA-specific policy measures and awareness programmes to facilitate increased utilisation of the recently signed FTAs by Indian industry.

The author is professor, School of International Studies, JNU. Her book, *India's Trade Policy in the 21st Century*, was published by Routledge, 2022. The views are personal

1. WTO Tariff Profiles



Listen to Consumer India's logic

As prices increase all around, thoughtful, shrewd Consumer India is bound to adjust its consumption patterns. For companies, doing the math on what overall macro-consumption growth will be is timepass. Far more useful in adding value to forward planning and performance risk mitigation strategies is an understanding of how consumers are thinking about their own consumption strategies, and this is not as simple and formulaic as supply-side logic assumes.

Consumers are adept at balancing budgets in unique ways, using sophisticated and personalised value-processing algorithms residing in their heads. Essential needs, such as a mother-in-law's medicines or a child's shoes, must be bought regardless of economic shifts, although with different value logics. Then there are necessities that can be deferred, though they may be very necessary, like changing your erratic washing machine or upgrading your fully functional phone for better productivity. Then there are affordable "feel-good" indulgences that consumers hold on to, known as the "lipstick effect"— the idea that during economic crises, consumers are more willing to buy less costly luxury goods (like premium lipstick) even as they cut back on big-ticket purchases. We have been seeing the lipstick effect for a while now, as lower middle-income young India, unable to afford a suitable "*gaadi*" or "*ghar*", buy an iPhone on EMI, expensive shoes, or lots more clothes.



RAMA BIJAPURKAR

We have also been seeing strong cross-category competition, as growth in desires and aspirations (two different things) has outstripped income growth. Consumers choose between unlikely candidates — a family trip to Thailand versus a lavish birthday party versus a bigger refrigerator or more visits to beauty parlours for more higher-ticket treatments. This is the consumer balancing act that companies need to take off their blinkers and observe, for gain or pain. There is no simple, neat pan-Indian theory of hierarchies that fits this balancing act.

A very old study showed that when times were tough, South Indian consumers cut back on *badam* biscuits and branded pickles, while North Indians cut back on expensive baby powder and painted their ceilings with cheaper paints than their walls.

Consumers use portfolios of price-performance points (what companies call mass/ premium/mass-tige/entry-level) for each category to optimise their budgets. A classic example of this is significant dual ownership of a two-wheeler and a car by households, thoughtfully deployed. From time immemorial, focus groups have told us "brand X for husband's office shirts but brand Y for children's uniforms", or "vanaspati for deep frying but refined oil for vegetable cooking".

These choices are now obsolete with washing machines and heart-health awareness, but the DNA of "mix and match" is alive in Consumer India. Under-dosing but not down-trading is another favourite method of budget balancing — continue using expensive liquid detergent but experiment with using less quantity per wash. The dog still gets imported treats, but more stringently rationed. Postponement of big-ticket purchases in bad times, we know, happens across all income levels — the rich because of sentiment, the middle-income group because money is short, though the goal still remains a priority.

The assumption that "premiumisation" happens in good times and "down-trading" in bad, all within the same category is too simplistic. There is the value logic that customers use in deciding when to keep stretching for more and when to settle for a lot less. Years ago, when two-wheeler companies were trying to sell mopeds to people as the cheaper sensible alternative, young people would tell their parents that they would rather go by bus than buy a moped, and commuters chose second-hand bikes over mopeds. And today the pattern continues, based on consumers' value logic, which companies don't see as worth spending on to understand . Value logic is the algorithm that consumers use to decide if the benefit versus the cost of something is "*paisa vasool*". Repaying bank loans may not be that, but paying private school fees is, since the child may be publicly censured. Pool driver services at surge premiums may still be *paisa vasool*, even at higher fuel prices given Uber costs and other considerations, while the same value logic may not hold for instamaid services.

Value logic applied to your brand is not necessarily the same as that applied to your competitors. Maybe your past advertising is coming back to haunt you, as you explained that your mutual fund is a cool way to get a fancy apartment, unlike your competitor who had a more sober, goal-based savings and financial planning pitch. As for Tier-I and III town consumption, it is not automatic that in tough times metro demand will hold, while smaller-town demand will not, especially if you are talking about products and services aimed at higher-income consumers.

The message here is not "it's complicated" but "don't be simplistic"; and do not have equity research guiding marketers on how consumer behaviour works, based on their narrow lenses and skewed prisms.

The message for companies also is that this is a time of great opportunity, depending on who you are and what you do. Forget groupthink, grandiose marketing theories being floated by those least equipped to do so. Forget macro numbers. Instead, focus on getting a seat at the consumer's table. See what opportunities there are in the whole balancing act the consumer is doing, and decide to choose consumer value-adding strategies and not stock market-comforting strategies.

The writer is the author of *Lilliput Land: How 'small' is driving India's mega consumption story*



Empowering panchayats

Hyperlocal representation alone will not help

A new National Bureau of Economic Research paper by Veda Narasimhan of New York University Abu Dhabi and Jeffrey Weaver of the University of Southern California finds that simply increasing the number of elected representatives in panchayats does not automatically improve governance, welfare delivery, accountability, or inclusion. The paper studied nearly 1.2 million ward members belonging to 150,000 gram panchayats in 13 states. It examined "hyperlocal" representatives — the ward members — elected from very small constituencies, often representing only a few hundred people. The expectation behind such representation is that smaller constituencies should improve accountability, allow better identification of local needs, and ensure easier access to welfare schemes. Yet, the evidence suggests otherwise. Whether in the implementation of centrally sponsored schemes, access to welfare benefits, aligning projects with citizens' priorities, or financial oversight, the study finds almost no measurable improvement from adding more representatives.

The reasons are structural. The study points to weak administrative capacity, poor training, limited authority, and a lack of financial control among local representatives. Most have limited formal education, while real financial powers continue to remain concentrated with panchayat heads. In effect, representation has expanded faster than institutional capability. Additional representatives have marginally improved citizen participation and transparency practices, but they have not improved outcomes. Thus, the message is clear: Decentralisation would work only when political representation is matched by administrative capability and fiscal autonomy.

The Sixteenth Finance Commission has recommended ₹7.91 trillion in grants for local governments during 2026-31. That is around 81 per cent higher than what the Fifteenth Finance Commission had recommended. One of the biggest issues in India's governance system is inadequate fiscal powers given to local bodies. Only about 1 per cent of panchayat revenue comes from their own sources. As a result, they depend mostly on grants from the upper tier of the government and state governments are usually reluctant to share resources with local bodies. Delays in constituting State Finance Commissions continue to disrupt predictable fund flows.

Panchayats are expected to manage digital-governance platforms such as eGramSwaraj and Gram Manchitra, while simultaneously implementing schemes related to housing, water, sanitation, employment, and social welfare. But many village bodies lack trained staff. India's challenge in rural governance today is, therefore, less about representation and more about improvement in state capacity. Ward members require regular training in welfare administration and digital systems. Panchayats need greater funds and clearer functional authority over local development priorities. Equally important is strengthening administrative support staff at village level, which remains severely inadequate across many states. Three decades after the 73rd Constitutional Amendment, India has achieved impressive political decentralisation. But the next phase must focus on governance decentralisation. Representation alone cannot deliver development unless funds, functions, and functionaries also move with it.



ILLUSTRATION: BINAY SINHA



IBC@10: Rescue, recovery, and reform

The Insolvency and Bankruptcy Code's first decade ends with a balance sheet in the black

India's transition to a market economy brought with it the natural rhythm of business cycles: Expansion, stress, and failure. As competition deepened, many firms that flourished during growth phases failed to adapt. They lost competitiveness, became economically unviable, and yet continued to exist in the absence of an effective exit mechanism. These zombie firms consumed resources while contributing little to productivity, dragging down economic growth.

Their continued survival had a second-order effect. As firms failed to service their debts, stress accumulated on bank balance sheets, particularly those of public sector banks. The result was a reinforcing loop of weak firms and weak banks — the twin balance sheet syndrome — that impaired both investment and credit creation.

Existing frameworks proved inadequate to resolve this systemic paralysis. It was in this context that the Insolvency and Bankruptcy Code (IBC) emerged as an institutional reset button. The idea was to enable timely exit of non-viable firms, preserve viable businesses, restore credit discipline, and unclog credit channels. Ten years on, it is pertinent to examine the balance sheet of this intervention.



M S SAHOO & RAGHAV PANDEY

The most visible achievement of the IBC has been the market-led resolution of corporate distress. Till March 2026, 1,419 companies had emerged from insolvency with approved resolution plans, with the proportion of companies achieving such outcomes improving steadily. This reflects the progressive expansion of the rescue window through successive legislative interventions, while judicial and regulatory approaches seek to avoid liquidation as an undesirable outcome.

Creditors have realised ₹4.32 trillion through resolution plans. The oft-cited haircut of around two-thirds, measured against admitted claims, can be misleading because claims are frequently inflated while asset values are deeply eroded by the time firms enter insolvency. A more meaningful benchmark is liquidation value: Resolution plans have, on average, yielded 167 per cent of the liquidation value.

Importantly, firms resolved under the IBC demonstrated operational revival post-resolution. Within five years, sales and capital expenditure nearly doubled, asset utilisation improved sharply, and the aggregate market capitalisation of resolved firms rose from about ₹2.8 trillion to ₹9 trillion. These outcomes represent factories revived, supply chains restored, jobs preserved, and productive assets returned to economic use.

The liquidation numbers require careful reading. In all, 3,003 companies have entered liquidation under the IBC, but most had little realistic prospect of revival. Their assets averaged barely 5 per cent of admitted claims, and four-fifths were already sick or defunct before entering insolvency. The IBC merely provided an orderly exit for firms that had failed long before the process began. Yet, the incidence of liquidations in India is comparable to that in the United States and significantly lower than in the United Kingdom and Australia.

Even so, the broader picture remains tilted towards rescue rather than closure. Resolution plans rescued 78 per cent of distressed assets, while liquidations accounted for 22 per cent. When all pathways to revival are considered — resolution plans, withdrawals, settlements, appeals, and rescues during liquidation — the number of revived companies substantially exceeds those liquidated.

The banking system's recovery reflects the wider economic impact of the Code. The IBC has consistently accounted for the largest share of recoveries by scheduled commercial banks from distressed assets, outperforming dedicated recovery mechanisms. Gross non-performing assets, which peaked at 14.8 per cent in 2018, declined sharply to about 2.2 per cent by 2025. The Reserve Bank of India now speaks of a "twin balance sheet advantage" rather than a syndrome.

International assessments echoed this transformation. India's ranking in resolving insolvency improved from 136 to 52 in the World Bank's Ease of Doing Business indicators within three years of the IBC, while global rating agencies acknowledged stronger creditor protection and improved recovery outcomes.

Yet perhaps the most consequential effect of the IBC lies outside formal resolution statistics. Promoters who once ignored creditors increasingly settle dues when insolvency proceedings are threatened or initiated. More than 32,000 applications involving defaults of about ₹15 trillion were withdrawn before admission, reflecting extensive restructuring in the shadow of the law. The credible threat of insolvency has strengthened repayment discipline across the system.

Yet the balance sheet is far from unqualified. The timeline remains the IBC's most visible weakness. A process intended to conclude in months often stretches into years, with admission delays alone frequently exceeding a year. Understaffed tribunals, coupled with extensive litigation by promoters, creditors, and government authorities, have clogged the system at every stage. The Supreme Court recently noted that nearly 400 approved resolution plans remain pending for final approval, some for several years.

Another major deficiency lies in the handling of avoidance transactions: Preferential, undervalued, fraudulent, and extortionate credit transactions. These proceedings are critical because they claw back value improperly diverted from distressed firms and can materially improve the viability of resolution plans. Yet, thousands of such applications involving claims worth over ₹4 trillion remain pending, leaving substantial value locked outside the resolution process.

Concerns have also emerged about the distributive consequences of the Code. Operational creditors are often short-changed while secured financial creditors recover amounts disproportionate to the value of their security interests. At the same time, several resolution processes increasingly resemble debt recovery exercises rather than genuine attempts to restore viable firms as going concerns, diluting the rescue-oriented philosophy of the IBC.

The Code has also struggled in sectors with diffuse stakeholders, particularly real estate. Despite being recognised as financial creditors, homebuyers frequently remain trapped in prolonged insolvency proceedings, facing delayed possession, uncertain recoveries, and limited influence over outcomes dominated by institutional lenders.

Perhaps the IBC's most ambitious promise remains unrealised. Part III of the Code, which extends insolvency resolution to individuals and partnership firms, remains largely unimplemented even after a decade. As a result, failed entrepreneurs continue to carry the burden and stigma of failure indefinitely, making the promise of a genuine economic fresh start more aspirational than real.

Read honestly, the IBC's first decade materially transformed India's approach to economic distress, despite important deficiencies. It has restored credit discipline, enabled exit of failed firms, improved recoveries, revived viable enterprises, strengthened the banking system, and altered debtor behaviour at a systemic level. Measured against the regime it replaced, the balance sheet of the IBC remains firmly in the black.

The writers are, respectively, Emeritus fellow at the Insolvency Law Academy and former chairperson, Insolvency and Bankruptcy Board of India; and director, Post Graduate Insolvency Programme at National Law University, Delhi



Ten years after

The insolvency Code's administration needs improvement

The introduction of the Insolvency and Bankruptcy Code (IBC) 10 years ago is considered one of the biggest reforms of the past decade. It came at a time when the country was dealing with the twin balance-sheet problem. In a large market economy, it is natural to expect that some firms will fail. It is thus important that the legal framework facilitates easy entry, rescue, and exit of firms. This can help ensure economic dynamism, resulting in better utilisation of resources and ultimately leading to faster economic growth. While India opened up its economy with economic reforms starting in 1991, a smooth exit route for firms was missing. The available mechanisms to address corporate distress were inadequate. Thus, the IBC provided a modern framework to address insolvencies. The experience of the past decade clearly shows that outcomes have improved, though not to the desired level.

A study conducted by the Indian Institute of Management, Ahmedabad, covering 1,194 firms that underwent the resolution process till 2025, showed that their sales increased by about 90 per cent over five years post-resolution. Their capital expenditure increased by over 100 per cent, while expenses on employees went up by over 70 per cent. All these indicate that the IBC process helped revive the underlying business. According to the Insolvency and Bankruptcy Board of India data, as of March 2026, creditors have recovered ₹4.32 trillion under resolution plans. In about 1,300 cases where fair value was established, the recovery was over 94 per cent, while the creditor realised 166.85 per cent of the liquidation value. Realisation compared to admitted claims was predictably lower. Notably, over 40 per cent of the firms that yielded resolution plans were from the Board for Industrial and Financial Reconstruction or defunct, which reduced the average realised value. As the legacy insolvency cases get resolved, the average recovery would be expected to go up.

However, one area where the IBC has proved disappointing is the amount of time taken to resolve insolvency cases. The 1,419 cases that yielded resolution plans till March 2026, on average, took 621 days. In about 3,000 cases that ended in liquidation, it took, on average, 531 days to complete the process. The Code stipulates an early resolution within 330 days. The recent IBC (Amendment) Act, 2026, aims to strengthen the law and improve outcomes. For instance, the committee of creditors (CoC) will now supervise during the liquidation process, which will increase transparency and possibly realisation as well. The CoC will also have to record the reasons for approving the plan, which will again improve transparency and possibly reduce litigation at later stages. Further, the adjudicating authority will have to approve or reject the resolution plan in 30 days. In the case of a delay, it will have to record the reasons.

There are several such provisions. However, strengthening the law is only one aspect of improving outcomes, and, to the government's credit, this has been done from time to time. The other aspect is capacity constraints. The National Company Law Tribunal and the National Company Law Appellate Tribunal, which were established to handle matters related to corporate law, are also handling insolvency cases. There is a case for improving capacity in these institutions to expedite the adjudication process under the IBC. Delays in the resolution beyond a point can destroy value in firms and defeat the very purpose of the law.



The promise of Quad's geoeconomic turn

Earlier this week, Quad foreign ministers met in Delhi after a gap of almost a year. Before the meeting, doubts had been raised regarding the relevance of Quad. The United States' renewed focus on the Western Hemisphere, the Iran war, and an attempt at finding a *modus-vivendi* with China were three key reasons behind Quad losing steam in Washington.

The foreign ministers' meeting aimed to revitalise Quad. More importantly, it sought to focus on geoeconomics. Economic security and prosperity, and critical and emerging technology were major themes of the joint statement. The Quad countries — the US, India, Japan and Australia — believe that "economic security is fundamental" to the grouping and to the Indo-Pacific region. They also expressed concerns regarding economic coercion and non-market policies. Three points stand out.



SANKALP GURJAR

First, the Quad countries unveiled a framework on the critical mineral initiative. Critical minerals have emerged as a new frontier of great power politics. China is a dominant player in their supply chain. Last year, in the US-China trade tussle, Beijing deployed rare-earth supplies as an instrument to retaliate against American tariffs. The imperative of diversifying the supply chains for critical minerals has never been greater. The Quad framework reflects the emerging strategic concerns and underlines the necessity of cooperative efforts. The framework builds on the Mineral Security Partnership (MSP) launched in 2022. All Quad countries are members of the MSP.

The Quad framework notes that participating countries will work to build secure supply chains. Critical minerals are important for developing advanced technologies, the green transition, economic growth, as well as for a resilient industrial base. The four Quad countries intend to work together to "use economic policy tools and coordinated investment" for developing diversified and fair critical minerals markets. Quad would like to "avoid reliance on any one country" for critical minerals. They have identified three areas for collaborative efforts: Investment and project development, regulatory alignment, and recycling and recovery of critical minerals. More importantly, Quad intends to mobilise private and public capital of up to $20 billion. Moreover, Quad considers Pax Silica as "a pillar of our shared economic security agenda".

Second, the foreign ministers' meeting issued a statement on Indo-Pacific energy security. Due to the Iran war, the Indo-Pacific countries have suffered severe energy shocks. Countries like India, Japan, South Korea, Taiwan, Thailand, and the Philippines are acutely dependent on oil and gas supplies from West Asia. Smaller countries like Sri Lanka have been worst-hit by the closure of the Strait of Hormuz and the disruption in energy supplies. These countries have had to undertake emergency measures to absorb the energy shock. Their economic growth has been badly affected by the rising global fuel prices.

The Quad statement on energy security is an expression of concern as well as a signal to the Indo-Pacific region. The changing energy landscape and geopolitical complexities have underscored the significance of energy security and stability. The Quad statement links energy security with the protection of critical maritime routes and infrastructure. The undercurrents of the Iran war, including the closure of the Strait of Hormuz and the attacks on energy infrastructure in the Gulf, are hard to miss here. The statement notes that within the realm of energy security, Quad will focus on technology, management, policy, international market analysis, and emergency response exercises. It seeks to strengthen regional energy resilience and promises to convene a fuel security forum as well.

Third, the Quad countries seek to develop ports in the Indo-Pacific region. The foreign ministers' meeting agreed on developing a port in Fiji. This builds on the Quad Ports of the Future Partnership. The Indo-Pacific is a maritime region and the role of ports for economic security is significant. The focus on developing critical infrastructure, including ports, has been on the Quad agenda for a while. In 2024, Quad announced that it would improve regional connectivity infrastructure. It also expanded the Quad infrastructure fellowship from 1,300 to more than 2,200 experts. Last October, India hosted a Quad Ports of the Future Partnership conference. The announcement of the Fiji port fits into this emerging area of cooperation. It also sends a strategic signal to the Small Island Developing States — that Quad is willing to help them build the necessary infrastructure and reduce China's attractiveness.

Along with building port infrastructure, Quad intends to link all Pacific Island Forum (PIF) countries through undersea cables. Cooperation in areas like Open Radio Access Network (RAN), digital supply chain resilience, artificial intelligence, next-generation agriculture, and food security is also deepening its focus on geoeconomics.

Moving forward, the real challenge for Quad countries is twofold. First, they need to deliver on their commitments. Many such initiatives have been announced in previous Quad summits. However, they lost steam or fizzled out. Second, a more significant challenge is to maintain the momentum and keep the US engaged with Quad. Washington's shifting priorities and, consequently, its focus diverting away from the Indo-Pacific will lead to Quad becoming irrelevant. Will the geoeconomic turn keep Quad relevant?

The author is an assistant professor of geopolitics and geoeconomics at the Gokhale Institute of Politics and Economics, Pune



Measuring change

Revised IIP broadens scope of coverage

The Ministry of Statistics and Programme Implementation (Mospi) is in the process of revising important indicators used to gauge the state of the economy. It has thus far provided a new series for national accounts and the consumer price index. It is scheduled to release another one for the index of industrial production (IIP) next week. These are important changes because new indices reflect the underlying changes in the economy. The IIP base year is being revised from 2011-12 to 2022-23. Industrial activity in India has changed significantly over the past decade with the expansion of renewable energy, electronics manufacturing, digital technologies, and critical minerals. According to Mospi, the new series includes rare-earth minerals, minor minerals, gas and water supply, sewerage & waste management, and drops items such as kerosene, sewing machines, and fluorescent tubes. The number of item groups has increased from 407 to 463. In manufacturing alone, the count has risen from 405 to 455, with 64 item groups removed and 120 added. This broader basket will make the index more relevant for policymakers, businesses and investors.

The technical advisory committee (TAC) formed for the exercise also attempted to modernise industrial measurement by incorporating methodological improvements and international best practices. Advanced economies increasingly use dynamic industrial measurement systems, which regularly update weightings and production patterns. The TAC report refers to recommendations by the Organisation for Economic Co-operation and Development and the International Recommendations for the Index of Industrial Production, 2010, of the United Nations Statistics Division, which support chain-linked indices rather than rigid fixed-base systems.

Such systems reduce substitution bias and prevent industrial weightings from becoming outdated, especially where old industries decline and new industries emerge quickly. Yet the overhaul also exposes some gaps. India's statistical system still relies on delayed surveys, uneven reporting from states, outdated administrative systems, and weak digital data systems. A large part of manufacturing also remains outside the organised sector, where production is small-scale, informal, and difficult to track. Although the TAC has made a forward-looking recommendation to develop indices for the unincorporated sector, it remains to be seen how it's worked upon. Further, activities like the repair & installation of machinery and equipment remain difficult to track because they are predominantly service-oriented and require developing reliable metrics, which at this current juncture are unavailable.

Similarly, the inclusion of rare-earth minerals reflects India's ambitions in emerging technologies, electronics, and clean energy. Although India holds the world's third-largest reserves of rare-earth minerals, domestic processing capacity remains limited. Price deflators play an important role in converting value-based production data into volume-based output estimates, and in this regard, the absence of a producer price index (PPI) remains a significant gap. The revised IIP series, therefore, can be viewed as a transition towards a more modern industrial-measurement system. The immediate priority must be to improve data quality, strengthen digital reporting systems, refine deflators, and develop better methods to capture informal and fragmented sectors. With sustained institutional reform and methodological improvement, the IIP can evolve into a more credible and reliable indicator of India's industrial and economic transformation.



Deepening water stress

Urgent reforms needed in management

Worsening heatwave conditions are rapidly intensifying problems in water supply across India. The temperature remains above 40 degrees Celsius across several northern cities, while persistently high night-time temperatures are increasing demand for water and electricity. At the same time, concerns over a possible Super El Nino-induced disruption in rainfall threaten to worsen the problem. The latest Central Water Commission data shows that water storage in 166 monitored reservoirs declined from 71.08 billion cubic metres (BCM) on April 30 to 63.23 BCM by May 14 — a fall of nearly 8 BCM in just two weeks. Thirteen major reservoirs have already dropped below 50 per cent of their normal storage levels.

The issue is unfolding even as India expands activity in several water-intensive sectors, including ethanol blending, data centres, artificial-intelligence infrastructure, and manufacturing. Besides, many of these investments are increasingly concentrated in water-stressed regions. Maharashtra and Karnataka, already prone to recurring drought conditions and groundwater depletion, continue to expand sugarcane cultivation and ethanol production despite sugarcane being among the most water-intensive crops. Similarly, states such as Maharashtra, Tamil Nadu, Telangana and Karnataka are emerging as major data-centre hubs despite facing periodic urban water shortages. Hyperscale data centres require significant quantities of water for cooling. The issue is not whether these sectors should expand, but whether industrial and energy policies are being aligned with hydrological realities. Water availability must become a core criterion in selecting industrial sites, urban planning, and agricultural incentives.

The consequences of the broader crisis are already visible across both rural and urban India. In Rajasthan's Barmer district, for instance, the shutdown of a lift canal has left many villages dependent on a single hand pump. In Delhi, low flows and pollution in the Yamuna have reduced water-treatment capacity even as demand surges during the summer months, compelling it to nudge its neighbours for help. The Bengaluru water crisis in 2024 demonstrated how rapidly urban systems can collapse when groundwater reserves are depleted, lakes are encroached upon, and rainwater-harvesting norms remain poorly enforced. The crisis is no longer only about rain deficiency. Rising temperatures are accelerating evaporation and worsening groundwater depletion. India already extracts around 251 billion cubic metres of groundwater annually — about a quarter of the global total. Per capita water availability has fallen from around 5,000 cubic metres in 1950 to 1,486 cubic metres in 2021 and is projected to decline further. Research by the Council on Energy, Environment and Water suggests that 11 of India's 15 major river basins are on the verge of facing severe water stress. Water shortage and stress can also have wider macroeconomic implications. An impact on food production can quickly feed into inflation with wider policy implications.

Unfortunately, local bodies remain poorly prepared for recurring drinking-water emergencies. Most cities still lack comprehensive water-security plans despite rapid urbanisation. Municipal systems continue to rely excessively on groundwater extraction, supplies through tankers during emergencies, and temporary crisis responses. Besides, utilities face significant transmission and distribution losses, running up to 40 per cent, according to some studies. It is vital that cities strengthen water storage infrastructure, enforce rainwater harvesting in residential and commercial buildings, revive lakes and wetlands, reduce pipeline leakages, and expand wastewater recycling. Clearly, India needs a comprehensive and holistic long-term plan to manage its water resources.



ILLUSTRATION: BINAY SINHA



A driver of growth or its outcome?

Falling equity returns could help reallocate private capital towards the real economy and even revive foreign inflows

The crisis in West Asia and the resulting supply shock for crude oil and other petro products suggest a brewing economic storm for India. The emerging risks can be broken down into a few components: A domestic supply shock arising from the reduced availability of inputs, such as fertiliser and petro products; an adverse monsoon owing to a strong El Nino; sell-off by foreign investors in Indian markets, resulting in progressively lower net capital inflows into India, balance-of-payments challenges, and downward pressure on the exchange rate; and a pre-existing problem of sluggish investment outlook in the private corporate sector. While the first and second components in this list need to be addressed, the country's long-term growth prospects depend more on the third component.



R KAVITA RAO

During the last decade, there have been a number of major policy and regulatory changes. These include the introduction of the Insolvency and Bankruptcy Code, the restructuring of bilateral investment treaties (BITs), and changes in the tax treatment of capital incomes. The present piece attempts to conduct a thought experiment on the potential adverse transitional impacts of some of these changes.

Let us begin with the Insolvency and Bankruptcy Code. It was introduced in 2016 with the express intent of bringing in financial discipline while focusing on corporate recovery. Ten years on, the Code has nudged certain behavioural changes in the corporate sector. There was an initial period of significant deleveraging observed across the board. The changed regulatory environment created a shift in corporate investment behaviour. Investments were now sought to be financed out of retained earnings, qualified institutional placements and equity markets. In other words, companies built significant treasuries of retained earnings to support debt servicing in uncertain times as well as to undertake investment.

A thought experiment: The consequences of this change in investment behaviour. Equity tends to be more expensive than debt as a source of financing. The risk associated with equity commands a higher return. As a result of this structural shift in regulatory environment, the expected rate of return on new ventures would need to be higher for the project to be undertaken. Could this work as a dampener for investment? This impact could be further reinforced by the specificities of the period — supply and demand shocks from the Covid-19 pandemic and the robust returns emanating from the capital markets. The former could reduce the incentive to invest, while the latter could increase the threshold return required for an investment to be viable and attractive.

The second significant regulatory change relates to the restructuring of BITs. After losing several high-profile investor-state disputes, such as White Industries and Vodafone, India unilaterally terminated around 75 BITs in 2016. The subsequent 2016 Model BIT was tilted towards state sovereignty, demanding investors exhaust local judicial remedies for a period of five years before approaching international arbitration. It can be argued that such a change in the regulatory regime would discourage investment into the country. A sharp decline in the net foreign direct investment (FDI) flows into India seems to corroborate such a narrative.

Thought experiment: Should the negative impact of BIT restructuring manifest as lower net FDI flows or even in gross FDI flows? If this changed regime implies a worsening of the investment climate for foreign investors, the gross flows too should be affected. However, it is worth noting that gross FDI inflows over the last 10 years recorded a decline only during 2022-24. In 2025-26, gross FDI inflows reached a record level of $94.53 billion. With sustained gross FDI flows, the problem appears to be located elsewhere. Another factor contributing to a sharp decline in net FDI flows is the surge in outward direct investment from India. This component could be viewed as a healthy diversification of interests by Indian investors. Alternatively, it could be a reflection of challenges to domestic investment in India. If so, it could be connected to the discussion on the IBC.

A third change in the business environment relates to taxation of capital incomes. Taxation of dividends as well as capital gains has undergone some changes in the last decade. Dividends were taxable in the hands of the company at the rate of 20.56 per cent. In 2020, this regime was abolished and these incomes are now taxable in the hands of the investor. On the other hand, long-term capital gains tax was re-introduced on listed securities. During the period from 2004 to 2018, listed securities were subject to securities transaction tax (STT) and were free of long-term capital gains (LTCG) tax. In 2018, LTCG was reinstated but STT was not eliminated. These steps taken together could suggest an increase in the tax on capital incomes, especially for individuals with high net worth, including promoters of companies.

Thought experiment: Would higher taxes discourage investment? Some recent literature exploring the impact of a cut in dividend taxes in the United States and Sweden suggest a cut in the tax rate does not lead to any change in aggregate investment, but might affect individual firms differently. In particular, for firms dependent on retained earnings to finance investment, a change in dividend taxes may not be crucial in determining the level of investment decisions.

Taken together, the Indian economy requires some mechanism for stimulating private investment in the real economy. The withdrawal of foreign portfolio investment (FPI) from the equity markets and the resultant reduction in the rate of return on investments in equity markets might serve as a much-needed impetus to move the cash-rich corporate sector towards investment in the real economy. If this trigger works, it could also bring back interest of foreign capital.

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



Measuring change

Revised IIP broadens scope of coverage

The Ministry of Statistics and Programme Implementation (Mospi) is in the process of revising important indicators used to gauge the state of the economy. It has thus far provided a new series for national accounts and the consumer price index. It is scheduled to release another one for the index of industrial production (IIP) next week. These are important changes because new indices reflect the underlying changes in the economy. The IIP base year is being revised from 2011-12 to 2022-23. Industrial activity in India has changed significantly over the past decade with the expansion of renewable energy, electronics manufacturing, digital technologies, and critical minerals. According to Mospi, the new series includes rare-earth minerals, minor minerals, gas and water supply, sewerage & waste management, and drops items such as kerosene, sewing machines, and fluorescent tubes. The number of item groups has increased from 407 to 463. In manufacturing alone, the count has risen from 405 to 455, with 64 item groups removed and 120 added. This broader basket will make the index more relevant for policymakers, businesses and investors.

The technical advisory committee (TAC) formed for the exercise also attempted to modernise industrial measurement by incorporating methodological improvements and international best practices. Advanced economies increasingly use dynamic industrial measurement systems, which regularly update weightings and production patterns. The TAC report refers to recommendations by the Organisation for Economic Co-operation and Development and the International Recommendations for the Index of Industrial Production, 2010, of the United Nations Statistics Division, which support chain-linked indices rather than rigid fixed-base systems.

Such systems reduce substitution bias and prevent industrial weightings from becoming outdated, especially where old industries decline and new industries emerge quickly. Yet the overhaul also exposes some gaps. India's statistical system still relies on delayed surveys, uneven reporting from states, outdated administrative systems, and weak digital data systems. A large part of manufacturing also remains outside the organised sector, where production is small-scale, informal, and difficult to track. Although the TAC has made a forward-looking recommendation to develop indices for the unincorporated sector, it remains to be seen how it's worked upon. Further, activities like the repair & installation of machinery and equipment remain difficult to track because they are predominantly service-oriented and require developing reliable metrics, which at this current juncture are unavailable.

Similarly, the inclusion of rare-earth minerals reflects India's ambitions in emerging technologies, electronics, and clean energy. Although India holds the world's third-largest reserves of rare-earth minerals, domestic processing capacity remains limited. Price deflators play an important role in converting value-based production data into volume-based output estimates, and in this regard, the absence of a producer price index (PPI) remains a significant gap. The revised IIP series, therefore, can be viewed as a transition towards a more modern industrial-measurement system. The immediate priority must be to improve data quality, strengthen digital reporting systems, refine deflators, and develop better methods to capture informal and fragmented sectors. With sustained institutional reform and methodological improvement, the IIP can evolve into a more credible and reliable indicator of India's industrial and economic transformation.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MY VIEW | A VISIBLE HAND

Any loss of Opec's pricing power would suit India well

NARAYAN RAMACHANDRAN



is chairman, InKlude Labs. Read Narayan's Mint columns at www.livemint.com/avisiblehand

Crude oil, the undistilled kind right out of the ground, was known to the Mesopotamians, Persians and Babylonians. The Chinese were the first to dig shallow wells and transport flammable oil through bamboo pipelines. Canadian geologist Abraham Gesner was the pioneer who began to distil oil and coined the term 'kerosene' in the mid-1850s.

John D. Rockefeller's Standard Oil, founded in 1870, integrated production, transport, refining and marketing of crude oil and its distillates until its anti-trust related breakup in 1911. Meanwhile, the action was heating up in West Asia: Masjed-e-Soleyman in Iran emerged as the first oil well in the country, discovered in 1908. While mature, it is still an active well, located not too far from the city of Isfahan. Massive logistics operations during the two World Wars necessitated a bulk shift in fuel from coal to diesel and petrol, adding further impetus to the rapid acceptance of energy sourced from crude oil.

For the first four decades of the 20th century, oil production was dominated by the US, with Russia a minor player. The action then shifted almost completely to West Asia for about three decades after World War II. Thereafter, there has been a balance between production by the US, Russia and West Asia.

After World War II, a wave of nationalization took place. Many countries in West Asia took back ownership of the production of crude oil from Western owners of oil facilities. British Petroleum (BP), Royal Dutch Shell, Exxon, Mobil, Chevron, Texaco and Gulf Oil, "the seven sisters" as they were known, ceded ownership to national oil companies like Aramco, National Iranian Oil and Iraq National Oil. Later, Abu Dhabi National Oil Company (ADNOC) took over shares of a consortium made up of some members of the seven sisters.

A shift in West Asia's oil-facility ownership resulted in the creation of Organization of the Petroleum Exporting Countries (Opec). It was born in 1960 to five parents: Iran, Iraq, Saudi Arabia, Kuwait and Venezuela. Several countries joined thereafter, including Qatar (1961) and the United Arab Emirates (1967). Several that joined have also left since, such as Indonesia, Angola and Qatar. The group's principal goal was to coordinate output among producers to balance supply with demand at a price that would ensure an adequate return on capital for members. This is a polite description of a cartel that seeks to influence the global price of a commodity by managing its supply, done through a system of output quotas for member countries.

The US disrupted the oil market early in the 21st century by commercially exploiting a new technique of horizontal drilling and hydraulic fracturing (fracking) to extract oil from fields of shale sediments. As a result, in the last decade or so, it has re-emerged as the largest producer of crude oil in the world, pumping out over 13 million barrels per day, followed by Saudi Arabia, which produces a quota-adjusted 10 million barrels a day. As US production began to eat away at Opec market share and influence, the group signed an agreement with some 10 other countries, the largest being Russia, to create Opec-plus.

The UAE's exit from the oil cartel may be an opportunity to secure flows of supply that bypass Hormuz

Beyond the US, Opec and Opec+, Canada, Norway and Mexico are net exporters. China produces a little under 5 million daily barrels and consumes about 16 million, while India produces under a million and consumes about 5 million. Global consumption has topped pre-covid highs and is now about 103 million daily barrels.

Three countries—Indonesia, Angola and the UAE—have quit Opec due to quota restrictions. The UAE chose to leave recently, signalling both a need to produce more oil as well as a political fissure with Saudi Arabia over the current Iran war. This decision, which at first glance seems sudden, has been in the making for several years. With oil demand growing only 1% compounded per annum, the UAE wishes to monetize its resources today and use the proceeds to transform its economy away from oil dependency. While the UAE is only the fourth-largest producer within Opec-plus, it is the second-largest producer with excess capacity. In economist speak, this means that an Opec quota keeps its output below what it could be, making it forgo much-needed revenue. The UAE has also been disappointed that it has not had much regional support to defend itself during the recent conflict in Iran. This opens a strategic window for further alignment, particularly with the US. And sure enough, the UAE immediately requested a currency swap line from the US to backstop its need for dollar liquidity amid an economic crisis arising from the Gulf conflict.

The UAE's move to quit Opec is good news for India. Almost immediately, India's national security advisor made a trip to Abu Dhabi. Increased UAE oil production could help keep a lid on oil prices. Strategically, the UAE can transport some of its oil via a pipeline to Fujairah, which has the advantage of being located on the Gulf of Oman: so this route bypasses the Strait of Hormuz. India is one of the closest oil-importing countries to Fujairah and it must press home this advantage to secure new long-term contracts for crude oil.

P.S: "Cartels have spread and will spread as long as the world lacks an effective mechanism by which balanced expansion may be achieved without a resulting disruption of prices," said legendary investor Benjamin Graham.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Finance must adapt fast to drive data-centre expansion in India

Financial frameworks and project assessment criteria should evolve to fund this emerging category



ABHINAV JINDAL & SHWETA RAI
are, respectively, an energy economist, and vice president at a private Indian bank.

India has entered the global race of data centre expansion with visible scale and policy momentum. Niti Aayog places India's current capacity for data centres at about 1.3–1.4 gigawatt (GW) and sees a pathway to 10-12GW by 2035, with economic potential of $10-15 billion. The Union budget for 2026-27 proposed a tax holiday until 2047 for eligible foreign providers using India-based data facilities for global operations, and states are competing aggressively for investments with land and other incentive packages. Recently, Google and Reliance Industries proposed large-scale data centre investments in Visakhapatnam.

Overall investments in the sector are set to exceed $100 billion by 2027. That scale implies a substantial requirement for long-tenor bank debt, institutional capital and hybrid financing structures. For lenders, the most important challenge lies in selecting the right assets and pricing their risks correctly. Financial institutions including banks, regulators and capital markets need to treat data centres as critical digital national infrastructure rather than a niche segment of commercial real estate.

Credit appraisal, therefore, requires a wider frame than conventional project finance. Revenue visibility remains central and should be tested through enterprise contracts, committed capacity, ramp-up assumptions, customer diversification and contract durability.

Yet, contract strength alone will not define asset quality in this sector; the resource profile of the asset deserves equal weight. Data centres account for 0.5% of India's electricity consumption and 150 billion litres of annual water use, both expected to more than double by 2030. Power source, grid quality, renewable-energy access, backup architecture, cooling design, water source, basin stress, flood exposure, heat resilience and the emission trajectory should, therefore, move from the margins of diligence to the centre of underwriting.

The underwriting challenge becomes clearer with the fact that data centres are neither traditional real estate nor conventional power plants that fit neatly into a standard credit template. They are, in fact, a new category, one that combines long-tenor contracted cash flows, technology obsolescence risk, resource intensity, locational and geopolitical sensitivity in a single structure. Lenders who treat them as commercial real estate could misprice the upside.

A credible appraisal model, therefore, needs to examine whether a facility can support future rack densities, liquid cooling and artificial intelligence (AI) workloads without disproportionate retrofitting costs; whether transmission and power readiness are secure; whether cooling and water systems remain viable under heat and drought stress; and whether the developer has a proven operating record in the relevant digital assets. The strongest financing frameworks will be those that bring infrastructure analysis, technology assessment and market-risk evaluation into one discipline rather than treating them as additional sequential filters. This is the best way to avoid mispricing risks.

International practice is already moving in that direction, as evidenced in Singapore's Green Data Centre Roadmap, which links additional capacity allocation to efficiency standards, certification and green-energy pathways. The World Bank recommends evaluating facilities by emissions, energy use, water consumption and climate resilience from the design stage. The European Investment Bank and the International Finance Corporation have both embedded similar disciplines into their financing protocols. The Equator Principles, which remain a common baseline for major international project finance, treat environmental and social risk assessment as integral, not optional.

Back home, the role of the Reserve Bank of India (RBI) is crucial in shaping the financial architecture around these assets. Its directions on green deposits, climate-risk identification and disclosures provide a foundation which can be extended for a more nuanced treatment of data-centre finance. The next step could include standardized disclosure templates for large data-centre exposures, guidance on utility and climate-sensitive appraisal fields, and a more facilitative framework for instruments such as sustainability-linked loans, green or transition bonds and blended-finance structures. Such guidance could improve transparency, strengthen underwriting and deepen capital formation around efficient and resilient digital infrastructure.

India's data-centre expansion is being shaped by strong demand, a visible domestic policy push and a rapidly deepening investment pipeline. The key challenge now is to ensure finance channels this growth into assets that are resilient, energy-efficient and adaptable to technological change.

The next phase will depend on combining climate-sensitive underwriting, innovative capital structures and clear regulatory guidance to build commercially viable and future-ready data centre infrastructure in India.

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

Rupee puzzle: Why its rate is not justified by India's fundamentals

Its current level reflects global capital flows distorted by AI zeal and bearish narratives about India that don't survive scrutiny



V. ANANTHA NAGESWARAN
is chief economic advisor to the Government of India

ISTOCKPHOTO



There is a discomforting paradox at the heart of India's current macroeconomic situation. By almost every conventional measure of sovereign economic health—growth, inflation, fiscal trajectory, external vulnerability and investor confidence in the real economy—India's fundamentals are among the strongest of any large emerging market. Yet the rupee has depreciated by over 13% against the dollar in the past two years and by more than 15% since January 2023. If exchange rates are verdicts on fundamentals, India appears to have received an unjust one.

Consider what the scoreboard actually shows. India's real GDP growth has remained the fastest among major economies, running well above 6% annually even in a difficult global environment. Inflation has stayed moderate and within the Reserve Bank of India's tolerance band. The current account deficit has been contained at low levels relative to GDP. External debt as a share of GDP remains among the lowest in the emerging market universe, insulating India from the rollover vulnerabilities that typically trigger currency crises. The Union government has been on a credible fiscal consolidation path. And three sovereign rating upgrades in this period reflect precisely the kind of institutional confidence that should, in any textbook world, be supporting the currency.

Something else has been going on, and understanding it requires looking beyond India's borders.

The Korean won offers a clarifying parallel. South Korea runs a structural current account surplus—it earns more foreign exchange from the rest of the world than it spends by any conventional measure—which should provide a durable floor under the won. Yet the won depreciated by more than 17% against the dollar over the same two-year window as the rupee. The explanation is not to be found in Korean trade competitiveness or monetary mismanagement. It lies in the extraordinary pull that the artificial intelligence (AI) investment supercycle has exerted on global capital flows, pulling money towards dollar assets and away from economies—however fundamentally sound—that are not at the centre of the AI capital expenditure narrative.

The AI investment cycle of 2023-26 has been, by any sober reckoning, one of the most dramatic episodes of narrative-driven capital misallocation in recent financial history. When a footwear company rebrands itself with an AI adjacency and sees its market capitalization rise by more than 600% in a single day, the market is no longer performing price discovery—it is running a momentum machine decoupled from any recognizable valuation anchor. The dollars flowing into this vortex came, in part, from emerging market allocations, compressing currencies from Seoul and Jakarta to Mumbai regardless of whether those economies were well or poorly managed. So exchange rates at this juncture reflect capital flows, not fundamentals.

India was not a beneficiary of the AI narrative because India is not pursuing AI through hyperscale data centre construction and chip-intensive infrastructure investment. This may yet prove to have been the right instinct rather than a missed opportunity. India has instead approached AI from the demand and application side, investing in frugal innovation and sovereign digital infrastructure. Nobody predicted that India would build world-class digital public infrastructure—Aadhaar for identity, UPI for payments, U-Win for vaccinations across the life cycle, each conceived for a specific purpose and expanded far beyond it. The quiet intelligence of that pattern—doing more with less, building for scale through ingenuity rather than capital—may well describe India's AI trajectory too. The world's assessment of what constitutes a winning AI strategy could look quite different a year from now.

Against this backdrop, some investors have been raising a second-order concern: that AI structurally undermines India's labour-cost arbitrage in IT-enabled services, while China continues to squeeze India's manufacturing space. Both arguments carry a kernel of truth. Neither carries much beyond that.

On IT services, the relevant unit of analysis is no longer the back-office operation but the Global Capability Centre (GCC). India today hosts more than 1,800 GCCs, employing hundreds of thousands of professionals who perform sophisticated work in engineering, analytics, product development and research. Admittedly, roughly half of what GCCs do is commoditized and therefore genuinely exposed to automation. But the other half represents genuine intellectual value-addition—the kind of complex, context-dependent problem-solving that AI is more likely to augment than replace. A GCC staffed with engineers designing semiconductor architectures or modelling risk for a global bank is not the same thing as a call centre handling insurance claims. Conflating the two understates how far India's services export model has already evolved and overstates AI's capacity to substitute it.

On manufacturing, the critique has more texture but requires more precision. India's merchandise trade deficit is high, and that is a legitimate structural concern. But a significant portion of it is oil-related—India is a large hydrocarbon importer in a world where energy prices remain elevated. Strip out oil and its non-oil merchandise trade deficit presents a considerably less alarming picture, with India carving out export niches in pharmaceuticals, chemicals, electronics components, defence equipment and engineering goods that were not part of the story even a decade ago.

The deeper point, however, is philosophical rather than sectoral. Did anyone in the early 1990s seriously give India a chance to build a globally competitive IT-enabled services industry that would generate a structural export surplus and employ millions of highly skilled workers? The candid answer is 'no.' The linear projections of that era, working from India's infrastructure gaps, bureaucratic constraints and capital scarcity, would have produced a confident verdict of impossibility. They were wrong, comprehensively and consequentially. Economies and societies evolve in ways that defy extrapolation. To make linear structural projections about what India can or cannot achieve in manufacturing, or in AI, or in any other domain, is to repeat the intellectual error of every previous generation of India sceptics. Complexity does not counsel optimism or pessimism: it advises humility about forecasts.

Two further data points deserve to anchor this argument. First, data on real effective exchange rates (REERs) from the Bank for International Settlements shows that through much of 2022–24, India's REER was above China's—meaning that, on a trade-weighted, inflation-adjusted basis, Indian exports had become less competitive than Chinese ones. The rupee's depreciation has corrected this misalignment, restoring a rough parity in relative competitiveness that had been quietly eroding. This is a silver lining that the nominal depreciation story rarely acknowledges.

Second, India's gross foreign direct investment (FDI) inflows for the financial year 2025-26 reached $88 billion through February alone and the full-year figure is likely to settle between $90 and $95 billion—a decisive break above the $70-80 billion range that had prevailed for four years. Unlike portfolio flows, which are driven by short-term sentiment and liquidity cycles, FDI reflects long-term, patient capital making irreversible commitments to India's productive capacity. That number does not describe an economy that has lost the confidence of investors who think in decades rather than quarters.

The rupee's current level reflects a global flow environment distorted by AI-driven capital concentration in the US, compounded by structural bear narratives about India that do not survive serious scrutiny. The fundamentals are sounder than the exchange rate implies. When the AI cycle turns—as cycles always do—that gap will close.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

The rupee's rapid slide could end India's cheap-money era

RBI may face bigger problems if it puts off hiking rates for too long



ANDY MUKHERJEE
is a Bloomberg Opinion columnist covering industrial companies and financial services in Asia.



The time to avoid a blunt tool like rate hikes may have passed. MINT

How soon will the Reserve Bank of India (RBI) raise rates and how high will it take them? Those have become urgent questions for bankers in Mumbai after elevated energy-import costs pushed the rupee to a record low last week. RBI governor Sanjay Malhotra has signalled a preference to stay on pause. The central bank would step in, he said in an 18 April speech at Princeton University, "through its influence on inflation expectations rather than through blunt demand compression," a euphemism for monetary tightening.

Still, Malhotra's cheap-money era is likely drawing to a close, thanks to the pressure from the foreign-exchange market. The war in Iran started two months ago, and it has hammered the Thai baht, Philippine peso and the Indonesian rupiah too. Their central banks are also hesitant to raise their benchmark rates, with the notable exception of the Philippines. But the Indian currency has been Asia's worst performing over the past two years, and staying pat for too long may backfire.

A weaker rupee in 2025 may have been a deliberate strategy to insulate exporters from punitive US tariffs. RBI slashed its key borrowing cost by 125 basis points after Malhotra took on the governor's job in December 2024. It also pumped nearly ₹20 trillion into banks, nearly double the amount of liquidity support during the pandemic.

Yet the funds simply leaked out of India's banking system as global money managers dumped local assets and took dollars home. As a result, funding for banks remains tight. And now that the choked arteries of West Asian oil and gas flows threaten to drag the rupee toward the psychological barrier of 100 to the dollar (it closed at 94.92 Thursday, after breaching 95 in intraday trading), there's a risk that the capital exodus will accelerate. Of the $26 billion pulled out of the equity market by overseas investors over the past year, $20 billion of outflows have taken place since January.

Interest-rate derivative markets are betting—excessively, according to some fund managers—that RBI would be forced to roll back its pro-growth, easy-money strategy to defend the exchange rate from extending a 12% decline over the past two years. That creates a headache for bankers: How will they find takers for pricier loans in the middle of an unprecedented energy crisis?

Before the closure of the Strait of Hormuz, credit to consumers and businesses was growing at a healthy 14.5% and RBI was looking to give lending a further boost by allowing banks more freedom to deploy their capital, bringing local practices in line with international norms.

Those gains will have to wait for the fog of war to lift. The finance ministry's monthly economic review warned this week that while a supply shock is already apparent in the economy, "accompanying demand compression is a serious concern." If those apprehensions materialize, then the outlook for loans is dim.

Indian banks' reported asset quality is the healthiest it has been over the past decade, though from next year RBI wants them to make provisions against the expected risk of loan losses. It won't be a problem for private-sector banks, but their state-run rivals with large exposure to small enterprises may have a lot of cleaning up to do.

More than 25% of the non-performing loans at state-run lenders last year were from micro, small and mid-sized firms, which means banks will likely be cautious about deploying capital to these segments. Their goal may be "to protect asset quality under stress as opposed to increasing lending," according to a recent report by BMI.

So far, the government has forced refiners to not pass on the burden of more expensive crude oil to consumers already battling a crunch of LPG, the main kitchen fuel. New Delhi doesn't have the fiscal capacity to shield consumers indefinitely. The overall retail price gauge rose 3.4% from a year earlier in March, well within the central bank's target range. But with north India currently gripped by extreme heat waves—and a prediction of below-normal monsoon rainfall that may affect harvests—higher inflation may be around the corner even without energy shortages.

The time to avoid a blunt tool like interest-rate hikes may have passed. Although lenders will want to hold on to loan growth, some amount of demand destruction is inevitable. Delay it too long, and the healthy-looking bank balance sheets will be revealed for what they are: the echoes of a peace-time economy that no longer exists.

Once consumers and producers confront high inflation, their expectations of the future may worsen dramatically.

The price of putting the genie back in the bottle will then be higher-for-longer rates, a painful reversal of the credit cycle Malhotra has spent nearly 16 months trying to spark. ©BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

The denarius fate: has the dollar started to lose its reserve status?

US actions have eroded the world's trust in it but it's still unclear which currency could replace it



KAUSHIK BASU
is a professor of economics at Cornell University and a former chief economic advisor to the Government of India.

As the economic consequences of US President Donald Trump's war against Iran become evident, policymakers around the world are running out of patience. The recent Spring Meetings of the International Monetary Fund and World Bank in Washington made this abundantly clear, with UK Chancellor of the Exchequer Rachel Reeves lamenting the "folly" of a war that is "not ours."

But much of the cost will be borne by the US itself. The immediate effects are visible: a sharp rise in gas prices, inflation climbing to a two-year high and growing concerns that, as consumers cut back on spending to offset higher costs, unemployment will rise.

While these short-term shocks are serious, a major risk that has received less attention is that the dollar could lose its status as the world's primary trade and reserve currency.

The decline of a reserve currency is a slow process. The British pound ceded its dominance to the US dollar over roughly two decades, beginning in the 1920s. As Barry Eichengreen has noted, the Roman denarius—arguably the world's first international currency—also unravelled over a long period, starting when Emperor Nero debased it in the first century CE.

Any international currency ultimately depends on trust. I witnessed this during my time as chief economic advisor to the Indian government under prime minister Manmohan Singh. On 5 August 2011, Standard and Poor's downgraded the US long-term credit rating from AAA to AA+, fuelling fears of immediate capital flight. Instead, the opposite happened: money flowed into the US economy. In the face of global turbulence, investors trusted that the US would honour its obligations, no matter the cost.

That trust, a cornerstone of soft power, is rapidly eroding. Samantha Power, the former administrator of the US Agency for International Development (USAID), highlighted this in a recent lecture at Cornell University, where she criticized the Trump administration's decision to dismantle the agency. The abrupt and "heartless" manner in which it was shut down, she said, halted humanitarian aid without warning, leading to immense suffering among populations around the world that had depended on its continuity.

The closure of USAID, alongside Trump's military adventures in Iran and Venezuela and relentless verbal attacks on long-standing allies like Canada and Denmark, has cast a shadow over America's global standing and trustworthiness.

This, in turn, puts the dollar's hegemonic status at risk.

To understand the potential cost, consider seigniorage: because the US dollar is globally trusted, the [country's central bank], its Federal Reserve, can print a $10 bill for less than seven cents, and it will be accepted at full value around the world. As empires from Rome to Britain have shown, issuing the world's leading currency allows a country to create value almost out of thin air. Losing that capacity would slow economic growth.

Unless American policy reverses course, this year may go down in history as the moment the American dollar began to lose its status as the world's currency.

This raises an important follow-up question: Which currency will replace the dollar? The renminbi of China appears to be the strongest candidate. A decade ago, the Chinese currency gained credibility when the International Monetary Fund included it in the basket of global currencies underpinning Special Drawing Rights (the Fund's reserve asset), but it was still widely dismissed as "no match" for the greenback. Today, the prospect of renminbi primacy no longer seems unthinkable.

Yet China's ability to assume that global role is far from assured. As economist Qiao Liu observed in his 2016 book *Corporate China 2.0: The Great Shakeup*, the country combines an "authoritative political regime" with more flexible institutional arrangements in which "relationships still matter," a hybrid that does not readily inspire the kind of global confidence a reserve currency requires.

Chinese President Xi Jinping appears to understand this dynamic. In a 2024 speech, Xi emphasized the need to internationalize the renminbi to bolster China's soft power, calling for a "powerful currency that can be widely used in international trade, investment, and foreign-exchange markets and attain reserve currency status." But the main obstacle to reserve-currency status for the renminbi—the maintenance of capital controls—remains firmly in place.

The strongest rebuke of Trump's policies over the past year came from an unexpected source: King Charles III of the UK. His address to the US Congress on 28 April, delivered with characteristic British wit and restraint, sent a clear message that the US is on the wrong path, one that could destroy its global standing.

There was, however, cause for optimism. The repeated bursts of bipartisan applause that Charles received from members of US Congress suggested they were already aware of America's predicament. ©2025/PROJECT SYNDICATE

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MY VIEW | ECO SQUARE

India needs a clear near-term plan for energy resilience

LEENA SRIVASTAVA



is an independent expert on climate change and clean energy.

For a little over two months now, the world has speculated on the impact of the Israel-US-Iran war on the world economy. As the war's disruption stretched on, concern began turning into panic over energy and food security. India is in a particularly vulnerable position—both directly, given its high energy dependence on West Asia, and indirectly due to the ripple effects of various impacts across the world.

India's large import dependence makes adaptive responses to economic and social impacts of the war enormously challenging, especially in the immediate time-frame of two years. Approaches to re-evaluating and strengthening energy security in time periods beyond that would have greater degrees of freedom.

At an aggregate level, the government has managed to limit price increases for most petroleum products by getting state-owned oil companies to absorb a good part of the crude-oil cost rise, while cushioning the rest of the impact on its own fiscal account. But last week's steep price increases for commercial LPG have revealed the unsustainability of this approach. Projections by global experts of the years needed to revert to 'normalcy' do not portend well for the country, highlighting an urgent need for strategic interventions that could have a large impact.

Here is a quick recap of our most significant vulnerabilities. India imports about 90% of its crude oil, even if imports from West Asia are roughly half of this. Also, India exports over 25% of the major refinery products it produces (such as naphtha, diesel and petrol), indicating that the country's import vulnerability is not as severe as it *prima facie* seems. The exception here is LPG and the 'heavy ends' (fuel oil, bitumen, etc) from the petroleum refining barrel. LPG is, by far, the most sensitive product in the mix: India imports over 60% of its consumption, most of it typically from West Asia.

India also imports nearly half of its natural gas requirement. A large part of this is used for non-energy applications, such as fertilizer and petrochemical production, but its consumption as a fuel for mobility and source of energy in other processes is also very significant. Supply-chain disruptions to fertilizer imports (although the potential for diversification exists) have combined with natural-gas scarcity to threaten food production in India with a double whammy.

Reducing vulnerabilities around energy in India in the immediate term would mean addressing demand-supply gaps for various end-uses, in particular for LPG and natural gas, while insulating India's economically vulnerable populations from price increases, their indirect impact included. An unusually hot summer this year as a likely consequence of the El Niño effect also calls for special attention to the poor.

Immediate relief measures could be taken that are well aligned with the country's climate goals

Over 85% of LPG in India is consumed by household consumers, but there are large disparities between regions and income classes. Higher income classes consume more than double the quantity of LPG consumed by lower income classes, while populations in many states have very poor access to cooking gas. The experience of recent weeks has reinforced the reality that in times of shortage, it is the poor that are deprived first, whereas higher income consumers in urban areas tend to suffer little disruption: many of them have back-up LPG cylinders. A much more nuanced approach is therefore needed to build LPG resilience in the immediate term.

Richer segments of society must be nudged to move to electric hobs right away, with their supply of LPG constrained to maybe a cylinder every two months for special uses. Also, LPG pricing should differ by usage location and cylinder size, so that better-off consumers pay more. Within the commercial-use category, small enterprises could be given cheaper access. The use of LPG for automobiles could be entirely discouraged. Overall, sharp demand management could shift richer users to electricity while relieving the rest.

Mobility fuels in India are already heavily taxed. Price increases can be cushioned through adjustments of the tax structure if the government so chooses. At the same time, India has several years of experience with electric vehicles (EVs), charging stations and battery storage. The multiple challenges that have been identified for an accelerated uptake of EVs could largely be addressed through regulatory changes and government orders. A significant reduction in vulnerability may be possible to achieve if we combine this with demand-management measures such as work-from-home and the use of large-capacity carriers by corporates, public institutions and industry.

India could achieve cleaner electricity generation by using more natural gas and renewables as its basic sources of energy, but given our vulnerabilities around agriculture and food production, we now have all the more reason to prioritize renewable power generation—particularly since this has already proven to be economically attractive—while we use natural gas for urea production. The renewables sector in India is robust, the bottlenecks are well known and India has the capacity to address them.

In essence, India should focus on the immediate solutions that are available to enhance its energy resilience in these times of stress, while ensuring that these are aligned with longer term objectives and climate commitments. An empowered committee to design and implement such a near-term energy resilience strategy is the need of the hour.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

Why a wealth tax is unlikely to prevent power concentration

It'll probably just empower bureaucrats in the government instead



ALLISON SCHRAGER
is a Bloomberg Opinion columnist covering economics.



Various states in America have flirted with wealth taxes. ISTOCKPHOTO

It's happening. California looks likely to put a 'one-time' tax of 5% on wealth above $1 billion on the ballot in November and polls suggest it could pass—despite opposition from some economists (not so surprising) and Democratic politicians (more so). Meanwhile, calls to tax the rich are resounding across the country, from New York's proposed '*pied-à-terre* tax' to Washington State's first-ever income tax, imposed only on millionaires.

As someone who has been arguing for more than a decade that these taxes are bad economics, I find all this disheartening. I missed the point. I thought the argument was about optimal allocation of resources, but it is really about the redistribution of power. I concede that concentration of power among the wealthy can be harmful. But using the tax code to fix it will create worse problems.

Wealth taxes—that is, taxes on assets as opposed to income—are bad economics because they are nearly impossible to collect to the point where they are largely self-defeating and can often result in less tax revenue. They not only discourage entrepreneurship and job creation, but also distort capital allocation. All of this is bad for growth. Still, one of the economists behind the California tax has admitted that it may reduce wealth in the economy overall, but that is a price worth paying because inequality is so toxic.

Other prominent economists argue the problem with wealth inequality is that it makes the rich too powerful: They can lobby the president and Congress to ensure they maintain their status, which can distort markets and policy. This is a fair point. No one elected Elon Musk, who has amassed a lot of power in markets, media and even the government.

At the same time, it worries me how much anger is directed at the wealthy. Increasingly, Americans don't see self-made billionaires as success stories worthy of admiration. Nearly half of Americans despise them, seeing the wealthy as the beneficiaries of a corrupt system who got rich at their expense.

I can point out, as I have, that wealth creation is not zero-sum, or how much the US economy benefits from companies such as Amazon and the jobs they create. But the anger is there and it exists for a reason: Many positional goods and services are in short supply. If you're not wealthy, it is hard to move, or find a home you like, or afford many things that now feel necessary to a middle-class life. There is resentment that the rich live by different rules. They don't have to worry about paying their mortgage, affording good schools or finding a job with health insurance.

Now we are told all our jobs could disappear—just as the rich who have created the job-stealing technology get richer. The subsequent resentment could tear the US apart, which could be another reason to justify punitive taxes on the wealthy. The result is the societal equivalent of what we economists call a doom loop.

I am not saying that there are no serious issues at stake. My point is that high taxes are not the way to address them. No, Elon Musk does not always spend his money wisely. But I am not convinced the government would do better.

There are at least two other flaws with this rationale for a wealth tax. One is that imposing high taxes on the wealthy won't necessarily reduce their power; it will simply reallocate it to bureaucrats. True, they are theoretically accountable to the public, but giving them more influence is a recipe for more corruption. At least billionaires are subject to the discipline and transparency of the market and their shareholders. Another flaw is that a lot depends on who decides what counts as 'too much' wealth. Maybe it's $1 billion today, but who's to say that won't be lowered over time, or used against perceived political enemies? Appropriating wealth to limit power has certainly not worked well in other countries.

Don't get me wrong: Taxes are a necessary fact of life. Americans have big expectations for their government and it doesn't collect enough revenue to finance itself. The very rich are already paying a lot, but they could pay more. But the principles of good tax policy aren't about resentment or power—they're about raising revenue while minimizing distortions, maximizing feasibility and emphasizing salience.

Concentration of power is a problem, especially when paired with a corrupt government. But that can be better addressed by working on the weakness and loss of trust in institutions. If you think the rich have too much power, fine. But punishing them by making them less rich will only make everyone poorer by reducing growth. And if inequality makes people resentful, a no-growth economy will make them even more so—and miserable besides. ©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

Industrial policy is back in vogue but can every country pursue it?

The World Bank has endorsed the idea under some conditions but doesn't ask whether universal adoption would weaken it



NIRANJAN RAJADHYAKSHA
is executive director at Artha India Research Advisors.

BLOOMBERG



Dennis Robertson was not only one of the finest economic minds of the 20th century, but also an elegant writer who was known for his witticisms. In an essay written in 1956, Robertson quipped: "High-brow opinion is like a hunted hare: if you stand in the same place, or nearly the same place, it can be relied upon to come round to you in a circle."

Those words resonate while reading a new report by the World Bank on industrial policy, or targeted government intervention to shape the economic structure of a country by promoting, protecting or developing specific industries deemed vital to economic growth, export competitiveness, import substitution or geopolitical strategy. In simpler terms, the government has a say in what is produced within a country. The multilateral lender had famously released a report in 1993 on the miracle economies of East Asia, where it had said that the main reasons for success stories in the region were sound macroeconomic management, investment in human capital and productivity growth driven by export industries. Industrial policy to aid specific sectors or companies was less important in comparison.

Cut to 2026. World Bank chief economist Indermit Gill wrote in the foreword to its new report that the earlier injunction against industrial policy "has not aged well—it has the practical value of a floppy disk today." In 2019, economists at the International Monetary Fund had a witty title for a paper that described industrial policy as 'the policy that shall not be named.' Be it the analogy of the hunted hare, the floppy disk or Lord Voldemort of Harry Potter novels, it is clear that the pendulum has swung back towards industrial policy.

At the heart of the new framework is a set of three country characteristics that the report argues are decisive in determining what kind of industrial policy is feasible. These are: government capacity for sustained interaction with multiple businesses and industries; local market size to achieve economies of scale; and fiscal space to bear the costs of business subsidies without sacrificing spending on social services. Interestingly, the World Bank says that India scores well on all three, which implicitly means it has the requisite means to pursue industrial policy.

This is a useful taxonomy. It does what good policy frameworks are supposed to do: it converts an ideological debate into a diagnostic one. The question is no longer whether industrial policy is virtuous or vicious in the abstract, but whether a particular government in a particular country at a particular moment has the three things it needs to make a particular tool work.

These three traits determine which of 15 possible industrial policy tools will work best—ranging from industrial parks and job-skills training all the way to import tariffs, production subsidies and competitive exchange-rate devaluations. These tools are a mix of sharp and blunt instruments, and their effectiveness depends on progressively higher levels of market size, government capacity and fiscal space.

In the case of India, there is a lot of attention paid to industrial policy at the sub-national level, especially in Tamil Nadu. The World Bank has paid special attention to how the state succeeded in attracting production of Apple's iPhone 16 through a combination of what it describes as a top-down and bottom-up approach. The former includes subsidies for specific industries, while the latter covers specific coordination failures such as lack of housing for workers. It built housing for 18,000 workers near the factory site even before the production facility came up, something that a private builder may not have invested in without guarantees of adequate rental returns.

One salient fact about industrial policy in our times is that most governments seem to have some variant of it. The World Bank reports that all 183 member countries target at least one industry. There are some noteworthy patterns here. For example, poor countries often depend on blunt instruments such as higher tariffs to promote domestic production, while upper-middle-income countries are big spenders on business subsidies.

However, Gill warns in a recent blog on the World Bank website: "By itself, industrial policy has seldom been a game-changer: the record shows that, *even under ideal conditions* (emphasis added), it results in an average gain of just 1% of [gross domestic product]. Still, in an era of persistently sluggish growth, every option to boost growth ought to be considered."

The report's most important omission is this: Can all 183 countries pursue an industrial policy simultaneously? It is akin to a mutual depreciation problem in foreign-exchange markets. It is logically impossible for all countries to depreciate their currencies together. Just as all countries cannot run trade surpluses. Does something similar apply to industrial policy?

The East Asian success stories had something that no framework can manufacture on demand: they were exporting into a global economy that was broadly open and not itself engaged in the same game. South Korea's shipbuilding and semiconductor industries were subsidized at home and targeted markets overseas that, whatever their imperfections, were not simultaneously running competing subsidy programmes of comparable scale. It is hard to believe, for example, that all major economies can achieve economies of scale—and hence efficiency—in semiconductors for domestic use.

In other words, is the very ubiquity of industrial policy in our times also a barrier to its eventual success?

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

What India's small exporters are saying about exports

TULSI JAYAKUMAR



is professor, economics and executive director, Centre for Family Business & Entrepreneurship at Bhavan's SPJIMR.

Global trade statistics often capture the light of aggregate growth while blurring the shadows of ground-level uncertainty. India's latest trade data released by the commerce ministry presents a picture of remarkable resilience. Total exports in 2025-26 reached $860.1 billion, growing 4.2% from a year earlier. Yet, underneath these resilient macro statistics lies a precarious micro reality for the country's small and medium enterprises (SMEs) that power nearly 50% of its exports and are mostly family businesses.

We conducted a survey of 461 SME family and non-family business exporters across 14 cities over October-December to study trade confidence, not as a single measure, but as a balance between optimism and risk—capturing expectations, current constraints and the direction in which risks are evolving.

The findings reveal a striking paradox. The headline Trade Confidence Index (TCI) stands at a robust 74.3, signalling strong optimism about near-term export growth. Yet, the Net Trade Confidence Score (NTCS), which adjusts for risks, drops sharply to 56.4. This 17.9-point gap is the quantitative expression of what may be called a 'confidence trap': firms believe in their capabilities, but not in the stability of the environment in which they operate.

This divergence becomes clearer when read alongside official data. Sectors such as electronics and engineering continue to show export momentum, and policy interventions like the Resilience and Logistics Intervention for Export Facilitation (Relief) scheme aim to cushion geopolitical disruptions. The survey data aligns with this resilience: 66% of SMEs expect export sales to grow and 85% are confident of the domestic economy. These are not speculative views—the average respondent has over 16 years of export experience and represents seasoned survivors who have navigated past shocks.

However, forward-looking risk indicators tell a different story. The Risk Momentum Index at 40.5 signals that conditions are not just difficult but deteriorating. Every major risk dimension—from tariffs and currency volatility to supply chain disruptions—is worsening. Geopolitical instability emerges as the most acute concern, not as an abstract threat but as an operational constraint affecting payments, logistics and margins. The report identifies three specific 'crush points' that could derail the momentum:

First, the concentration trap. Over half of SME exporters depend on just one or two destination markets. In an era of fragmented trade blocs and sudden policy shocks, this creates systemic exposure.

The reality they face is not as bright as official trade data suggests. Policy transmission must improve

While firms are eyeing frontier markets in Africa and Latin America, 25.4% are so risk-averse that they plan no new market expansion at all over the next year.

Second, the invisible retreat. More than 52% of respondents are planning to scale back international exposure, either by pivoting towards domestic markets or reducing export intensity. This shift is not yet visible in our trade data, which captures realized exports rather than strategic intent. But it signals a potential erosion of India's export base over time.

Third, the family fracture. In SME family businesses, external uncertainty is interacting with internal governance dynamics. The survey finds that intra-family disagreements over internationalization are rising faster than even macroeconomic risks. As geopolitical uncertainty increases, generational differences in risk appetite become sharper.

The tragedy of this confidence gap is that it is being widened by institutional rather than structural factors. While we celebrate the signing of mega-free trade agreements (FTAs), the reality on the ground is one of profound ignorance: 57.1% of SMEs do not use FTAs and 68.1% of them say this is because they don't know deals exist. This is not a failure of policy design, but of policy transmission.

With over 62% of respondents citing aggressive tariff policies as a major threat, the reliance on a few markets becomes a death trap. Schemes like Relief are providing temporary oxygen, but do not solve the underlying structural asthma. Over 36% of firms report difficulty accessing export finance even as expectations of improvement remain high, highlighting a persistent disconnect between policy intent and firm-level experience.

India's export resilience is being sustained by firms operating under increasing strain. SMEs are absorbing geopolitical shocks through operational adjustments, financial stress and strategic caution. But resilience is not an inexhaustible resource. If current trends persist, the risk is not of an immediate collapse in exports, but of a gradual narrowing of our exporter base. Fewer firms may participate in global markets, with exports becoming more concentrated among larger players. This would reduce diversification, weaken supply chain integration and make the export ecosystem more vulnerable.

Policy must evolve from promoting exports to sustaining exporters, addressing the granular anxieties of the family firm. We need more than just fiscal incentives: we need a 'geopolitical concierge' for SMEs—one that provides market intelligence, guides them through FTA compliance, strengthens their access to trade finance and risk mitigation tools and helps bridge the generational divide within family boards.

Without these, the 17.9-point gap between optimism and reality will eventually close—not on account of risk reduction, but because confidence collapses under the weight of a fast-fragmenting world.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Securities market code: end the current ambiguity over penalties

The code's proposed revision is a chance to close space for adjudicatory interpretation and offer market participants certainty



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.

REUTERS



India's securities enforcement framework has long faced a contradiction. Parliament has progressively introduced minimum penalties to strengthen deterrence. At the same time, it has retained broad adjudicatory discretion through mitigating factors. The coexistence of these two approaches has not produced balance: it has created uncertainty.

This fault line resurfaced in the split decision of the Securities Appellate Tribunal (SAT) in *Sukhraj Kaur Rajbans vs. Sebi* (January 2026). The issue is: where a statute prescribes a minimum penalty, can an adjudicator reduce it below that threshold, or impose none, based on mitigating circumstances?

The statutory framework appears, at first glance, to admit little ambiguity. Several provisions of the Securities and Exchange Board of India (Sebi) Act follow this familiar formulation: "not less than X, but which may extend to Y." This suggests: fix a minimum floor to ensure deterrence, while allowing discretion within a defined band. Yet, this structure sits alongside Section 15J of the Sebi Act, which requires adjudicating authorities to consider factors such as disproportionate gain, investor loss and the repetitive nature of a default. This is replicated in the Securities Contracts Regulation Act and Depositories Act.

The tension lies in reconciling these provisions. Are mitigating factors relevant only within the statutory range, or do they permit departure from the minimum?

The SAT's split verdict offers two competing answers. The majority adopts a purposive approach, treating Section 15J as a substantive safeguard against disproportionate punishment. It recognizes that rigid application of minimum penalties may produce unjust outcomes, particularly in cases involving technical violations, negligible impact, subsequent compliance or *bona fide* conduct, and therefore allows flexibility to reduce penalties below the statutory floor.

The dissent of the presiding officer takes a stricter view of legislative intent. Once Parliament has prescribed a minimum penalty, that threshold is binding. Section 15J mandates the determination of a quantum within the statutory band but does not authorize deviation below it. To hold otherwise would dilute the statute through interpretation.

Both approaches are defensible—and that is precisely the problem. The law permits two internally consistent but mutually incompatible readings.

In *Sebi vs. Bhavesh Pabari* (2019), the court held that once a violation is established, the imposition of a penalty is mandatory, though its quantum must reflect statutory factors. In *Sebi vs. Bharti Goyal* (2023), it cautioned against substituting statutory penalties with warnings or other measures. Yet, these decisions stop short of addressing whether mitigating circumstances can justify deviation from the statutory minimum.

Indian jurisprudence is clear that the power to impose a penalty is not an obligation to penalize in every case. Unless expressly barred by law, adjudicatory discretion extends to imposing a lesser penalty—or none at all—where circumstances justify it. Courts have repeatedly rejected mechanical enforcement, particularly where violations are technical, *bona fide*, non-repetitive, harmless, arise from regulatory ambiguity or evolving compliance frameworks, involve *de minimis* impact, reflect procedural lapses with substantive compliance but without market impact, or are promptly rectified.

This principle is not merely theoretical. In a diverse market, violations vary widely. In such situations, rigid application of minimum penalties may be disproportionate to both the conduct and its consequences.

It is precisely in these cases that Sebi officers have, in practice, stretched interpretive tools to avoid unjust outcomes. Some have imposed penalties below the statutory minimum; others have adhered strictly to the minimum despite recognizing mitigating circumstances. The result is a regime that is formally rigid but functionally inconsistent.

This inconsistency undermines predictability—the cornerstone of regulation. Market participants cannot assess enforcement risk with confidence when similar violations attract materially different outcomes depending on the adjudicator's interpretive approach.

The proposed Securities Market Code, 2025, before Parliament's Standing Committee of Finance, is an opportunity to resolve this ambiguity.

The Code retains the same structure. Its penalty provisions (Clauses 97 to 109) continue to prescribe minimum penalties, often linked to fixed amounts or multiples of unlawful gain. Clause 111 mirrors Section 15J, requiring consideration of gain, loss and nature of the default. Yet, the Code remains silent on the central question: are minimum penalties absolute, or can they yield to proportionality in exceptional cases?

This silence is not neutral. By carrying forward both rigid minimums and broad mitigating factors without clarifying their interaction, the Code ensures that these conflicts will persist. The question that divided the SAT in this case will continue to divide Sebi adjudicators.

The problem, therefore, is not one of interpretation but of legislative design.

Effective enforcement requires both deterrence and proportionality. But these objectives cannot be reconciled through *ex post* adjudication alone. They must be embedded in the law. The repeated reliance on adjudicatory discretion to correct disproportionate outcomes suggests that penalty provisions are not adequately calibrated.

A more coherent approach would involve clear legislative guidance. Parliament must decide whether minimum penalties are intended to operate as absolute floors or if limited departures (including no penalty) should be permitted based on clearly articulated factors such as absence of gain, harm or prompt rectification. This is significant, given the ₹10 lakh minimum in several provisions. Equally, penalty frameworks must evolve to reflect the diversity of market participants. Retail investors, intermediaries and systemic actors do not present identical risks and enforcement should not treat them as such. Uniform minimum penalties, applied without differentiation, risk being both over-inclusive and under-effective and may raise concerns under Article 14 of the Constitution.

The Securities Market Code must also move beyond *ex post* review mechanisms and incorporate structured, *ex ante* assessments of penalty design. Without such discipline, enforcement will continue to oscillate between rigidity and discretion, neither of which will operate with sufficient predictability.

The SAT's split decision is not an aberration. It reflects a deeper failure to reconcile certainty with fairness in the design of Indian securities law. If the Code does not address this ambiguity, it risks perpetuating a system where outcomes depend less on statutory clarity and more on interpretive preference. A market of India's scale and ambition should not have to live with this ambiguity.

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 | WORLD APART

Prepare for seasons of discontent even if the war ends

RAHUL JACOB



is a former Financial Times foreign correspondent.

More than two months on from the beginning of the third Gulf War, despite warnings of oil and gas shortages in the coming weeks, stock investors in the US have used bad news to buy on the dips. This is business as unusual: incredibly, the S&P 500 index posted a staggering one-year return of 29% as of 1 May.

Ruchir Sharma, author of *The Rise and Fall of Nations*, identified retail investors as the engine pulling what might be called the perpetual bull market—now more than a decade-and-a-half old. "Americans are all in on the market, holding more wealth in stocks than their homes, for the first time," he wrote in the *Financial Times*. "Retail's share of daily trading in US stocks doubled in the last 15 years to 36%."

The war plays out on TV screens that seems akin to a video game for most investors. And this is not just a US phenomenon. The Korean Kospi has seen a 27% gain over the past month, surging 5% on 4 May alone to an all-time high. Both Korea and the US will be primary beneficiaries if the gains from artificial intelligence (AI) measure up to the hype. But in the meantime, fuel prices are surging and economies such as Korea and Taiwan are especially exposed.

The optimism bug extends even to central banks. Instead of raising interest rates in anticipation of higher prices, most have adopted a wait-and-see approach. The Bank of Japan, seeking to exit an era of easy money, had signalled a hike in April, but then elected not to raise rates partly because the Takaichi government prefers the *status quo*. This creates a self-reinforcing loop that propels stocks higher because, as Sharma observes, "investors have come to believe the government will always bail them out."

There is certainly some good news. First-quarter results in the US were much stronger than forecast. The world is much more energy-efficient than it was when oil shocks of the 1970s hit, in part because the pain is initially being felt inevitably across the developing world. Writing in the *Financial Times* this week, Christof Rühl of the Center on Global Energy Policy at Columbia University made the point that we need 60% less oil for every $1,000 of global gross domestic product (GDP) at 2025 prices than we did in the 1970s. But, Rühl went on to warn: "Oil consumption today is more concentrated in high value uses and in areas where there is no substitute, like road or air freight and maritime shipping. These are (crucial) economic activities... once disrupted they are likely to cascade through the economy." The correct parallel this summer and next year may be the covid-style seizing up of supply chains, in slow-motion perhaps compared to the pandemic. Fifty years on, the great economic story of our age has been a shift in global supply chains to East Asia, but that miracle is vulnerable to a breakdown in oil supplies as well as helium because of the Strait of Hormuz blockade.

A recovery from the third Gulf war's shock will take much longer than markets seem to imagine

Of all things, helium is a key weak spot, *circa* 2026, in a way that would have been unimaginable during previous oil shocks. As the Asia Pacific Foundation of Canada observed in a recent update, "Helium is indispensable in chipmaking, used to prevent silicon wafers from overheating and flush out toxic chemical byproducts. The risk is especially acute for Taiwan and South Korea, which rely on Qatari supply." As for Qatar, which supplies almost 20% of the world's liquefied natural gas (LNG) and was hit early in the war by Iranian strikes, no one could accuse its officials of over-optimism. They have warned it will take three to five years to get its LNG supply back to normal. We will all have to become skilled at cooking on an induction stove or with firewood.

Such candour is mostly in short supply. As *The Economist* observed in a bracingly realistic assessment in late March, "even the best-case scenario for energy markets is disastrous." Reaching pre-war levels of production is a complex balancing act of restarting wells in a calibrated manner, "restoring pressure gently to avoid damaging reservoirs" and then ensuring that there are ships and insurers ready to get back into the business of transporting the oil.

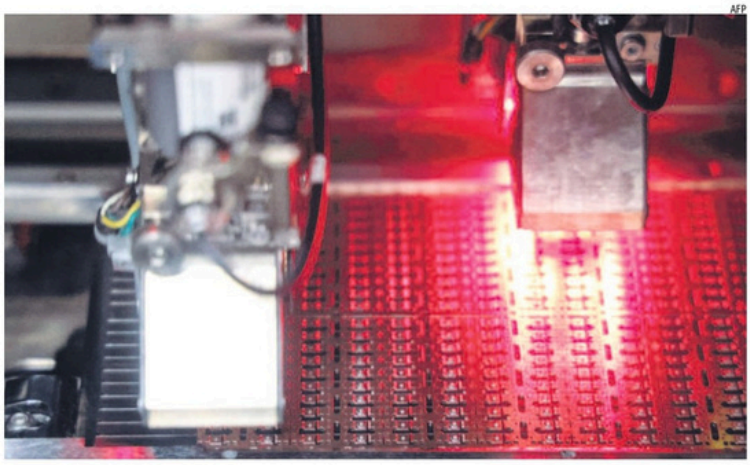
"Insurers still writing cover have raised rates from 0.2-0.4% of vessel value to 1% or more, and 10% for the riskiest voyages," *The Economist* reported at the end of March. The experts it quoted almost uniformly guesstimated that even if the war ended imminently, it would be several months before things approached normalcy.

Oil traders are warning that global stocks of crude oil, petrol, jet fuel and diesel will hit critically low levels by the end of this month. It is no longer a question of price alone, but whether there will be much physical supply at all as the blockades continue. Almost 500 ships are estimated to be stranded near the Strait of Hormuz. Global airlines cut 2 million seats in supply for May and that will prove optimistic. Veteran aviation analyst John Strickland said this week, "I don't think in my time there has ever been the question of shortages (of jet fuel)." It is time, in India and overseas, that the discussion moved to fuel rationing, increased investment in solar energy and increased work-from-home schedules. Unlikely Asian countries have proved role models. Vietnam introduced jet fuel rationing from April. Sri Lanka moved to QR-code based fuel rationing within a fortnight of the war's start. Regardless of the buoyancy of stock markets, we have a summer and winter of prolonged shortages and discontent ahead. Governments and companies must act now.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW



AFP

AI chips are hot but our bets need to be hedged

As semiconductors ride a global boom in AI expectations, India's approach to chipmaking isn't just less dazzling but also less likely to fail the test of rapidly shifting demand patterns

The surging shares of US chipmakers such as Intel and Micron point to a deeper shift in artificial intelligence (AI). First, the narrative is moving from a speculative buzz around AI models to hard spending on the infrastructure that powers them. Second, big money is flowing into computing power and memory, the choke points of the AI economy. For India, these shifts augur well. The country is building 12 semiconductor plants (including a full-fledged fab facility), pursuing 2 nanometre and 3nm chip-design alliances and subsidizing AI chips for startups working on Indian language and voice models. India's AI Kosh repository hosts nearly 10,500 local datasets and about 300 models across 20 sectors, forming a data backbone linked to Aadhaar, UPI, *et al.* Progress on chip design is tangible. Various institutes have used government-backed tools to design and produce roughly 150 chips at the 180nm node. New Delhi has cleared 24 semiconductor and system-on-chip design projects across strategic areas—from video surveillance and drone detection to energy metering, microprocessors, satcom services, broadband and internet-of-things. Some 14 firms have raised over ₹650 crore in venture funds to scale these efforts, while work is on for chip fabrication at more advanced nodes (such as 12nm). India also has supply chain links with the US, EU, Japan, Singapore and the Netherlands.

That is a lot of action. Chip advances are a must for success in electronics overall, not just AI. However, this is not a field for the faint of heart, given how fast its dynamics can shift. Chip fabrication is capital-intensive, requiring time and scale, apart from technical depth and execution skills. Global leaders like TSMC took decades to achieve dominance. India's fabs, many of which are being built with foreign partners, should be ready for a long slog too. How demand and supply match is never easy to foresee. Training and deploying large AI models locally would require enormous processing power and high-bandwidth memory, but the current focus of Indian fabs is on 28-120nm chips that largely serve the automotive, electronics and telecom sectors. The country has a little over 150 data centres, of which only about 11 cater to AI workloads; cutting-edge AI would call for advanced nodes, specialized accelerators and tightly integrated ecosystems for which they will have to rely on inputs from firms like ASML Holding, Synopsys and Cadence Design Systems. Besides, fabs are only the base of an AI ecosystem. How well such a base is ultimately used depends on cloud infrastructure, talent, power supply, enterprise adoption and the viability of business models.

Will demand patterns evolve to suit today's chip thrust? Globally, the surge in AI capital expenditure rests on expectations that may or may not materialize. If they do, India could snap into global supply chains while supporting domestic ambitions. However, if an AI boom goes bust, capital-intensive parts of the stack would be early casualties; chipmakers that lack buffers of steady demand would suffer. Indian players with diversified bets would fare better against volatility. As a strategy, an approach that's hedged for both outcomes would suit us best. In all, our fab pursuits must go alongside rapid chip adoption across sectors, even as we strengthen India's digital infrastructure, augment our energy capacity and import the top-end chips we dearly need—even if they are subject to a regime of trade nods and quotas.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Bank performance has peaked but challenges haven't

PEEYUSH DALMIA



is senior partner, McKinsey & Company

Banks are at their peak performance in India. Credit growth is faster than nominal GDP growth, world-class digital platforms have arisen and regulations have been supportive. Return on assets reached a milestone 1.4% and gross non-performing assets (NPAs) fell to a 13-year low in fiscal year 2024-25. The Financial Inclusion Index of the Reserve Bank of India (RBI), up from 43.4 in 2016-17 to 67.0 in 2024-25, reflects the deepening of financial services across the country.

The forces that powered this ascent, however, are now flagging.

McKinsey's recent research report, *Indian Banks: Navigating through the Turbulence*, assesses the performance of Indian banks against a holistic scorecard. The study found that their outperformance is now up against mounting pressure. Compressed net interest margins, rising operating costs, weakening fee incomes and customers who expect more than just a slick app should prompt the question: What comes next?

It's time for banks to refocus on fundamentals and adopt a more holistic perspective to guide their priorities.

Transformation with technology and artificial intelligence (AI): Banks have tirelessly endeavoured to attain digital leadership. They have invested in seamless digital onboarding, robust cyber security and seemingly limitless phone banking possibilities. App scores have hovered at 4.5 for private banks and been only a little lower for public sector banks.

However, technology costs are rising, yielding productivity that is not entirely commensurate with the increased expense. AI does present the next wave of opportunity, but most institutions are still focused on discrete proof-of-concept results rather than enterprise-wide scale-ups.

Banks will need to go beyond lip service to re-imagine operations and embed digital thinking across the organization, from the boardroom to the branch. Stronger AI-driven offerings and even more hyper-personalized products, journeys and interactions could help move past their digital-native competitors and capture customer trust and loyalty.

Mobilize deposits: A top discussion topic in Indian bank boardrooms is how to grow deposits at a time when their share in household financial assets is dwindling. It has dropped to 33% in 2024-25 from 42% in 2023-24. Banks have increased sales capacity and their thrust on new acquisitions. Even public sector banks that historically had no outbound sales agents to mobilize deposits now have dedicated teams for it.

Most deposit growth comes from new customer acquisitions, while existing deposits in both savings and current accounts remain flat or in marginal decline. A focus on dormant accounts, customer experience, payment instrument attachments, segment-specific propositions and relationship management could help minimize balance attrition and reduce the burden on new acquisitions.

Flex that resilience muscle: Banks have controlled NPAs and improved governance, but are facing the relentless onslaught of new and more complex risks. Worrisomely, banking fraud cases have risen at a 33% compound annual growth rate over two years, and cyber-enabled fraud losses surged 206% in 2024, threatening reputations and trust. Banks therefore need to foster systemic resilience rather than opting for piecemeal fixes. They must also step up efforts to modernize legacy systems, embed security shields and risk detection systems at every layer, and invest upfront in AI-powered tools that are always on and adaptive.

Resilience goes beyond cybersecurity to the core of how banks operate, including disaster recovery, supply chain robustness, talent continuity and the ability to serve customers during disruptions such as flash floods or pandemics. Getting resilience right will transform it from a compliance burden into a competitive edge, thereby winning stakeholder trust.

While leveraging technology and AI, mobilizing deposits and growing resilience are fundamental priorities, it is also important for banks to have an environmental, social and governance (ESG) strategy in place.

Nearly half of all banks in India lack an ESG strategy at a time when global investors screen businesses for robust ESG strategies. Financing renewable energy and affordable housing, championing gender-diverse leadership and upholding data privacy as sacrosanct could represent a significant shift toward ESG consciousness.

And finally, none of this is possible without the right people. With the organizational structure calling for new talent models, banks need to set aside traditional hierarchies to attract and retain specialized talent. Adjusting performance frameworks to celebrate diverse types of contributions and structuring attractive career paths for high-demand roles could invite the best talent to banks.

Given the significant structural shifts that are underway, the performance of banks could see greater divergence as we go along. Focusing on the fundamentals of the business is an opportunity for first movers to differentiate themselves and surge ahead. Banks would be well advised to adopt the moves outlined above. It would help sustain not only their own growth, but also that of the country's economy.

QUICK READ

Indian banks have zoomed up on various measures from credit growth and asset quality to digital tech adoption and mobile app rollouts but the forces that powered this have begun to flag.

Early movers can differentiate themselves by focusing on the fundamentals of this business as a way to sustain not only their own growth but also that of the country's economy.

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 services index needn't be perfect to be worthy

The government has proposed an Index of Services Production. It won't be easy to construct but even an imperfect one would help by filling a significant gap in India's official statistics

India's statistics ministry recently proposed an Index of Services Production (ISP), the need for which may seem self-evident, given how this sector's prominence has grown. "The service sector is the dominant force in the Indian economy, contributing over 50% of the Gross Value Added [GVA]," as a discussion paper on the idea released by the ministry notes, "It has long been central to economic transformation, consistently driving growth, generating employment, and attracting investment across decades." That's the good part of our services story. The not-so-good part is the absence of accurate, disaggregated and timely data on the services sector along the lines of India's monthly Index of Industrial Production (IIP). A monthly ISP that complements the IIP would provide a better picture of the economy, enabling better analysis and policy formulation. After all, India has more or less leapfrogged the typical manufacturing stage in its structural transformation, going straight from an agrarian to a services-led economy.

Since that leap has been in evidence for decades, how come we haven't had an ISP so far? Pin it on the heterogeneous nature of India's services sector. Not only is it enormously diverse, it has a vast informal chunk. This makes it hard to standardize indicators of output so that a representative index can be compiled. Which might explain why this project has moved so slowly. Despite a technical advisory panel task-force being set up back in 2004, it is only now that the idea has gained official traction. Data sources pose a big problem. The recently launched Annual Survey of Incorporated Services Sector Enterprises (ASISSE) that covers mostly corporate entities could be a key data source on formal services in markets like trade, transport, hospitality, infotech, education, health, etc. But that will not suffice. The ministry's paper suggests relying on a mix of AISSE, GST and administrative data (from ministries). However, for several major industries such as real estate, professional services, retail trade, health and so on, we do not have administrative data sources—at least not with the consistency and frequency needed. Non-market services like public administration and defence are among the other segments that threaten to leave us with gaping data gaps. Aware of these limitations, the discussion paper proposes an ISP that covers about 70% of the GVA of services to start with.

The choice of an appropriate price deflator is another headache. Given the perennial controversy over how data is shorn of inflation to estimate India's real GDP growth, the ISP paper is candid about the pitfalls of applying practices like double-deflation—commonly used in manufacturing, for which we have both output and input prices—to services. Globally, most countries use producer price indices. We do not have these yet, though the commerce ministry's department for promotion of industry and internal trade is working on one. In the absence of a quality-adjusted price index, the statistics ministry's paper suggests the use of a partially representative price index as a deflator. Fortunately, several advanced economies publish service indices; these could serve as guides, even though Indian complexity would disallow any direct adaptation. All said, we need not wait for an accurate ISP to roll one out. As a directional indicator, an index with even patchy coverage of the services sector would serve a purpose. It could always be refined as we go along.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

What India should do to set off its very own gold rush

U.K.SINHA & ABHISHEK JHA



are, respectively, former chairman, Sebi, and a member of a self-regulatory organization of the World Gold Council; and a fellow at Pahlé India Foundation.

India's merchandise trade deficit was about $333 billion in 2025-26, 17.5% wider than the previous year's. Reducing import dependence is critical and gold stands out as a major item in this context. As the world's second-largest gold consumer, the country imported nearly 803 tonnes in 2024-25 but produced just 1.6 tonnes (0.2% of demand); last year's figures would be comparable. Local production is conspicuously tiny, given our vast geological potential. We have over 700 documented ancient gold sites and host Archaean greenstone belts, comparable to the Australia's Yilgarn Craton, but have explored less than 10% of the obvious potential. With global gold prices above $4,400 per ounce and global exploration spending at $7.6 billion, capital is going elsewhere. India's share is negligible, even as we spend nearly $59 billion annually on gold imports.

Endowment without an ecosystem: India is not short of gold. It is short of what translates a geological endowment into economic value. The Geological Survey of India (GSI) estimates the country's 'obvious geological potential' at over 0.52 million sq km. When broader prospective terrain is included, this number climbs to nearly 2 million sq km. Yet, fewer than 10% of India's documented ancient gold sites have seen a modern drill. This is odd. Global mining leaders like Canada, Australia and the US built their strength through trusted resource reporting, exploration-focused capital markets and incentive-driven fiscal regimes. India must catch up.

India's mining policy can be judged by exits. Rio Tinto exited after investing over $500 million, citing delays and uncertainty, while BHP and AngloGold Ashanti redeployed capital to more predictable markets. Newmont and Barrick never entered. The pattern is consistent: early interest followed by departure. For this, we should blame regulatory friction, uncertain post-discovery rights, long approval times and limited large deposits. Miners seek top-tier assets with sizeable reserves, 10-20 year mine lifespans, policy stability and time-bound clearances: these are conditions offered by many competing jurisdictions but not India.

The missing junior miner problem: The global gold industry runs on junior miners. These are small, nimble, high-risk exploration companies that do the hard work of discovering new deposits: this is work that large miners, with their institutional risk aversion and shareholder reporting obligations, cannot do. Canada has about 373 active gold exploration companies; Australia about 322. India has effectively none.

This gap is structural. Canada's TSX Venture Exchange and flow-through share model enable early-stage firms to raise risk capital by offering tax incentives to investors, mobilizing $1-2 billion annually. Australia's ASX plays a similar role. These are not subsidies, but smart fiscal frameworks that channel private capital into exploration. India lacks such mechanisms, limiting its ability to raise exploration risk capital.

QUICK READ

Imports of gold weigh heavier on India's external finances than they need to. Let's exploit our potential for the exploration and mining of this precious metal without any ado.

A significant reform was made in 2023 but financial mechanisms and information systems need to arise and shine that would provide risk capital and prospect maps for a gold rush to begin.

The 2023 reform was necessary but not sufficient: To be fair to the government, its 2023 amendments to the Mines and Minerals (Development and Regulation) Act represent the most significant structural mining reform in decades. The introduction of an Exploration License (EL), which for the first time gives a discovering company preferential rights over a block it found, directly addresses the single biggest structural flaw that was in the way of private exploration economics for 70 years. While an EL-holder does not automatically get a mining lease, it is entitled to a share of the auction premium from a future miner. This reform deserves credit.

But investor confidence does not follow policy notifications automatically. It follows track records, bankable data and an ecosystem of support institutions. What is still missing is urgency and a package of bold measures to signal India's seriousness about becoming a top-tier gold jurisdiction.

What pragmatic policy could look like: The policy ask is not complicated. It is merely politically underappreciated. India needs, *first*, a dedicated junior mining capital market mechanism that works through a standalone exchange, a flow-through equivalent regulated by the Securities and Exchange Board of India, or a state-backed exploration fund to help pre-revenue exploration companies raise equity from domestic investors with meaningful tax incentives. *Second*, India must fully digitize and open up the GSI's exploration data, and expand drilling through either the GSI or a new technical agency. In countries like Canada and Australia, free access to national geoscience databases lowers exploration costs. India's National Geoscience Data Repository is a strong start, but it needs a clear mandate and a supportive budget. *Third*, India must streamline its environmental clearance pathways. Exploration is not mining. Treating it as an equivalent is economically destructive. A fast-track, time-bound clearance window for exploration-only activities would transform the risk calculus for junior miners overnight. Reporting frameworks determine investment interest, so India should align with JORC or NI 43-101 standards.

Each year of delay costs India nearly $59 billion in gold imports while global exploration capital flows elsewhere. The broader cost includes lost jobs, technology and revenues. At current gold prices, these are far harder to justify.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Claims of GDP overestimation: Conclusions in search of backup?

Two papers by the same author that use different measures to make the same contention deserve close statistical scrutiny



VIDHU SHEKHAR
is associate professor, finance, at S.P. Jain Institute of Management & Research.

ISTOCKPHOTO



In 2019, Arvind Subramanian, India's former chief economic advisor, argued in a Harvard working paper that Indian GDP had been overestimated by 2.5 percentage points a year from 2011-12 to 2016-17. His central exhibit was a chart of 17 economic indicators, 11 of which had turned negatively correlated with GDP after 2011. The starkest case was the Index of Industrial Production (IIP) for manufacturing, at minus 0.78.

Extend the data by seven years using the same method. IIP-manufacturing now correlates with GDP at plus 0.92.

The vanishing indicators: Of the 11 indicators flagged by the 2019 paper as negatively correlated, 10 have not merely turned positive, but strongly positive. The flagship of the case has reversed.

In March 2026, Subramanian, Abhishek Anand and Josh Felman published a new paper under the Peterson Institute's banner. It claims Indian GDP has been overestimated by 1.5 to 1.9 percentage points a year. The conclusion is a close cousin of the 2019 claim: almost none of the evidence is. In his 2019 acknowledgements, Subramanian thanked Felman for "first alerting me to the issues, and helping at every stage." Two of the three 2026 authors have been behind this research programme since before 2019. The author list has grown; the evidence, not so much.

'Inconvenient' indicators, 13 of the 17, have been dropped. The 2026 paper does not defend the 2019 case by testing its indicator set on extended data. It replaces it.

Put less charitably, the 2019 result was window-specific. It hinged on six years that happened to see structural changes in the Indian economy. After that window, the 'breakdown' reverses. Tractor production is the only holdout and it tracks monsoon rains more than aggregate activity. The 2026 paper does not mention any of this.

The deflator argument: One new 2026 exhibit is a wedge between corporate sales growth and gross value-added (GVA) growth, presented as independent corroboration. Corporate sales are deflated using the core Consumer Price Index (CPI). GVA, on the other side, is deflated substantially using the WPI. When the CPI and WPI diverge, as they did sharply after 2014, the gap between the two deflated series widens automatically. The wedge the paper discovers correlates with the CPI-WPI gap at 0.81, which the authors describe as moving in the "expected direction." But the same correlation would arise in any economy that deflates two series with diverging indices, regardless of measurement quality. The test cannot distinguish their hypothesis from basic arithmetic. Treating the wedge as "independent evidence" is circular. The paper further proposes deflating construction with the food-heavy general CPI. What does construction have to do with food?

A survey comparison that isn't one: The informal-sector growth number, worth 0.4 to 0.8 points of the overall overestimation claim, rests on comparing two incompatible surveys: the Unincorporated Non-Agricultural Enterprises Survey (2010-11) and the Annual Survey of Unincorporated Enterprises (2023-24). These two surveys are not the same. The instrument changed and so did the sampling frame and coverage. And there is a gap of nearly thirteen years between the readings, during which the Indian economy changed structurally. A compound growth rate drawn across that timeline (which included covid) between two mismatched surveys cannot produce a reliable estimate. The paper uses it anyway.

Other statistical problems: The 2026 paper treats its five headline correlation changes as qualitative evidence of a broken link between GDP and real activity. In an April 2026 note for the Economic Advisory Council to the Prime Minister, Virat Singh and Aditya Sinha applied the Fisher r-to-z test to those differences. None is significant at the 5% level, or at 10%. In simple words, the changes cannot be taken as meaningful. 'Noise' could have produced the results. A single observation flips the GVA-exports correlation the paper leans on most: adding back two covid observations excluded by the paper changes the story further.

QUICK READ

A 2026 paper by Subramanian *et al* claims Indian GDP has been overestimated by 1.5 to 1.9 percentage points a year. A similar claim was made in 2019 based on other numbers.

An analysis of both papers shows a pattern: indicators that fail on new readings have been replaced and statistics that are not statistically significant have been presented qualitatively.

Several 2019 positions were reversed in 2026. On double deflation, the 2019 paper said its absence "immediately induces a bias" but the 2026 paper calls this absence "a relatively minor problem." In 2019, the authors looked at informal manufacturing, about 5% of GVA, and called it "not an explanation" for their results. In 2026 the entire unorganized economy, around 44% of GVA, is a primary explanation. The 2019 paper excluded tax indicators on the ground that the tax-to-GDP relationship was "unreliable." In 2026, tax is one of the headline indicators, with an appendix to explain the parts that contradict the thesis. On GDP overestimation magnitude, the 2019 paper offered 2.5 points as its central estimate, with a 95% confidence interval of 1.5 to 3.5 points. The 2026 paper lands at 1.5 to 1.9 points, which is entirely within the lower half of its confidence interval, without this downshift being flagged.

An analysis of both papers reveals a pattern. Indicators that fail on new data readings have been replaced and statistics that are not statistically significant have been presented qualitatively. The conclusion has stayed within a narrow decimal band for seven years while almost every piece of backup evidence has been replaced. This reads like a conclusion in search of support, not empirical research.

These are the author's personal views.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

Southeast Asia should rescue low-fare airlines as costs soar

They provide a crucial service where land transport is impossible



JULIANA LIU
is a columnist for Bloomberg Opinion's Asia team, covering corporate strategy and management in the region.



Current jet fuel prices are unsustainable for private low-cost carriers. BLOOMBERG

The global jet-fuel crunch is hitting Asia's low-cost airlines harder than their full-service counterparts. Governments should prepare financial or operational support to avoid further flight cancellations during the busy summer travel season—as well as outright shutdowns like the collapse of America's Spirit Airlines.

Discount carriers like Malaysia's AirAsia, Indonesia's Lion Air and Cebu Air of the Philippines are already bearing the brunt of the energy shock. Policymakers must consider targeted measures in the form of loans, grants or fuel price relief. The packages should differ by country and reflect conditions on the ground, but pandemic-era policies offer a sound starting point. The advantage this time around is that there is no shortage of demand. In fact, Asia is expected to hold onto the top position in terms of traffic growth this year.

Asia is most exposed to the conflict in the Strait of Hormuz as it uses more than 80% of West Asia's oil and gas. The countries are divided between those poised to weather a scarcity of jet fuel and those that are not. Wealthier economies like China, Japan and South Korea are using their financial resources to procure fuel.

They have also employed strategies like cutting exports or fuel hedging—using contracts to lock in prices in advance—to maintain supply. Beijing even went so far as to tell its firms over the weekend to disregard US sanctions on private Chinese refiners tied to Iranian oil in a bid to maintain its energy security.

Southeast Asia has fewer options. It's home to a number of budget carriers that didn't hedge when crude prices were low, meaning they must now pay the market rate. Airlines had started the year expecting cheap aviation fuel, their biggest single expense. Malaysia and Thailand also had resurgent currencies, which makes the commodity more affordable because it's denominated in US dollars.

But that was before the Iran conflict began in February. The price of jet fuel in Singapore, the Asian benchmark, has more than doubled to about $200 per barrel. The crack spread—the difference between the price of fuel and the crude oil used for it—hit a record high above $100 a barrel last week. Asian currencies are also weakening against the greenback, in part because of the energy crisis, further reducing their buying power.

The current price is unsustainable for privately owned low-cost carriers. AirAsia is a case in point. Founded in 2001, the region's largest budget airline was decimated by the pandemic and was just getting back on its feet after a restructuring when the Iran war began.

With fuel accounting for up to 40% of costs and 70% of total expenses denominated in US dollars, the airline is highly exposed to external disruptions. A $1 increase in jet-fuel prices cuts earnings by around 80 million ringgit ($20 million), while a 10-Malaysian sen decline in the currency can affect profits by 280 million ringgit. It's not hard to see how the current shocks would eat into operating margins, which stood at 5.9% last year.

That's why it wasn't a surprise when the airline announced last month it had raised ticket prices by up to 40% and fuel surcharges by one-fifth. It had already cut flights by 10% and closed unprofitable routes. Last week, its affiliate Thai AirAsia said it was reducing available seats by nearly a third. The worst-hit carrier in the region is Batik Air Malaysia, which has cut capacity by 35%.

There haven't been any murmurs so far about Asian budget carriers falling into insolvency like Florida-based Spirit, for which surging fuel costs were the final straw. But governments shouldn't be complacent. Still, with hard-hit countries like the Philippines declaring a state of emergency in response to fuel shocks, it's worth asking whether public resources should go to bailing out airlines.

Unlike the region's flagship carriers, low-cost providers aren't backed by sovereign wealth funds. And in Malaysia, Indonesia and the Philippines, they carry more passengers, too. The trio have a vast number of islands that cannot be connected by land transport, so affordable air travel offers a vital lifeline and should be supported to avoid further slowdown in business activity.

That could include subsidies, tax incentives or access to low-cost financing backed by public lenders. In Malaysia, where state-owned national oil and gas company Petronas is the dominant player in supplying jet fuel, there could a grace period offered to struggling airlines giving them more time to make payment.

The energy crisis has affected nearly all aspects of the global economy. It's not easy for severely strained governments to figure out what to prioritize. But in Southeast Asia, discount airlines offer a crucial service. Help shouldn't be delayed. ©BLOOMBERG

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Call of duty: India needs to enhance its competitiveness

AMIT KAPOOR & KARTIK



are, respectively, chair, and senior researcher at Institute for Competitiveness.

Our first *kartanya* (duty) is to accelerate and sustain economic growth by enhancing productivity and competitiveness." This statement by India's finance minister Nirmala Sitharaman in this year's budget speech set a clear imperative: that productivity and competitiveness are not incidental to India's growth story, but necessary conditions for its long-term economic development. Its significance has grown clearer since. The Iran-US war has had cascading effects across the globe, again underscoring that in a world of geopolitical disruption, competitiveness is not a policy aspiration but a structural necessity. Against this backdrop, two questions are central. What is the current state of India's competitiveness? And what does it reveal about the country's capacity to absorb external shocks and sustain growth in a world of flux?

Competitiveness, as a concept, is best understood through the lens of productivity. The foundations of a country's competitiveness lie in the set of policies, institutions and factors that shape how efficiently an economy extracts value from its factors of production such as labour, capital and natural resources. It is this efficiency, sustained over time, that determines whether growth translates into enduring prosperity.

To examine this question rigorously, the Institute for Competitiveness is publishing the *State of India's Competitiveness Report*. It offers a systematic diagnosis of how efficiently India develops and deploys its productive factors. As highlighted in the report, India's productive landscape has seen significant improvements in recent years. Output per worker grew by nearly 3.8% annually during 2010-24, higher than in advanced economies such as the US (1.2%) and EU (0.7%). However, its output per worker stands at merely $5,964 (in constant 2015 dollars), much lower than that of the US ($133,850), EU ($77,398), China ($25,030), Vietnam ($ 7,272) and Indonesia ($8,819). This shows that despite recent growth, India still has a long way to go in catching up even with Asian economies like China and Vietnam, which have been experiencing higher growth in output per worker at 6.5% and 5.2% annually, respectively.

Our low level of productivity translates into low levels of prosperity, as reflected by India's GDP per capita, which stands at only $2,397, well below levels across advanced economies such as US ($66,356) and Australia ($61,488). Even among emerging markets, India's GDP per capita is lower than that of Vietnam ($4,018), Indonesia ($4,368) and Brazil ($9,567). However, like its trajectory of productivity, India's prosperity level has grown at an impressive rate of nearly 4.9% annually, higher than that of the US (1.7%), EU (1.2%) and Japan (0.9%), but lower than that of China (6.1%) and Vietnam (5%).

Our quest for prosperity demands that we treat four imperatives with utmost urgency

India's low absolute prosperity is attributable not only to lower productivity, but also to lower economic participation. India's employment-to-population ratio stands at 53.2%, indicating that only about half its people are engaged in economic activity. Compared with other countries, India again lags behind Vietnam, with 72.6% of its population employed, compared with 62.4% in China. The report also highlights variation in economic structures across economies. India remains among the most agriculturally intensive countries, with 16.2% of its gross value added (GVA) contributed by the sector. India's manufacturing share remains modest at 13%, compared with China's 25.5% and Vietnam's 24.2%. India's service sector's share in total GVA stands at 49.5%, lower than that of advanced economies such as Japan (69.8%) and the EU (65.5%). Taken together, these numbers paint a picture of an economy that is yet to complete its structural transformation, with all three major sectors lagging those in other economies.

Material prosperity is only one dimension of the analysis. The other, equally consequential, is social progress or the degree to which an economy translates growth into improved well-being for its citizens. The report sheds light on the state of social progress in the country through the findings of a Social Progress Index. India scored 58.79 on this, ranking 109th among 171 countries. India ranked below countries such as Australia, Japan, the US, Vietnam and China, all of which are more productive than India. We face a double disadvantage. Not only is material prosperity low, the country is unable to deliver the broader conditions of well-being to its citizens.

Moving forward, India's competitiveness will be significantly shaped by two forces defining the new economic landscape: climate change and artificial intelligence (AI).

AI is transforming the nature of jobs and employable skills, whereas climate change continues to introduce new vulnerabilities and constraints on an economy's efficient use of resources. Navigating both aspects is crucial for maintaining competitiveness and achieving productivity gains and would require key measures and steps.

In this context, the report proposes 4Ts: Talent development, technological evolution, transforming existing innovation systems and a transition to climate-resilient growth. Acquiring competitiveness is not a sprint but a marathon, and marathons are never won on the actual day of the race. They are won in the months of disciplined preparation that come before. These four imperatives form that very preparation. And India must commit itself to them with urgency.

In this race, India has shown endurance but must now increase its pace.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

CNN founder Ted Turner was a risk-taker who reshaped TV

He bet heavily on a future that market research said did not exist



PAUL HARDART
is director of the entertainment, media & technology program at NYU's Stern School of Business.



CNN was America's first 24-hour news channel on cable television. AP

Ted Turner died last week at 87 and the world now feels a little less interesting, a little less imaginative and a little less fun without him in it—but also a lot better off because he was here.

After hearing the news of his passing, one moment came to mind that embodied how he moved through the world: a very drunk Turner giving an interview after winning the America's Cup in 1977. The yachting world was aghast. How did this uncouth, mouthy Southerner find his way into their patrician club... and win?

He had a way of wandering into spaces he wasn't invited into and then changing them forever.

I had the pleasure of working for him at Turner Broadcasting System (TBS) in the late 1990s. With some frequency, everyone would arrive at work and find a book on their desks—about American history, Native Americans, conservation or the environment—accompanied by a short note from Turner encouraging us to read it.

That was a telling habit. He was brash—in ways that came off as insensitive and earned him the moniker 'the Mouth of the South'—but also restless, curious and utterly original. He inherited his father's billboard company and transformed it into something almost nobody at the time fully understood: a modern media empire built around the emerging power of cable television. Against the advice of many financial experts, Turner made an enormous bet that cable would reshape entertainment, sports and news.

Being a risk-taker wasn't the only thing that made him exceptional, though.

It was that each bet connected to a much larger strategic vision. Turner understood earlier than most executives just how powerful the relationship between content and distribution could be. WTBS became the 'superstation,' allowing Atlanta Braves games to reach fans far beyond Georgia. He bought the MGM film library to strengthen his cable networks. He acquired the Hanna-Barbera catalogue to power Cartoon Network. Long before 'synergy' became an overused corporate buzzword, Turner instinctively understood how media ecosystems worked.

All of it pointed to something else he never lost sight of, and that many modern executives often de-emphasize: the most important decisions do not always make immediate financial sense.

I remember being in a meeting where Turner joked that the best thing about controlling 50% of the company was that he could make decisions Wall Street might hate in the short term. That mindset allowed him to think differently—and longer-term—than his competitors.

The then-head of research at TBS once told me how Turner had commissioned consumer research on the appeal of a 24-hour news network. The findings were grim. People were perfectly happy getting their news in the morning and evening. The conclusion was unambiguous. No one wanted a 24-hour news channel.

Turner smiled, ignored the research and relied on his gut, launching the Cable News Network nobody asked for.

At the time, CNN was widely mocked. Critics called it the 'Chicken Noodle Network.' The very idea of around-the-clock news seemed absurd. Today, CNN feels like one of those innovations so embedded into modern life that it is hard to imagine the world before it existed.

That was often the pattern with Turner. He saw around corners before others even realized there was a turn.

But his interests were never confined to business alone. Turner loved history, particularly the Civil War. In the 2003 film *Gods and Generals*, which he helped finance, he briefly appeared as a Confederate officer—sword and all. He never seemed content merely to own, sponsor or observe things from afar. He wanted to wander directly into the middle of them. His character's sword became an oft-used prop in his office for years to come.

That was part of his charm, as was his willingness to expand the boundaries of modern philanthropy. Upon seeing his name on the *Forbes* 400 list of the richest Americans, Turner didn't envision moving up the ladder. Instead, he seemed more interested in a different kind of ranking—one measured by how much people gave away, and so he pledged $1 billion to the United Nations.

I mentioned Turner's name recently to an undergraduate student and could tell they'd never really heard of him. Time moves fast, and even the boldest names of one era gradually recede into the background. But when I explained what Turner had built—the brands, ideas and products—the student simply said, almost reverently, "Wow."

That's precisely the right word for a life like his.

©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

Are markets efficient? They look bent on underpricing war risks

Four scenarios are possible of how the Gulf war will unfold but none of them justifies the positions taken by global investors



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'

ISTOCKPHOTO



After decapitating the Iranian regime and bombing Islamic Revolutionary Guard Corps (IRGC) positions for 40 days, the Trump administration has failed to secure a surrender and left Iran in control of the Strait of Hormuz. With Iran striking critical infrastructure across the Gulf Cooperation Council states and threatening shipping, the US reverted to TACO (Trump always chickens out) mode by agreeing to a ceasefire. And now rising inflation and slowing economic activity imply a bout of stagflation—just in time to anger voters ahead of the US midterm elections. So, what happens next? There are four possible scenarios.

First, the current ceasefire could lead to successful negotiations to end military hostilities and reopen the Strait of Hormuz. The US does have some leverage here because its blockade of all naval traffic to and from Iranian ports is adding to the financial pressure on the regime. President Donald Trump is probably hoping that a more moderate [Iranian] faction—perhaps led by speaker of parliament Mohammad-Bagher Ghalibaf—can convince hardliners that a compromise on the nuclear issue will bring sanctions relief and renewed shipping revenue through the strait.

But this scenario is not very likely, because the regime can withstand economic pain far longer than Trump can (given the looming midterms). Moreover, the two sides remain far apart on many issues, not just Iran's nuclear ambitions. The US objects to Iran's ballistic missile and drone programmes, its support for radical Islamist groups across West Asia, the tolls that it wants to impose on Hormuz traffic, and other matters. Settling even one of these would require long, complicated talks by serious, seasoned negotiators.

The *second* scenario reflects this. The ceasefire continues but negotiations stretch on for a few more months while the strait remains blocked. This is basically where things stand today, and it is far from ideal. The *status quo* is inflicting significant economic and financial damage on the world economy, with oil and energy prices trending higher, even exceeding their peak during the 40 days of kinetic war.

Under such conditions, global growth will fall and inflation will rise. But since this second scenario is inherently unstable, it cannot continue for more than two or three months. It must give way either to the first scenario (one side blinks and proves willing to compromise enough to reopen the strait and secure a more permanent ceasefire) or to escalation of the conflict. Indeed, the military skirmishes in the Gulf last week demonstrate the fragility of any ceasefire without a deal.

In the *third* scenario, the US and Israel would escalate by unleashing all the military, economic and other means at their disposal to force a surrender or regime collapse. In the case of a surrender, the regime would have to accept a full stop to nuclear enrichment and reopen the strait unconditionally. This would be the best outcome for the US, Europe, Asia (including China) and the rest of the world.

The risk, of course, is that the Iranian regime survives such escalation. In the *fourth* scenario, it would use its remaining ballistic missiles, drones and naval forces to inflict significant permanent damage on even more Gulf energy facilities, while maintaining its grip on the strait. Were that to happen, oil prices would spike closer to (or even above) $200 per barrel, and we would be looking at 1970s-style stagflation, a global recession and a bear market for equities.

To be sure, an escalation could pressure both sides to find a negotiated solution, with scenario two (the *status quo*) having to pass through scenario three or four before ending up at scenario one. But this is less likely, since we would be back to negotiating a ceasefire—and we would have already just seen how little that did; thus, escalation may get out of control rather than lead to a return to a negotiated ceasefire.

While Trump is hoping for scenario one, this is probably wishful thinking. It is radicals and hardliners in Tehran who have the upper hand. They have already demonstrated their willingness and ability to withstand the economic pain of the blockade, and will not be facing voters this fall.

When it comes to the long-term economic and market implications, the third scenario is ideal, because it would mean a permanent reopening of the strait. The second-best scenario would be the first one; but it would mean that Iran could close the strait any time the US or Israel threatened it. That possibility would put a permanent 15–20% premium on oil relative to the pre-war level. Still, the current situation (scenario two) is worse, because every month that the ceasefire fails to produce a deal will push global growth lower and inflation higher. The only worse outcome is the fourth scenario.

Given such profound risks, some might wonder why global markets—starting with US and Asian equities—have recently reached new highs. I see two reasons. *First*, investors expect that the ceasefire will somehow be made permanent soon, implying much lower oil prices. *Second*, there seems to be an assumption that tailwinds from the AI and data-centre boom will remain much stronger than headwinds from the war.

But if you believe that, you could be in for a rude awakening. Not only are markets pricing in a higher probability of a permanent ceasefire (over 75%) than is likely, but if we do end up with escalation, that would lead to even more economic and market volatility and downside risks even in the best-case scenario. While an escalation that leads to regime surrender would be more likely than one that leads to 1970s-style stagflation, markets would still have underestimated the risk of pain in the meantime. For anyone on the wrong side of the trade, it would hurt no less if the pain lasted months, rather than years or decades.

©2026/PROJECT SYNDICATE

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

Affluence creates jobs: the top of India's pyramid plays a vital role

The wealthy deserve recognition for their generation of economic demand in good times and bad



MADAN SABNAVIS
is chief economist, Bank of Baroda, and author of 'Corporate Quirks: The Darker Side of the Sun'

A kilo of apples at Nature's Basket, a retail chain associated with well-off shoppers, costs ₹499. At a modest local vendor, these would cost ₹200-250 per kg. Admittedly, their quality and source of origin may differ. A visit to a shopping mall shows that there are shoppers at branded outlets like Vero Moda, Uniqlo, M&S, Zara and others who could be running up bills of ₹10,000 or more on each visit. The number of high-end cars being sold, going by data from the Federation of Automobile Dealers Associations, has risen from around 17,000 units in 2020-21 to over 41,000 in 2025-26. Newspaper advertisements have real estate developers selling luxury apartments with starting prices of ₹7 crore per unit, often with sundecks and other leisure-related spaces spanning areas that are larger than the entire floor space of 'affordable' flats. What does all this show?

India's wealthy-lifestyle economy has grown significantly, keeping the consumption of premium goods and services ticking. This phenomenon is often cited as part of an inequality debate. However, its material significance lies in how it contributes to India's economic growth. If one looks dispassionately at weddings of the elite, with cost outlays of over ₹100 crore at times, there are strong backward linkages with various industries that add to India's GDP. Moreover, this class of consumers is not just inflation-proof, but also largely unaffected by business cycles. Or even stock market upheavals.

In recent years, most investor presentations by companies in industries like consumer durables, real estate, hospitality, readymade garments, travel and tourism, etc, have pointed to buoyant consumption of premium products and services. The common lament is that entry-level products have been selling weakly, with inflation pricing them out of the reach of new users. However, premium segments have kept business top-lines ticking.

The challenge for marketers of products and services aimed at the wealthy is one of saturation. Multiple cars, mobile phones and residences can become *passé*. This tends to happen in cycles every four or five years, when consumption plateaus out, requiring a new set of affluent spenders to set off a new cycle. Alternatively, or simultaneously, new products need to be introduced to sustain demand. Producers need to judge levels of affluence and its trajectory before they commit fresh capital to such projects.

The automobile industry exemplifies the need to keep new models rolling out. Marques like Mercedes, Audi, BMW and Porsche need offerings that range from ₹50 lakh to several crore to keep more than just first-time buyers interested. The SUV concept began as a household's second of third vehicle. Today, as with high-end watches, luxury marques need to sell an even wider range of vehicles to suit different occasions. In 2025-26, the luxury segment constituted just 1% of India's total 4.16 million passenger cars sold. Given that the average price of high-end cars would be about 10 times that of a non-luxury four-wheeler, manufacturers see a lucrative opportunity in running a high-margin, low-volume business.

Further, unlike entry-level vehicles, where discounts have to be given to draw customers, demand for premium cars tends to be price inelastic. This is so of many products that signal prestige and thus have snob value.

The relevant issue from an economic perspective is one of maintaining the pace of demand. For this, it is essential that this class of luxury consumers has a sustained influx of new entrants. India's wealth bracket, in other words, needs to expand relentlessly.

Is it doing so? Individual tax returns data offers some clues. The number of tax returns filed for income above ₹1 crore rose from 44,078 in 2013-14 to 97,689 in 2018-19 and further to 227,315 in 2023-24. Not only is this a sharp increase, the number of returns filed for income above ₹10 crore has also grown several fold. Therefore, there is evidence that the number of rich has been increasing, helping support the production plans of companies aiming at luxury buyers. Bank data also gives us a sense of growth at the top of the pyramid. For home loans with more than ₹4 crore outstanding as of end-March 2025, there were almost 20,000 customers; for vehicle loans above ₹1 crore, there were nearly 38,000.

Often, the 'Veblen effect' comes into play, where a high price-tag in itself is taken as an indicator of value. This is common in categories where people from less privileged income groups purchase products mostly used by the elite. This is seen in the markets for mobile phones, clothing, perfumes, hospitality and so on. This is especially prominent in the fashion business, where value is often a matter of perception, labels act as status symbols and fast-changing trends mean old stock must be discarded and discount sales do the job.

The consumption of the affluent is important for the economy. Such spending sets templates for others who aspire to wealthy lifestyles and helps money circulate. What we must not lose sight of, however, is that aggregate demand in an economy is even more vital. For accelerated GDP growth, we need India's multitudes to spend.

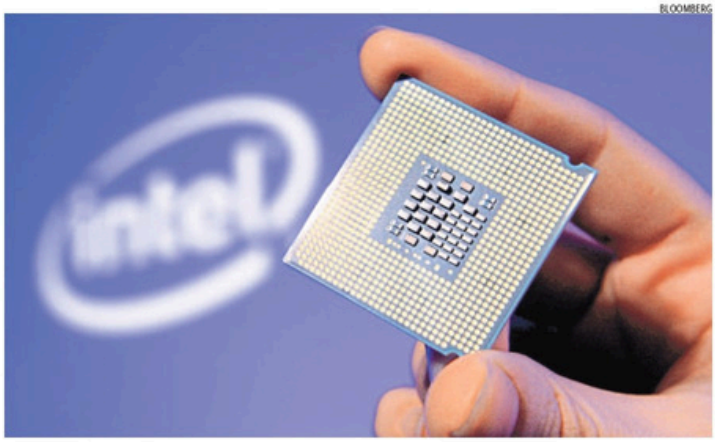
These are the author's personal views.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW

BLOOMBERG



Global domination: will it pivot on silicon chips?

The US-China rivalry has digital supremacy at its core: one is ready to warp its free market for it while the other covets Taiwan. What counts as sound economic policy may be at stake

An American chipmaker forging a deal to make microchips for a US gadget-maker shouldn't make anybody sit up. But since this involves Intel and Apple, it should—for what it says about US capitalism. While the pact is preliminary, reports of it gave Intel's stock a far bigger boost than Apple's on Friday. A broker's role is said to have been played by the federal government, which owns a tenth of Intel's equity. Taken last August for $8.9 billion, this stake was portrayed as a natural outcome of a subsidy granted to the chipmaker under a 'small yard, high fence' policy aimed at autarky in fields like semiconductors. Even so, it marked a closer embrace of what was once snubbed as statism and is now called industrial policy. Some onlookers suspect this statist turn was thrust upon America by China's designs on Taiwan, whose TSMC makes chips on contract for the tech world's who's who, ranging from Nvidia and AMD to Intel and Apple. A squeeze of rare-earths supply by Beijing is one thing; a chips embargo could be quite another. Likewise, a 'once inside' chipmaker grabbing a bailout raises no eyebrows, but what explains Apple's decision?

With its iPhones made in Asia, Apple has gained much from globalization, but it can hardly shrug off White House calls to onshore what it can. Last July, the company struck a supply deal with MP Materials, a rare-earth producer, soon after the US Defense Department invested $400 million in it. A nudge from above was apparent in that move too. For Apple watchers, the irony of all this is how the brand first achieved fame—as a voice against central authority. Back in the 1980s, it positioned itself as a decentralizer of digital power, selling devices designed to resist any form of thought police. This, coupled with its rise from a garage as a private venture, went with America's self-image as a nation of individual agency. Apple's success was not just an ode to free enterprise, but also an oblique rebuke to the statist claim that centrally directed—rather than market determined—allocation of resources could yield a vibrant economy. By the 1990s, the Soviet Union's centralized model of the Cold War era had caved in, marking the triumph of free-market economics. China's export-led ascent, aided by investments from US firms like Apple, did not go unnoticed—but was broadly attributed to Beijing's adoption of market forces. In fact, the 'Chinese characteristics' of its socialism were widely viewed as a reference to capitalism. Yet, today, it is the US that labours under the shadow of Orwellian 'doublethink,' as seen in the state's heavy hand in business affairs, be it trade flows or factory nodes.

In 1991, we remixed India's economy in favour of market competition. What cues should we take from today's world? As China and the US prepare for a summit, the former wants the latter to quit backing Taiwan's autonomy, lift its import tariffs and ease chip-export curbs in lieu of access to Chinese rare earths, while America seeks a bilateral trade balance that evokes eyerolls from economists. It is true that Beijing deployed a statist catapult for exports, just as tech superiority based on AI advances and silicon heft could spell a strategic edge in various theatres of war. But White House envy of central planning is not evidence of it being the better economic model. While we watch this geo-rivalry play out, we must resist viewing it through the reductive prism of silicon wafers. Let's think different. Think economics.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Radical emission cuts will harm food security across the planet

Reducing the use of fertilizers made from hydrocarbons will reduce farm output and spell hunger



BJORN LOMBORG
is visiting fellow at Stanford University's Hoover Institution

For years, climate campaigners have claimed that our food supply is under grave threat from climate change caused by excessive fossil fuel use. Ironically, the war in West Asia is highlighting that the much bigger food challenge for the world is not having enough access to fossil fuels.

Today, half of all the calories we consume are only possible because they are produced with artificial fertilizers, overwhelmingly from natural gas. Without fossil fuels, half the global population would suffer a severe lack of food.

The conflict in West Asia and blockade of the Strait of Hormuz are not just driving up global energy prices. About a quarter of the world's fertilizer normally passes through the strait, and the impasse is holding back much of the fertilizer that could help grow the food needed to feed the world. The UN estimates that this could drive up fertilizer prices 15-20% and push at least another 45 million people into acute hunger.

Yet, for the last few decades, we've been told *ad nauseam* that fossil fuel use behind global warming was the big challenge to the world's food supply. That claim is almost entirely wrong.

This climate-apocalyptic argument was only ever given any attention because we lost sight of the marvel of one of humanity's greatest achievements in the modern age: our ability to tackle food security.

Over the past 125 years, food has become dramatically cheaper and more abundant, thanks to soaring productivity and innovation. Far from a looming apocalypse, the data reveals a story of remarkable progress, with climate change posing only a relatively minor hurdle. If anything, radical emission cuts risk making food scarcer and dearer for the world's most vulnerable.

Consider the arc of history. In 1928, the League of Nations estimated that more than two-thirds of humanity endured constant hunger. Today, fewer than one in 10 people worldwide go hungry—a rate that dipped below 7% before disruptions like covid and Russia's invasion of Ukraine.

This isn't luck; it's the result of humanity quintupling cereal production since 1926 while more than halving global food prices in real terms. Incomes have surged, lifting billions out of extreme poverty and enabling families to afford more nutritious meals. This has kept more than four billion people from starving, a testament to agricultural ingenuity and growth.

Even now, positives abound. The UN's April forecast points to another record-breaking global harvest for 2025-26 because crops were already planted before the energy crisis.

Still, there are concerns for the next season. Roughly 670 million people still suffer from food insecurity. In regions like sub-Saharan Africa, where crop yields lag global averages, the barriers are clear and should be surmountable: poor yields, subsistence farming and most importantly, lack of fertilizer, pesticides and mechanized handling.

Yet, Western NGOs and campaigners, well-fed but overly-worried about climate change, have railed against artificial fertilizers because they are fossil fuel-based. Backed by rich donors and foundations, they blithely suggest that Africa should go organic, despite evidence showing this reduces harvests and food security. When Sri Lanka went organic in 2021, rice yields, the country's staple food, plunged over 30% with other crops showing massive declines.

Climate activists paint a dire picture of rising temperatures devastating crops and fuelling famine, but they are mostly wrong. Climate change will alter farming conditions, benefiting some areas and challenging others, with a net negative but negligible impact. One peer-reviewed study equates the effect on agriculture to shaving less than 0.06% from global GDP by the century's end. Carbon dioxide (CO_2) is also a natural fertilizer. Elevated CO_2 levels have greened the planet, adding leaves with an equivalent area larger than the continent of Australia since 2000 alone.

Without climate change, global food calories are expected to rise 51% by 2050 from 2010 levels. Even under an extreme warming scenario, global food calories would still rise, just slightly less at 49%. Drastic emission cuts are a bad policy if we want to boost food security. Climate policy is a blunt, expensive tool: Even aggressive action takes decades or centuries to measurably affect weather, costing hundreds of trillions while boosting calorie availability by under 0.1%. Prioritizing economic growth, by contrast, is over 100-times more effective, increasing food access by more than 10% in years, not centuries.

And emission reductions harm food production more than climate change. They inflate costs for fertilizers, tractor fuel and land, pricing out small farmers. Naïve models often overlook that, but careful research clearly shows that a low-emission future with high carbon prices overall means 50 million more people hungry by mid-century.

The lesson from today's geopolitical shocks is clear: food security depends less on distant climate projections than on reliable access to energy and agricultural inputs. If the goal is to reduce hunger, especially in poorer regions, the priority should be to make fertilizer more accessible—not restricting the very resources that make large-scale food production possible.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

The job wait for India's young is likely to get even longer

VIDYA MAHAMBARE & ASRAR ALAM



are, respectively, Union Bank Chair professor of economics, Great Lakes Institute of Management, and associate fellow, National Council for Applied Economic Research.

India's unemployment debate is missing a crucial dimension: time. Time spent waiting is a loss at any age, but especially so in one's youth. For both the individual and the country, it is a loss of prime productive years.

Last year, 11.6 million Indians in their 20s were unemployed and about 6.8 million of them had been job hunting for over a year. The long wait may not necessarily reflect a shortage of jobs, but a mismatch between the jobs on offer and what young Indians aspire to. These numbers understate the full picture: another 78 million in the same age group were not looking for work at all as per our estimates based on the Periodic Labour Survey data for 2025.

In Rajasthan, Assam, Jharkhand, Odisha and West Bengal, two-thirds or more of unemployed young adults in their 20s were looking for work for over a year. In Bihar, Punjab, Uttar Pradesh, Andhra Pradesh and Telangana, more than half of unemployed young adults were in the same category.

In Maharashtra, Tamil Nadu and Gujarat—states with diversified manufacturing and services economies—unemployment durations under and over a year split roughly evenly. Kerala shows a similar pattern, though possibly for different reasons: many young people may have already migrated to other states and abroad.

In terms of the overall unemployment rate, about 10% of young Indian adults in their 20s were unemployed last year. This does not include around 40% who were not even looking for a job.

Unexpectedly, states like Uttar Pradesh, Bihar and West Bengal have lower-than-average unemployment rates among people in their 20s. However, this does not necessarily reflect labour market success. Poverty forces people to take up whatever work is available.

The states with the highest young adult unemployment are not the poorer northern states, as one might expect. They include Tamil Nadu, Telangana, Andhra Pradesh, Punjab and, unsurprisingly, Kerala, all with 13-18% of young adults unemployed. Also, some prosperous states such as Gujarat, Maharashtra and Karnataka have lower young adult unemployment rates, with Gujarat recording the lowest at 2%.

In states where a higher proportion of young women are looking for work, the labour market fails them most visibly. For example, in Kerala, 41.5% of young women are in the labour force, and about 30% of them were unemployed last year, compared with just over 12% for men, among whom labour force participation is higher.

Other southern states such as Tamil Nadu, Andhra Pradesh and Telangana show double-digit gender gaps in unemployment rates. In Bihar, Haryana and Uttar Pradesh, where female economic participation is lower (less than 25%), the gender gap in unemployment is narrow, only because so few women are seeking work.

As AI pushes suitable jobs even further away, who can they count on for interim support?

The most concerning fact, set to get worse with the advent of AI, is that as education levels rise, so does the unemployment rate. The wait is set to get longer as well. This is also the main reason for higher rates of joblessness seen among young adults in some of India's relatively prosperous states.

Among the young adults who are not currently in education, graduates account for one-fourth. However, they account for two-thirds of the unemployed. The graduate unemployment rate is 23.6%, more than twice the overall rate of about 10% in this age bracket and five times the secondary-educated joblessness rate of 4.3%. Among those with engineering degrees, the largest group among highly educated young adults, 25% were unemployed in 2025.

In an AI world, what kinds of jobs will be created and what skills should young people acquire? In an article in 2023 in *Mint*, one of the authors of this article wrote, "The ability to code is a top-rated skill today. It will soon be replaced by skills that are more challenging to acquire... Resourcefulness, integrative thinking and articulation are likely to become far more valuable and necessary than basic coding and programming." This remains true. The same will hold for skills such as marketing, sales and negotiation, areas where judgement and persuasion matter more than the process.

Young people will need to acquire more than a degree. Building genuine expertise in a core discipline—pure sciences, mathematics or psychology—demands skills of understanding that a degree does not provide. Employers today have little patience for the gap between the two. They may well hire experienced people in these fields.

The structure of most Indian schools and colleges lets students choose only narrow streams, leaving combinations such as mathematics with psychology or marketing largely out of reach. What the evolving labour market will ask for, however, is precisely the kind of integrative thinking that rigid disciplinary boundaries work against.

The employment outlook is sobering. The availability of decent-paying jobs, entry-level coding and similar work is shrinking, which will push down wages. Young women will likely be hit hardest. In households where someone must give up the job search, it is rarely the man. If the financial return does not justify the effort and time, women will be the first to stop looking for a job.

Returning to where we began: the length of the job search, already long, is set to grow longer and not only for women. As the wait extends, perseverance and patience will become essential virtues. The big question is whether families, society and policy can support young people through it.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW



AFP

Indian policy could help conserve transport fuel

The PM has called upon Indians to reduce demand where possible, a must in today's times. Needed no less are a clutch of policy moves to hasten an energy shift away from crude oil

Prime Minister Narendra Modi's call urging people to reduce their use of transport fuels is indeed a need of the hour, given the turmoil in West Asia. Our heavy dependence on imports of crude oil, the raw material for what most motor engines burn, means that India's policy cushions are wearing thin. The government has thus far used state-owned fuel retailers to absorb much of the oil shock since the end of February, when the Iran war began. It was a choice born of a political calculus, not of economic merit. Retail price hikes could have risked adverse public opinion ahead of polls in four states. Modi's weekend advice could help lay the ground for the government to get its foot off the brake pedal and let oil retailers raise consumer prices in line with global energy costs. His behavioural nudge is well aimed, as fuel demand clearly needs to drop. But it's hardly enough.

For one, the government needs to fast-track initiatives designed to improve electric mobility on our streets, the share of which hovers in single digits. Manufacturing incentives are in place, no doubt. But we need quick gains in the density of charging facilities to boost range confidence among would-be buyers. The viability of a network's roll-out, however, depends on electricity tariffs charged by state governments, which set retail rates. Given the poor health of distribution utilities under them, charging-station bills often cross-subsidize other segments like household users. To solve this problem, the Centre should deploy a mix of financial inducements in aid of power reforms and insist on moderate tariffs under regulatory oversight. This could catalyse the penetration of electric vehicles (EVs), as such networks could promise EV makers larger volumes on which operational scale could crush costs even as thinner margins enable profit inclines. This might help EVs outsell fossil fuel rivals. Passenger vehicles account for not just all the petrol guzzled in India, but also around 5% of diesel. And this is the elephant in the room that could become a camel in the tent (with no respect for price pegs). About 40% of all the petroleum products we use is diesel, 55% of which is used by cargo trucks. This market is fragmented among small fleet owners with operations that are short of efficiency and given to fuel overuse. Road cargo has an edge over rail conveyance chiefly for point-to-point convenience, but now that our major rail links have gone electric, a shift off tarmac onto steel would serve us well. While the Railways has special freight corridors for bulk carriage, it must use this oil crisis as a chance to compete for an enlarged chunk of the country's long- and medium-distance traffic. To hasten this, the system needs greater private participation. A similar campaign for a mass rail-ward shift of travellers from air and road options could help reduce our hydrocarbon imports too.

Within cities, employers must do their bit to help save fuel via work-from-home, car-pools, mass transit systems and so on. Policy wise, the government should open up as many pathways to clean energy as it can. In many cases, rail travel should get priority over air connectivity, given the fossil-fuel intensity of flights. Hub-and-spoke route options could be fuel-optimized as part of India's infrastructure build-up. Air, road and railway hubs can be designed in cohesive ways that minimize our exposure to supply shocks and also bring our net-zero target for carbon emissions closer.

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

India's wait for an investment resurgence is turning endless

If tax relief and fiscal spending have not helped so far, what will?



MIHIR SHARMA
is a Bloomberg Opinion columnist.



India has been short of private investment for many years now. ISTOCKPHOTO

Indian business rarely does exactly what the government wants it to. For the past decade or so, for example, it has obdurately refused to invest as much as officials think it should.

Last week, chief economic advisor V. Anantha Nageswaran said that profits for the 500 largest publicly traded companies had grown by over 30% a year since the pandemic, "but still, our overall capital formation rates from the private sector have been disappointing."

Nageswaran is not the only one complaining. India's finance minister Nirmala Sitharaman publicly wonders every few months why corporations seem so unwilling to invest. She has repeatedly pointed out that she has lowered taxes, cleaned up banks' balance sheets, tried to support consumer demand, spent public money on infrastructure—yet is puzzled why companies haven't responded.

The government is right to be worried. After all, if companies don't invest, the economy won't expand.

It has correctly identified the biggest roadblock to higher growth—low investment—if not why it exists. The numbers they're looking at aren't a state secret: Back in the boom years more than a decade ago, capital expenditure was over 40% of GDP. It's down by about 10 percentage points on average since then.

And that's including ever-increasing amounts of public investment. New Delhi, lacking confidence in the corporate world's appetite for expansion, has felt it necessary to pick up the slack. Consequently, total investment in productive assets dropped by 2023-24 to a decadal low of a third. Growth in recent quarters has been high—around 8%. But that's been largely thanks to big tax cuts for consumers as well as moderate inflation: both have run out of steam.

But the government still hasn't figured out why the private sector isn't following its instructions to lift capital expenditure.

Nageswaran's own explanation has a certain satisfying Gen Z-friendly punch: He seems to blame nepo babies. The problem is second- and third-generation owners who "chose to accumulate those cash profits and probably set up family offices elsewhere rather than investing in real assets on the ground." He is reflecting the frustration that many in government feel. Sitharaman also accused India Inc last year of "sitting on passive investible funds" rather than trying to expand.

Certainly, the closely held, family-run character of many of the country's largest companies means that they tend to prioritize safety rather than experimentation. In many other, more dynamic economies, family businesses worry about going, as an old saying has it, from shirtsleeves back to shirtsleeves in three generations. The grandparent might have climbed out of the sleeves-rolled-up, struggling middle class and built a corporate empire, but the grandchild might well take the family back down again. India's far more closed, less entrepreneurial corporate culture might well mean that the younger generation isn't threatened enough to lose the company—and will find it easy enough to delegate the unexciting task of management while setting up a family office in Dubai or somewhere.

Taking on the social basis of India Inc, dominated as it is by clan, caste and family links, isn't something that any government feels comfortable doing. But at the very least, they shouldn't make business feel more threatened, and thus risk averse.

Yet that's what has been happening. The real reason India's richest don't want to invest domestically—and, possibly, why they take some of their cash abroad—is because they estimate local political risk as being too high. They might be hit by a hefty and unpredictable tax bill or fall afoul of mercurial politicians. If they earn money in India, their first instinct is to try and diversify geographically, so they escape New Delhi's control as much as they can.

Their skittishness has infected many foreign companies as well. In January, foreign direct investment in India was $5.67 billion, but $4.92 billion worth of profits were repatriated. Indian companies' outward investment was $2.14 billion. After all, if people who grew rich in India aren't happy re-investing there, why would multinationals?

Policymakers keep asking why companies aren't expanding their domestic operations because they don't like the answers they're getting. Tax cuts and fiscal stimulus are great and nobody ever turns them down. But what corporate India really wants is administrative, judicial and political predictability. They want freedom from fear. They don't want to feel that their liberties and livelihoods are dependent on the whims of New Delhi.

Waiting for that freedom, capital has gone on strike. To lure it back, the government would best consider finally granting them some autonomy. ©BLOOMBERG

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

India's labour market is undergoing a structural shift

SOUMYA KANTI GHOSH



is a member of the 16th Finance Commission, member of the Economic Advisory Council to the Prime Minister, and group chief economic advisor, State Bank of India.

The latest Periodic Labour Force Survey (PLFS), a much-improved version from earlier ones, reveals how India's labour market is undergoing a structural transformation. Many defining features emerge from the latest annual report using the unit level data to estimate for the first time.

First, while agriculture remains India's largest employer, engaging nearly 43% of the country's workforce in 2025, its share in total employment has steadily declined from 66% in 1987-88, indicating a broad and long-term shift of workers towards non-agricultural activities.

Second, in 2025, 14.5% of India's workforce had access to substantial capital and scale economies through employment in firms with more than 20 workers. Encouragingly, this represents a notable improvement from 10.8% in 2024, reflecting the government's emphasis on strengthening the manufacturing sector and expanding formal job generation. Recent policy initiatives, especially the production-linked incentive scheme covering 14 critical sectors and provisions for skill acquisition and upgradation, represent important steps in this direction.

Third, skill development and training are playing a major role in improving employment quality and expanding economic opportunity. Specifically, government-funded training for women, relative to other paths of sharp development, is associated with a 5.8% increase in their probability of self-employment. This suggests that public investment in skill development is not only improving employability but also enabling women to participate actively in entrepreneurial and income-generating activities.

Fourth, government initiatives aimed at strengthening women's participation in the economy is paying dividends. Our estimates indicate that women who are household heads are associated with a 4.4% higher probability of being employed in regular wage work. The rural-urban decomposition makes this trend even more pronounced, with female headship in rural areas reducing the probability of casual labour by nearly 5%. It is no coincidence that women account for nearly 69% of Mudra loans and 55% of Jan Dhan accounts, while under the PM Awas Yojana (urban) 2.0, about 96% of sanctioned houses are in the name of a female head of the household or under joint ownership.

Fifth, while the global youth (15-24 age group) unemployment rate is estimated at about 12.6% in 2025, according to the International Labour Organization, the youth (15-29 age band) unemployment rate in India is 9.9%, as found by PLFS 2025.

However, the conventional measurement of youth unemployment in the 15-29 age group as done by the PLFS does not capture the underlying structural transformation taking place in India's economy. A large proportion of individuals in this age bracket continue to pursue higher education, technical training and skill development, which temporarily keeps them out of employment. According to the All India Survey on Higher Education (AISHE), more than 44 million students are enrolled in higher education. The PLFS report notes that in the 15-29 age group, 37.9% of India's population was in formal or non-formal education or training over the previous 12 months.

Survey data points to a set of forces that could expand options and give the workforce more resilience

Interestingly, once we estimate the unemployment rates for the country's 30-plus population, for rural males, it declines to 0.78% compared to the PLFS joblessness rate of 2.6%; for urban males, it falls from 11.8% in the PLFS to about 2.26%.

Sixth, among all social categories, Scheduled Caste (SC) women emerge with a statistically significant lead on regular wage employment, with a 5.4% higher probability of being engaged in regular work. This points to a gradual broadening of access to formal and stable employment opportunities across sections. Female participation in regular wage employment within the transport sector is significantly higher relative to men, which indicates the emergence of new occupational opportunities beyond traditional sectors.

Seventh, despite gradual improvement in employment generation and workforce diversification, interstate disparities persist in minimum wage compliance among casual workers. The evidence suggests that a significant proportion of workers in several states still receive wages below the statutory minimum levels. Thus, states must implement the Minimum Wages Act strictly.

It is heartening that India has implemented the four Labour Codes passed by Parliament. Stringent labour laws have for long deterred Indian entrepreneurs from entering labour-intensive industries, which are crucial for creating a vast volume of job opportunities at decent wages. With these laws being implemented, it would be feasible for states to undertake further reforms in this area.

To conclude, India's labour market today reflects an economy in transition: it is gradually moving from agricultural dependence to a more diversified and skill-oriented employment structure. The PLFS evidence suggests that while challenges related to informality, wage compliance and employment quality persist, important positive shifts are simultaneously underway.

India's employment landscape is not static. Rather, it is evolving in response to changing aspirations, rising educational participation and the country's ongoing structural reforms, laying the foundation for a more resilient and opportunity-driven workforce in the years ahead.

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

THEIR VIEW

Regulatory impact assessments are in need of a statutory anchor

A legal framework to assess the effects of laws and rules is an important reform for India to enact



PRADEEP S. MEHTA
is secretary general of CUTS International.

Several government committees, apart from the Niti Aayog, have asked for regulatory impact assessments (RIAs) to be institutionalized in India. The statutory backing of a legislative framework can ensure its meaningful use as a tool for assessing the costs and benefits of current and prospective regulatory measures. The inclusion of provisions related to RIAs in India's recently concluded free trade agreements (FTAs) highlights the urgency to enact a central law on such study-based reports.

Modern FTAs focus not only on border tariffs and non-tariff steps, but also on a range of behind-the-border issues that can affect trade. As a core concept, an RIA qualifies as a good regulatory practice (GRP) in trade terminology. Free trade pacts often include provisions related to GRPs and regulatory cooperation in aid of deal coherence, as regulatory mismatches can act as non-tariff barriers. Even the draft Plurilateral Agreement on Investment Facilitation for Development has an RIA provision. India has previously okayed GRP cooperation with its trade partners through broad provisions in some of its earlier trade agreements. For example, India's comprehensive economic cooperation agreement with Malaysia had identified risk management as a good practice to improve the quality and effectiveness of regulation. However, India's real tryst with GRP-dedicated chapters in trade pacts began with the India-UK Comprehensive Economic and Trade Agreement (CETA). This also marked the first standalone reference to an RIA in India's trade relations.

Under the UK CETA, both sides have recognized that RIAs may be beneficial when preparing "major regulatory measures." These measures for India cover only legislation by the central government that substantively affects bilateral trade, such as sanitary and phytosanitary (SPS) checks. In practice, they could cover central government enactments on aspects regulating human, animal and plant life, as well as health, standard-related and technical regulations (and similar subjects), many of which are administered at the sub-national levels. Yet, on the whole, the scope of RIA-covered activities is limited. Further, it provides for deference to the regulatory authorities of both partners in determining what constitutes a 'major' regulatory measure.

In contrast, the RIA provision in the India-EU FTA has broader application. Here, regulatory measures for India cover not only Union legislation, but also rules enacted pursuant to such enactments. Further, RIAs could apply to all matters covered by the FTA.

While the RIA-related provisions in both these FTAs are non-binding, they still require India to promote impact assessments among regulators while proposing major regulatory measures. These are negotiated commitments, and undertaking them in good faith is implicit as a fundamental principle of international law, even if such provisions lie outside the ambit of these agreements' formal dispute settlement mechanisms. Neither of the two new agreements is in force yet.

Overall, RIA provisions in India's newer trade arrangements offers us a fresh opportunity for a public discussion on the need for an overarching domestic RIA law. Its use in trade ties has spotlit the need for a legal framework for rule-impact assessments.

Currently, India's Pre-legislative Consultation Policy that emerged from recommendations of a panel of secretaries in 2014 is the main central-level guide for policymakers on this matter; it refers to assessments of the impact on people's fundamental rights, lives and livelihoods of planned environmental legislation. In 2024, the ministry of corporate affairs introduced a policy for pre-legislative consultation to streamline the practice of public consultation for regulation across competition, bankruptcy and other regulators. In addition, some sector-specific regulators (telecom, securities, etc) have incorporated some RIA aspects, such as stakeholder engagement and some forms of cost-benefit analysis.

The need of the hour is to systemize such policy guidance and enact an omnibus law on generally applicable RIA principles and rules. This would give India a statutory RIA anchor, both nationally and sub-nationally.

However, this should not be seen as a reactive measure to developments in India's external trade regimes. Rather, it should be viewed as a long overdue, proactive measure to advance good regulatory practice and ease the doing of business. A private member's bill, The Legislative Impact Assessment Bill of 2024, was introduced in the upper house of Parliament last year. It shows that lawmakers recognize the need for a statutory basis for laying out procedures that evaluate the impact of legislation. The government must take note.

A central law on key RIA aspects has the potential to not only make legislation and rule-making in India more optimal, evidence-based, transparent and inclusive, but also demonstrate India's commitment to its trade treaty obligations. It would be a step forward for India to reaffirm its commitment to the rule of law both domestically and internationally.

Advaiyot Sharma of CUTS contributed to this article.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW

BLOOMBERG



Diaspora dollars: useful if not taken for granted

With India's foreign-exchange reserves at $691 billion, we can breathe easy on the external front for now. Credit the Indian diaspora for some of this. But we must do our bit as well

Prime Minister Narendra Modi's call for Indians to help conserve foreign exchange in various ways, such as by holding off on foreign travel and using less fuel, made waves as news partly because it has been more than a decade since India's external sector was last under pressure. With crude trading above $100 per barrel globally, our oil imports are soaking up dollars even as exports face protectionist headwinds. Ever since war erupted in West Asia, it has been clear that its adverse effect on our balance of payments (BoP) would need to be kept under watch. Now that Indian residents have been asked to help keep the country's forex expenses low, it is hard to estimate the reduction that may follow. Thankfully, in such times of flux, the Indian diaspora has usually stood by us, providing a steady source of forex and aiding our BoP stability. As with many other developing countries, India typically runs a current account deficit (CAD). The latest *Economic Survey* shows how our merchandise trade deficit is offset by strong net inflows of invisibles, led by widening surpluses in service exports and private transfers. Such a deficit can be run both smoothly and justifiably if those 'extra' imports serve us well, so long as the gap is small enough for capital account inflows to finance, thus keeping the overall BoP steady. A CAD under 2.5% of GDP is usually considered safe. However, we happen to have a capital crunch too. Portfolio flows into Indian shares from abroad have been in reversal mode and net foreign direct investment (FDI) levels weak.

Prospects of an imminent recovery on the capital account look modest at best. Gross FDI inflows may have held firm through most of 2025-26, but net FDI will likely still be in single digits. Reserve Bank of India (RBI) data for its first 11 months, with provisional figures for January and February, puts the net figure at about $6.2 billion. Outward FDI and repatriations explain this, like in 2024-25, when net FDI was barely $1 billion. Net foreign portfolio investment (FPI) has fared worse, with $16.5 billion having left last fiscal year and this 'hot money' proving elusive this year too. A weakened BoP has one of two possible consequences. If left to market forces, it results in the rupee losing value in dollar terms as the exchange rate falls in accordance with relative demand (more for dollars, less for rupees). While imports made dearer this way reduce demand for imported items, the flip side of it is inflation (most acutely in essentials whose sales are relatively price inelastic). But if RBI opts to intervene by using its forex reserves to buy rupees in support of India's currency, then that adjustment does not happen. Instead, the import bill stays high and our forex buffer shrinks. What policy mix to deploy in such cases is not an easy call to take.

In all this, a silver lining has been inward remittances from India's diaspora. According to the International Organization for Migration's *World Migration Report 2026*, India was the world's largest recipient of these flows in 2024 with nearly $138 billion, a sum that has more than doubled from almost $53 billion in 2010. Mexico, the next largest recipient in 2024, was a distant second with $68 billion. At last count, RBI had forex reserves of $691 billion, equivalent to about 11 months' import cover. Our diaspora has steadily been sending money home. For this, let's be thankful. But we must not take remittances for granted. We residents must do our bit as well.

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

Tokenize sovereign debt now that the e-rupee is ready

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.

At the Global Fintech Fest in Mumbai last year, the governor of the Reserve Bank of India (RBI) announced the launch of a "next-generation financial market infrastructure," designed to "tokenize financial assets and settlements." While it received no more than a passing mention in his speech, the Unified Markets Interface he mentioned appears to be an early signpost of the direction in which the digitization of India's financial sector is likely to progress.

To understand the significance of this announcement, it is important to be clear about what a tokenized asset is and how it works. Tokenization is the process of representing a financial asset as a digital entry on a shared ledger, so that the entry itself becomes the asset, rather than a record pointing to one held elsewhere. A tokenized asset is, therefore, a digital artefact that carries within it information about what the asset is, who owns it, what payments are due against it, and the rules governing its transfer. To transfer the ownership of a tokenized asset, you need to move the entry itself.

If this sounds similar to dematerialized shares, the difference lies in the ledger. Demat shares are held in the depository's database, and when one is bought or sold, the transaction is communicated via telecom messages, and balances get settled through end-of-day reconciliations. A tokenized asset ledger on the other hand is a single digital record that multiple participants can see and update in accordance with agreed rules. As a result, different assets sit alongside each other and can be transferred between owners on the same ledger.

What would elevate this even further is if the funds used to procure these tokenized assets are themselves available on the same ledger. This is where RBI's wholesale central bank digital currency (CBDC) can play a role. The wholesale e-rupee is a CBDC issued by RBI for commercial banks to use among themselves. When this is combined with tokenized financial assets on the same ledger, transaction speed and certainty improve significantly.

To understand how this would work, let's take the example of Certificates of Deposit (CDs)—short-term debt instruments that banks often issue to quickly raise funds. Today, a buyer purchasing a CD pays for it through the interbank money transfer system, while the CD itself is transferred by a depository from the issuer's account to the buyer's account. These two transfers occur on different systems, with primary issuances settling on a T+1 basis and secondary trades on either T+0 or T+1. As a result, till settlement, both parties carry a small risk that the other side will not perform.

When a CD is tokenized, both the CD and the money used to buy it sit on the same digital ledger, so that when the trade takes place, the buyer's digital rupee moves to the issuer at exactly the same instant as the issuer's CD tokens move to the buyer. Either both transfers happen, or neither does.

RBI's CBDC could reshape finance if we let tokenized assets be traded safely and speedily on its own e-ledger

A tokenized CD can also incorporate smart contracts (code embedded directly into a token's design) that upon maturity destroy the tokenized CD and release an equivalent amount of digital rupees from the issuer's account as specified by the deal. The entire transaction can be done programmatically, with no manual intervention required, no separate depository action and no reconciliation between the parties to confirm that the trade has been settled.

Once it proves reliable and settlement risk turns negligible, the capital that today sits locked up between trade and settlement is freed. Reconciliation—which currently requires the issuer, buyer, depository, clearing corporation and trade reporting platform to each keep their own records and match them against one another's—becomes redundant. And RBI, which today can only see what external platforms report to it, would be able to monitor the whole market in real time on its own ledger.

Tokenized CDs are just one example. Once the digital rails needed are in place, government bonds, bank-issued IOUs and a growing range of other financial assets could sit on the same shared ledger and be traded the same way.

So far, our financial digitization measures have worked within the existing architecture, replacing analogue channels with digital ones. Demat platforms turned paper records into digital form. Electronic trading moved orders from telephones to terminals. UPI moved payment instructions from cheques to phones. In each case, while individual systems were made to work faster, they still had to coordinate with each other.

Tokenization is structurally different from each previous wave. Instead of merely adding a layer, it removes the gap between the asset and money by placing them on a single record. It rebuilds not just the speed of our financial system, but also its shape.

Last October, RBI quietly launched a pilot to tokenize Certificates of Deposit, settling them in wholesale digital rupees on a permissioned ledger it runs. The natural next step is the market for government securities (G-Secs). While Retail Direct widened access, the minimum lot size remains beyond the reach of most small investors. Tokenized G-Secs in fractional denominations would bring the safest yield-bearing instrument to households that today rely on bank deposits and gold. The rails are ready for the government to get sovereign debt on to them. Every previous wave of financial digitization speeded up existing systems. This one will change what they are.

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

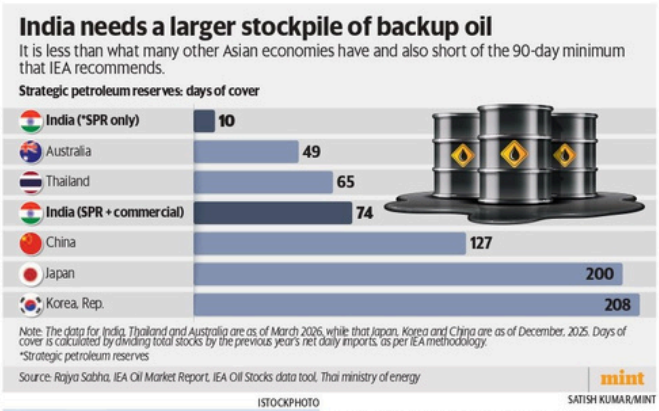
MY VIEW | ECONOMIC GRAVITY

India's 2047 clock is ticking: Let us acquire war shock resilience

Setback estimates highlight why we must expand strategic reserves, deepen fuel blending and double down on clean energy



PRACHI MISHRA
is dean of Ashoka School of Economics, director and head of Ashoka Isaac Centre for Public Policy, and professor of economics at Ashoka University.



From Liberation Day tariffs to a war in West Asia, the global economy is going through its sharpest test in years. India faces rising oil prices, a stretched current account and an ambitious 2047 growth target, all at once. India, thankfully, has the tools to respond appropriately.

The world today is more uncertain than at any point since the covid pandemic. The Daily Trade Policy Uncertainty Index, a barometer of global economic anxiety, has surged to levels not seen since 2020, driven by two successive waves of US tariffs, conflict in Eastern Europe, the Israel-Gaza war and a flare-up in West Asia since February. For an economy as well integrated into global trade and energy markets as India, both the challenges and opportunities are immediate and consequential.

Despite the turmoil, the global economy has proven surprisingly resilient. According to the International Monetary Fund's (IMF) April 2026 *World Economic Outlook*, global growth remained solid in 2025 despite these headwinds. Three factors cushioned the blow: a rollback of reciprocal tariffs and a new wave of bilateral trade deals; accommodative monetary conditions as major central banks eased policy; and a sustained surge in AI-related capital expenditure on semiconductors, servers and data-centre infrastructure.

The outbreak of the West Asia conflict in early 2026 has introduced a new and sharper complication: an adverse commodity supply shock. Energy prices, which were already elevated, have spiked further, roughly 37% above their 2024 fourth-quarter baseline by early 2026, with precious metals also rising sharply as a safe-haven play. Depending on how long the conflict persists, the global growth outlook for 2026 could slip from 3.1% to as low as 2.0% in a severe scenario, while headline inflation could spike to nearly 6% worldwide.

For India, the near-term effects span three direct macro-economic dimensions: fiscal, inflationary and external. The Union budget for 2026-27 targets a fiscal deficit of 4.3% of GDP, a credible consolidation path. But that arithmetic assumed an Indian crude basket price of around $69 per barrel of oil. With Brent crude running at $125 or more, every line of the budget's energy-subsidy allocation will be tested: fertilizer subsidies rise as liquefied natural gas (LNG) and urea spot prices surge, liquefied petroleum gas (LPG) support costs rise and the dividends of oil marketing companies (OMCs) shrink.

Scenario analysis conducted by Isaac Centre for Public Policy (ICPP) suggests that if the disruption lasts only through June 2026, the Centre's fiscal deficit widens to 4.49% of GDP, which seems manageable. If it stretches to September, we reach 4.69%. A disruption through December 2026 would push the gap to 4.99%, adding roughly ₹2.6 trillion to the budgeted figure, nearly 0.69 percentage points of GDP. This is a meaningful but manageable deviation from India's consolidation path, one that calls for careful prioritization across subsidy support and capital expenditure.

ISTOCKPHOTO



On inflation, the Reserve Bank of India's (RBI) pre-war baseline assumed retail inflation at 4.5% for 2026-27 with Brent at $70 per barrel. Its post-war reference scenario, with partial pass-through to retail prices, nudges that to 4.6% at $85 Brent and 5.0% at $95. ICPP modelling, assuming that the Indian basket averages $120 per barrel through the year and 50% pass-through to pump prices, puts inflation close to RBI's upper tolerance band at 5.48%. The government faces a classic trilemma: protect consumers by absorbing costs on the fiscal side, protect the fisc by passing costs along to consumers and accepting higher inflation, or ration demand through administrative means. Each path involves trade-offs.

India's pre-war current account deficit was a benign 1.1% of GDP. ICPP scenario analysis projects that this could widen to 1.67% if the disruption ends by June, 2.27% by September, and 3.12% by December 2026—above sustainable levels estimated by Rangarajan and Mishra (in 2013). Remittances, historically a crucial buffer for India, also warrant monitoring: IMF research suggests that a sharp rise in regional uncertainty could reduce flows by around 22% for every unit of increase in the foreign uncertainty index, underscoring the value of India's diplomatic engagement in the Gulf.

All of this plays out against a longer-run backdrop that makes energy resilience a strategic imperative, not a policy option. India's GDP per capita stands at roughly $2,700 today. Reaching high-income status by 2047, the stated Viksit Bharat goal, requires nominal GDP per capita in US dollar terms to grow at around 8% annually for the next two decades. Achieving that requires, *inter alia*, building buffers against energy disruptions.

Three structural priorities stand out. India's strategic petroleum reserves (SPR) cover only 10 days of net imports, a fraction of Japan's 200 days or South Korea's 208. Even including commercial inventories, our total of 74 days is short of the International Energy Agency's 90-day benchmark. Urgent SPR expansion is among the cheapest insurance policies available. By government data, India's ethanol blending programme, which reached 20% in 2025 five years ahead of schedule, has reduced imports of crude by 23.9 million tonnes (about 176 million barrels), and saved ₹1.4 trillion in forex over the past decade or so. Fuel blending has trade-offs of its own, but on balance it is a net positive for energy security and rural income. India's electric vehicle (EV) transition and renewable electricity build-out, with EVs now at 8% of new vehicle sales and renewables at 25% of electricity generation, are directionally correct and need to be accelerated.

India enters this period of heightened global uncertainty from a position of relative macro-economic strength, equipped with the policy tools to manage what lies ahead. Policymakers will need to navigate a careful path that could optimally protect growth, contain inflation and maintain fiscal credibility. The short-run choices are indeed hard. But the medium-run lesson is amply clear: a country with Viksit Bharat ambitions has every reason to build structural resilience against commodity shocks.

Expanding strategic reserves, deepening India's ethanol programme, accelerating the EV transition and scaling renewable energy are investments in growth, stability and security.

The Isaac Centre for Public Policy team contributed to this article.

These are the author's personal views.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

Markets must put a price tag on the climate risks that firms face

They react quickly to shocks but tend to underestimate heavy-impact threats that emerge slowly



SOUMYA SARKAR
is an independent expert based in New Delhi, Kolkata and Odisha. Twitter: @scurve Instagram: @soumya.scurve.

Investors in Indian markets react instantly to quarterly earnings, oil prices, elections or monetary policy signals. A weak monsoon can move food stocks. A geopolitical crisis can rattle the rupee within hours. Yet climate risk, one of the biggest long-term threats to India's economy, barely shows up in how markets price companies and assets. This is becoming harder to justify.

India is among the world's most climate-exposed major economies. Heatwaves are getting longer and more extreme. Floods are becoming more frequent and expensive. Water stress is worsening across industrial regions. Coastal infrastructure faces rising risks.

These are no longer distant environmental concerns. They are business risks that have already started affecting their operations, supply chains and productivity.

The World Bank has repeatedly warned that climate change could affect labour output, agriculture, infrastructure and living standards across India. The Reserve Bank of India has acknowledged that climate-related shocks can threaten financial stability. Yet Indian markets still behave as though these risks sit somewhere in the distant future.

Consider the disconnect. A factory operating in a water-stressed industrial cluster may still attract capital at roughly the same cost as one with more secure access to water. Real-estate projects in flood-prone cities continue to command premium valuations. Ports, power assets and logistics networks exposed to rising climate threats often face little visible market penalty.

Even insurance and banking stocks, despite their increasing exposure to weather-related losses, are rarely discussed through the lens of climate vulnerability.

This is not because investors lack information. India now has expanding sustainability disclosure rules for listed companies through market regulator Securities and Exchange Board of India's (Sebi) Business Responsibility and Sustainability Reporting framework. Large global investors are also paying closer attention to supply-chain exposure, emissions and physical climate threats.

Around the world, central banks and regulators are beginning to ask whether financial systems are underestimating future losses linked to climate change. What has emerged is that there is still a large gap between disclosure and actual pricing.

Indian markets continue to treat many climate shocks as temporary disruptions rather than structural financial risks. A flood that shuts down production is seen as a 'bad quarter.' A heatwave that reduces worker productivity is viewed as a seasonal problem. A drought affecting water-intensive industries becomes a short-term operational issue. Markets absorb the event and move on. But the problem is that these shocks are becoming more frequent, more expensive and more interconnected.

India's growth story depends heavily on climate-sensitive sectors. Manufacturing relies on water and stable temperatures. Agriculture supports millions of livelihoods and consumption patterns. Ports and coastal infrastructure are central to trade ambitions. Construction and real estate are deeply exposed to heat and flooding. Banks and insurers are tied to all of them. When climate pressures intensify, the impact will not remain confined to environmental damage. It could begin affecting loan books, insurance payouts, asset values and corporate earnings in more visible ways.

This is where the risk for investors lies. Markets are usually very good at reacting to immediate shocks. They are far less comfortable dealing with slow-moving threats that build over years before suddenly becoming impossible to ignore.

Financial history is filled with examples of risks that markets dismissed until repricing arrived abruptly. Look at the past instances of housing bubbles, bad loans and overvalued technology stocks. Climate exposure may become another such blind spot, especially in countries like India where physical risks are unusually high.

The eventual trigger may not even come from within India. It could come from global supply chains demanding tougher environmental standards. It could come from insurers sharply increasing premiums in vulnerable regions. It could come from foreign investors becoming less willing to finance exposed assets without higher returns. Or it could simply come from repeated climate disasters making losses too large to overlook. By then, the repricing could become rapid and painful.

None of this means Indian markets should panic or abandon climate-exposed sectors. India will continue to build infrastructure, expand manufacturing and urbanize rapidly. But investors need to start asking harder questions about resilience, adaptation and long-term exposure instead of just assuming that climate disruption will remain manageable forever.

The danger is not that Indian markets are talking too much about climate risk. It is that they are still behaving as if it barely exists.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW

ISTOCKPHOTO



Tokenize gold: it could help unlock idle capital

Gold's appeal in India can't be contested. To reduce imports and put local hoards to economic use, tokenized gold trading on RBI's e-rupee platform may be an idea whose time has come

Prime Minister Narendra Modi's nudge to resist gold purchases has been followed up with a policy disincentive. On Wednesday, the Centre more than doubled import duty on the precious metal to an effective rate of 15% from 6%. The objective is to deter local buyers by making gold more expensive, so that imports reduce and ease pressure on India's balance of payments, burdened as it is by a war-inflated oil bill. After crude, gold is India's second largest import by value; fiscal 2025-26 saw over 721 tonnes of it shipped in. Although this was a 5% dip in weight, a price upshoot spelt a 24% spike in our forex outgo—to almost $72 billion. No wonder the government wants to curtail shipments, an aim that weak capital inflows lend extra urgency to. But tariffs are a blunt tool that could have unforeseen effects. Duty evaders could hunt out illegal channels, for example, and 'gold trips' to Dubai might mask forex spending on the same stuff as leisure. But then, since duty barriers have been used in the past (even in the post-covid era as a temporary measure), we can assume New Delhi is aware of those risks. Indeed, policy efforts have long been made not just to lighten the shiploads we import, but to 'dematerialize' gold as a way to unlock its value for productive use. It is a proven store of value, no doubt, but unlike a financial asset, it yields no return or income for investors since the money invested in it turns idle from the economy's point of view.

In 2015, India tested a gold monetization scheme designed to draw jewellery, coins and bars out of homes into banks in lieu of interest payments. Like earlier gold deposit packages, it made little headway. As the same items could not be retrieved, heirlooms got lost. Instead, ornaments need to be pawned the old way, as seen in the gold-loan boom. Around the same time, India also test launched sovereign gold bonds (SGBs), which offered investors an annual interest of 2.5% on the principal over and above the gain in gold's market price over their tenure. This device gave households a chance to diversify their asset portfolios to gold without any need of imports. Yet, it was a blow to the exchequer, which had to bear the brunt of price escalation over that period. New tranches of SGBs have not been offered. Of course, other 'demat' forms of gold exist, some of them actively traded. Meanwhile, research suggests that India's mass relationship with gold has evolved for its role in financial security—as a fallback—to slowly outweigh its cultural appeal. Even if ornamental use and ritual buying endure, it may be getting easier to convince homes to part with their physical stock. The actual glitter of what's kept safely within reach is hard to replace as an assurance, but that's exactly why trust is a key enabler.

It's also why the digital ledger technology that underpins the Reserve Bank of India's (RBI) e-rupee project could plausibly be used to attract gold and its investors. All that RBI would need to do is tokenize the metal. Ideally, it should first make digital tokens—think of crypto-type coins that serve as proof of ownership—out of financial assets like government bonds, so that retail investors can trade these swiftly and safely under its supervision. But RBI could also issue e-tokens against gold deposits, thus minting digital coins for households to trade and invest in (like other assets). A safekeeper doesn't get more trustworthy than the central bank. Since RBI has its own bullion, it could explore various low-risk models.

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 | STAT-CRAFT

The nation's gold challenge is no longer cultural—it is structural

In much of India, it's part of the household financial playbook. This may make gold easier to mobilize for financial resilience



RAJESH SHUKLA
is managing director and chief executive officer of People Research on India's Consumer Economy.

AFP



India's relationship with gold is entering a new phase. For decades, gold was viewed largely as a macroeconomic problem, a major import that widened the current account deficit and increased dependence on volatile foreign capital. But the global environment has changed sharply. Today, gold sits at the intersection of geopolitics, household finance, inflation, currency stability and economic resilience.

The question is no longer whether Indians buy 'too much' gold. The more important question is whether India can redesign its gold economy for an era of prolonged global uncertainty. That shift matters because the world economy itself is becoming structurally more volatile. Wars in West Asia and Eastern Europe, supply chain fragmentation, shipping disruptions and energy insecurity have created what economists increasingly describe as a "higher risk global order." In such periods, gold traditionally serves two functions simultaneously: as a global safe-haven asset for investors and a safe store-of-value for households seeking to protect savings against uncertainty.

India is uniquely exposed to both these forces. As one of the world's largest importers of crude oil and gold, the country remains highly sensitive to global commodity shocks. Higher oil prices worsen inflation and pressure the rupee. Rising gold prices create another layer of vulnerability because India imports hundreds of tonnes of bullion annually, making gold one of its largest non-oil imports. But unlike oil, gold imports are not merely a consumption story. They are deeply tied to household savings behaviour, and that is what makes India's gold challenge structurally different.

Recent PRICE research based on a nationally representative survey (ICE 2022-23) of more than 43,000 households across 25 states and Union territories shows just how deeply gold is embedded in India's economic system. More than 85% of Indian households own gold in some form. Ownership cuts across income groups, geographies and social categories, challenging the assumption that gold is primarily a luxury asset.

The reason is simple: for millions of households, gold performs functions that formal financial systems do not fully replicate.

The survey shows that lower middle-class households earning below ₹10 lakh annually continue to prefer gold alongside fixed deposits, Life Insurance Corp policies and Public Provident Fund investments because they prioritize stability and capital protection over high returns. Even wealthier households, despite greater exposure to equities and real estate, tend to hold gold as a portfolio diversifier and uncertainty hedge.

In effect, gold acts simultaneously as savings, collateral, emergency liquidity, inflation protection and inter-generational wealth transfer. In many rural and semi urban households, it functions as a decentralized financial security system.

That explains why gold demand has remained remarkably resilient despite financial market deepening. The survey notes that after 2016's demonetization, 2017's GST implementation and the 2020 covid shock, nearly 75% of households continued to buy gold. More importantly, nearly 80 to 90% of motivations behind gold ownership are financial (from security and liquidity to collateral value and long-term savings), while cultural and status considerations play a secondary role.

This distinction is critical because it changes how gold demand should be understood. In much of India, gold is not simply discretionary consumption. It is household level financial infrastructure.

The nature of the market reinforces this reality. More than 85% of gold transactions are through cash payments, particularly among lower- and middle-income households. Purchase decisions are driven more by trusted jewellers, family networks and personal experience than by institutional certification or formal advertising. This has created a trust-based gold ecosystem that formal financial products have struggled to replicate.

At the same time, gold remains deeply woven into India's social economy. Around 60 to 70% of gold purchases are linked to weddings and festivals, making demand relatively price inelastic and seasonally concentrated. Jewellery is the dominant form of ownership, though coins and bars are increasingly viewed as investments. During periods of stress, households continue to monetize gold primarily through local jewellery shops rather than formal financial institutions because they offer speed, familiarity and easier liquidity.

This is where India's gold economy presents both a challenge and an opportunity. The first is macroeconomic. Large gold imports increase external vulnerability, especially if geopolitical instability raises oil prices, weakens currencies and disrupts global trade flows. In a more fragmented global economy, such vulnerabilities are harder to manage. But the opportunity is equally significant. India is estimated to hold one of the world's largest privately owned gold stocks, much of it lying outside formal financial intermediation. If even a portion of these holdings could be integrated into the formal economy through trusted monetization systems, India could reduce import dependence while expanding domestic liquidity.

That is why the next phase of policy is likely to focus less on discouraging gold ownership itself and more on redesigning systems around household behaviour.

India already has the foundation of such a framework through sovereign gold bonds, gold exchange traded funds, hallmarking reforms and the Gold Monetisation Scheme. Yet adoption remains uneven because physical gold still offers advantages that financial substitutes do not fully replicate: universal acceptance, emotional ownership, informal liquidity and, above all, trust.

The challenge, therefore, is not eliminating gold from household portfolios but integrating it more productively into the formal economy.

Three parallel shifts could see this transition unfold: expanding financial gold alternatives for higher income households, improving low-friction monetization systems for existing gold stocks and strengthening broader financial confidence among households. The last point may be the most important because the survey identifies trust as the basic organizing principle behind gold ownership.

Ultimately, gold's persistence tells a larger story about India's economic transition. In a world of geopolitical fragmentation and uncertainty, tangible stores of value are unlikely to lose relevance quickly. Even central banks globally have expanded gold reserves in recent years as protection against financial volatility and sanctions-related risks. For India, the long-term goal is unlikely to be a complete reduction in the importance of gold. The larger challenge will be integrating gold more productively into the formal economy while reducing the external vulnerabilities associated with large-scale imports.

Gold is no longer merely a commodity or cultural asset today. It is becoming part of the architecture of economic resilience.

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 | ACUTE ANGLE

Why reports of Dubai's death are greatly exaggerated

SANJOY CHAKRAVORTY



is a professor of geography, environment and urban studies and director of global studies at Temple University.

The doomsday drumbeat about Dubai's imminent death began within days of American attacks on Iran and the latter's retaliation against the UAE and other US allies in the Gulf. Leading global media outlets ran roughly similar stories on the loss of Dubai's "safe haven" identity, a scramble to leave by the uber-rich class that the city had attracted in the past two decades and its falling property market and decimated tourism economy. "Could this be the end of Dubai?" asked the *New York Times*. "The shine has been taken off: Dubai faces existential threat," wrote the *Guardian*.

While there is no doubt that the Iran war has been a shock to the whole region—even the whole world in some ways, India very much part of it—these alarmist stories are a rush to judgement, possibly spiced with a pinch of *schadenfreude*. Dubai the upstart, Dubai the absurd, has been put in its place, and deservingly so. Once Western millionaires leave with their money, nothing will be left of Dubai because the city is nothing but a shell without them. A closer look at what makes Dubai tick would lead to a rather different conclusion. And any reasonable sense of world history in which ruined cities like Tokyo, Berlin and Saigon have bounced back stronger than ever should make us think more seriously about cities and what makes them resilient, even indestructible. The rush to judgement is the outcome of a biased, perhaps racist, elevation of style over substance.

The dominant image of Dubai in the Western media is as the playground of a footloose global millionaire class that is attracted by its absence of personal income, capital gains and inheritance taxes and the prospect of living in fantasy settings like Palm Jumeirah or the world's tallest building, Burj Khalifa. Dubai does have millionaires, 81,000 of them, about the same number as Frankfurt, Houston, Zurich and Dallas. For context, New York City has 384,000 and Mumbai 51,000. I have not seen any claim that any of these cities is dependent on the presence of millionaires.

The belief that the real-estate sector and tourism form the foundation of Dubai's economy is just as flimsy. The real estate sector makes up about 8% and hospitality another 3.4% of Dubai's economy. In the US, real estate generally accounts for 15-18% of total economic output in major metropolitan regions. In major tourist destinations like Rio de Janeiro, Las Vegas, and Orlando, tourism comprises over 15% of the local economy. Real estate and tourism are important to Dubai but hardly dominant.

The real foundation of Dubai's economy is in trade (about 25%), transportation (about 13%), and financial services (about 12%). That's half the Dubai economy. Oil, the mainstay of neighbour Abu Dhabi, makes up less than 1%. Trade and transportation, Dubai's top two sectors, have historically been the pillars of urban economies, their *raison d'être*, from the time cities have existed. Cities are transshipment points, places where goods are exchanged and moved onto different transportation modes (from ships to trucks or trains) and into different directions. Cities are, above all, the hubs or nodes of transport networks and that has been the primary reason for their existence for millennia.

It'll bounce back as its economy runs on trade and transport far more than on real estate and tourism

Dubai is believed to be the world's leading re-export hub: it links markets across West Asia, Africa, India, Southeast Asia and Europe. Goods processed through Dubai include precious metals and stones (gold and diamonds especially), electronics and telecom equipment, cars and vehicle parts, and apparel. These activities are undergirded by world class transport infrastructure, including port facilities that can handle very large container ships.

Perhaps even more important is Dubai's role as an air transport hub. Its airport is the world's second busiest for passenger traffic (after Atlanta) and eighth for freight traffic (a list led by Hong Kong). If air freight is added to the transport rather than trade sector, Dubai's aviation sector makes up as much as 27% of its economy and 21% of its jobs.

Dubai is in the vanguard of a relatively new concept in urban economics called 'aerotropolis.' If ports were global hubs traditionally, airports are the modern version. In an aerotropolis, a major airport is the central node of a massive economic and infrastructural region. The airport, rather than the traditional downtown, is the business centre of metropolitan regions, like Dallas-Fort Worth, Atlanta and Amsterdam-Schiphol. Dubai is the leading edge of the form.

The business of Amsterdam is not in the charming old city with its cobbled streets, canals and museums (where tourists flock) but in Schiphol. The business of Dubai is not so much in its gleaming steel and glass skyscrapers or palm fronded mansions but in its ports and gigantic airport. Outsiders and visitors see what they have come to see, which is the cosmetic image. The structure of the city, its bones, muscles and organs (the messy parts) are mostly hidden from view.

The Iran conflict will end some day (when both parties can declare victory with a straight face) and then will begin the rejuvenation of the real Dubai economy, its trade and transport systems. The important story of this conflict for Dubai is not in the panicky departure of expats or the fall in its real estate prices, but in the damage done to trade and transport. Unless the conflict drags on for years, history suggests that this is a short-term effect. Dubai has become a vital node in global trade and transportation. If they are to be revived, Dubai will continue to play an outsize role.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Confront reality: India's flywheel may need fresh grease

SOMNATH MUKHERJEE



is chief investment officer, ASK Private Wealth.

It's the best of times. It's the worst of times. Charles Dickens wasn't an economist, not by far, but his immortal lines in *A Tale of Two Cities* perfectly captures India's macro-economic dilemma today.

Gross domestic product (GDP) growth has averaged above 6%, making India one of the world's fastest major economies. Inflation has been under control, kept well below the Reserve Bank of India's (RBI) mandate of 4%. Last year, the current account deficit (CAD) was barely half the consensus 'ideal' level of 2% of GDP. Just a few months ago, RBI governor Sanjay Malhotra used the term 'Goldilocks economy' (for satisfactory growth and inflation rates).

However, it seems global investors are not impressed. Net foreign portfolio (FPI) outflows hit ₹2 trillion in 2026 recently, already 25% more than ₹1.6 trillion that FPIs pulled out in all of 2025. FDI, while strong at a gross level, has remained anaemically low at a net level. Consequently, India's balance of payments (BoP) could end up in negative territory for the third year running in 2026-27. So we have a fast-growing economy with stable macro-stability markers, yet we face an exodus of foreign capital: this is a trick question, way out of syllabus. The solution set needs to go beyond the textbook too.

First, fix the yield spread. For five years running, the 10-year yield spread between rupee and dollar denominated assets have been at historic lows. From a 21st century average of 350-400 basis points, spreads have shrunk to 250 points today. Part of the reason is a narrowing inflation gap: the India-US inflation differential has narrowed (and often even flipped). Note how RBI was less hawkish when the US Fed started tightening its policy in 2022 to quell US inflation. While theoretically defensible, in brasstacks terms a narrow yield spread is not consistent with India's structural CAD and dependence on capital flows to bridge the former. Local interest rates need to trend higher, even if its an ephemeral rate spike, to keep rupee assets attractive *vis-à-vis* dollar rivals.

Second, fix the new transmission choke-point between currency and equity markets. When the rupee looks over-valued to market participants, outflows of foreign capital engender a depreciation shock absorber to currency over-valuation. It's working as the books says, in this case. Thanks to high oil prices and FPI selling, the rupee has depreciated more than 10% over the last year. Today, measured in terms of its Real Effective Exchange Rate, a relative-value index comprising major trade currencies, it looks undervalued. But equity market over-valuation (relative to other emerging markets) hasn't undergone a similar correction because of the 'liquidity put' of systematic investment plans of mutual funds (MFs): Indian MF flows have no deployment avenue but India's equity market. A vicious cycle is the immediate outcome. FPIs sell, saying Indian valuations are relatively high, but then domestic liquidity funds orderly exits without much price impact. Since relative valuations remain high, FPIs sell some more, putting further pressure on the capital account and rupee. Net net, the self-healing price mechanism of currency markets isn't transmitted to the Indian equity market. The fix isn't either easy or intuitive. Instead of gating capital outflows, it will be better to let flows head for overseas capital markets, so that currency-market impulses hit equity-market valuations, letting prices duly play their corrective role.

QUICK READ

India's exodus of foreign capital despite strong macro indicators is an 'out of syllabus' perplexity and the solutions to it would also have to be from beyond economic textbooks.

Yield spreads between rupee and dollar assets must widen. Indian equities must undergo a correction to reasonable valuations and India's tax burden on capital gains must ease.

Third, fix tax differentials between corporates and investors that distort incentives. Corporate tax rates were lowered in 2019 with an express objective to spur private capex. Almost concurrently, capital gains taxes on investors were raised to backfill the revenue losses arising out of the corporate tax cuts. The results since then have been sobering. The economy's private investment rate has inched up only marginally, with the public sector doing much of the heavy lifting. Not only has private capex been sluggish, India's corporate sector has also been lagging on research and development spends. As one consequence, India seems at a risk of being left behind in the global AI sweepstakes.

Recently, chief economic advisor V. Anantha Nageswaran flagged low private capex as a major concern. At the same time, higher capital gains taxes have made India, at the margin, less attractive for foreign investors. When data proves a policy wrong, it makes sense to pivot. The Indian investor has been both disciplined and adventurous. Ever-growing MF flows even as equity prices stay volatile, on one hand, and the rising interest among high net-worth individuals in venture capital and private equity on the other, testify to that. It's time to swap those tax incentives again. India should ease capital gains taxes and revise corporate tax rates upwards in its budget math. Making Indian assets tax-competitive with emerging market peers will increase market attractiveness for FPIs. More importantly, it will leave more capital with Indian investors to allocate to, say, a fledgling Indian deeptech ecosystem in need of risk capital.

A world convulsing to find a new *modus vivendi* between politics and economics is throwing up tough new questions for all nation-states. India is faced with unique questions too. Our answers need to be Bayesian: they should change in the light of data rather than stay fixated on dogma.

These are the author's personal views.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MY VIEW | FARM TRUTHS

Is austerity India's best option in the face of an economic shock?

Official spending cutbacks can spell recessions if overdone. Other forms need impact analysis too



HIMANSHU
is associate professor at Jawaharlal Nehru University and visiting fellow at the Centre de Sciences Humaines, New Delhi.

Earlier this week, India's Prime Minister exhorted citizens to adopt austerity measures by limiting purchase of gold, avoiding foreign travel, reducing consumption of edible oil, minimizing the use of personal transport and shifting to work-from-home as much as possible. He also encouraged farmers to avoid chemical fertilizers and shift to natural farming. Most of these measures are meant to reduce consumption of items for which India is largely dependent on imports.

These suggestions are good for the economy and society even in normal times. Given the climate crisis, a shift towards public transport is desirable. But these suggestions are not general, as they arise from a crisis that has been in the making for some time now. The timing is merely a recognition of the severity of it, given the uncertainty that arose from the war in West Asia and structural weaknesses in the economy. The impact of an oil shock is visible in higher petroleum and fertilizer prices in the global market, with other critical inputs for industry more costly as well. Supply chain disruptions for fertilizers and petroleum products like cooking gas, aviation fuel and so on are just part of the story. The impact on macro-economic indicators is visible in a fast depreciating rupee, widening current account deficit and other indicators.

While the traditional macro view favours austerity as a fiscal response to such crises, the experience of many countries, developing ones particularly, would advise a degree of caution. In a traditional framework, austerity works by reducing government debt via spending cuts that depress aggregate consumption. In most cases, such measures result in reduced economic activity in the short run, but have also caused recessions in some cases. This risk is more serious in an economy already going through a demand deficiency amid weak overall investment, as is the case with the Indian economy. Any reduced spending reduces the economic activity associated with it. For example, millions involved in the manufacture and sale of gold jewellery may face a sectoral setback. Similarly for other goods and services that see consumption decline.

Other developing countries such as Sri Lanka and Pakistan have imposed restrictions on the consumption of import items. But most of these are already in a fragile economic situation, with fiscal austerity conditions imposed as part of structural adjustment programmes framed by the International Monetary Fund (IMF). Austerity programmes employed after the 2008 financial crisis in Greece, Italy and other European countries led to long recessions in many of these countries. Similar experience was reported by Latin American countries that went for austerity after the commodity price collapse of 2014-15 fared poorly too. Most of these countries were trying to control a balance of payments crisis and exchange rate devaluations, but faced prolonged distress.

Private spending cuts can have similar effects. Austerity that operates like a national-level programme can have unforeseen effects. In Sri Lanka, food security and livelihoods were put at risk. In April 2021, it pushed for natural farming to save on foreign exchange but found itself in a worse crisis than what it tried to solve. It led to a decline of almost 30-50% in agricultural output, with rising inflation and hunger. The result was social unrest that led to a change in government. In a year that we expect a deficient monsoon, we must be careful about employing any policy measure that may threaten food output. India's latest retail inflation data shows a rise in food inflation from 3.9% in March 2026 to 4.2% in April 2026. This is likely to rise further and fertilizer adequacy will be a factor.

Given the track record of officially implemented austerity policies (in contrast with public exhortation) across the world, knee-jerk responses to today's war-created crisis are likely to worsen our economic situation. The impact will not only be on aggregate demand for consumption and investment but perhaps also on food security. So far, the PM has only suggested spending cuts. But a proper analysis of policy impact must precede any drastic measure that imposes hard restrictions.

Meanwhile, the government also needs to protect the livelihoods of millions who are likely to be impacted by rising costs. The poor need a cushion against their cost-of-living crisis. While several policy options exist, austerity, whether it is voluntary or mandated, is unlikely to be helpful in dealing with today's economic circumstances.

QUICK READ

A call for austerity to reduce India's import burden may have been helpful advice under other circumstances but it's unclear if our economy can afford weaker aggregate demand right now.

Knee-jerk responses to a crisis could even end up worsening the situation, as seen in other countries. In Sri Lanka, a shift away from regular fertilizers had a drastic effect on food security.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW


REUTERS

What we can expect of the US Fed under Warsh

The change of guard at the Federal Reserve, with Trump's appointee taking over, could have significant implications for the global economy. Other central banks will be watching closely

With the confirmation of Kevin Warsh as chair of the US Federal Reserve by the Senate, the curtains come down on one of the world's most talked-about appointments. He takes over on Friday from Jerome Powell, whose term has been both momentous (think covid) and tempestuous (recall his run-ins with US President Donald Trump on rate policy); and at a time when the central bank's independence is being severely tested. Trump has tried—in vain so far—to exert influence over the Fed. He even pushed for a probe by the US justice department of Powell's handling of a Fed building renovation project. The investigation has since been dropped, most likely to ease Senate approval. Powell, though, has vowed to stay on at the Fed (his term on its board ends in 2028) until that probe is truly over, saying he is worried about "the series of legal attacks on the Fed which threaten our ability to conduct monetary policy without considering political factors."

Warsh's views on monetary policy are a bit of a mystery. Seen as an inflation hawk during his previous term on the Fed's board, he appears to have softened his stance since, perhaps to align it with Trump's. The White House, of course, has made no bones about wanting rate cuts. Asked recently if he expects to see lower interest rates, Trump reportedly retorted, "When Kevin gets in, I do." The White House appointee, however, has kept his cards close to his chest. So far. As chair, Warsh has only one of 12 votes on Fed funds rate decisions and is only one of 19 experts on broader policy. This is unlike the Reserve Bank of India governor, who has considerable power over its rate-setting panel. Powell staying on as a member of the Fed's board would also limit Warsh's ability to chart a different course, be it on short-term rates—the central bank has been on pause for three consecutive meetings—or the larger issue of going by Fed analysis or White House diktat. Notably, Warsh has spoken of "regime change" at the Fed, including tighter coordination with the Trump-led US administration on non-monetary policies. He has also expressed a dim view of the Fed's bloated balance sheet, a remnant of furious bond-buying for 'quantitative easing' during the covid years. The Fed's total assets had gone above $8.9 trillion in mid-2022 and have fallen to about $6.7 trillion since then. If this pile is reduced by means of heavy bond selling in addition to runoffs (i.e., letting bonds mature), it would push market prices down and yields up for longer tenure paper. Even if the overnight policy rate is held firm, that could put the Fed in conflict with Trump's desire to see cheaper credit in general.

It will be a while before Warsh reveals his cards. The first meeting of the US central bank's rate-setting committee with him at its helm is slated for mid-June. In truth, he is caught between a rock and a hard place: US inflation in April was 3.8%, the highest since May 2023 and likely to go higher as the US-Iran stalemate over the Strait of Hormuz persists, even as America's GDP growth remains satisfactory by US standards (2% in the first quarter of 2026, annualized, up from 0.5% the previous one). Economics 101 would ask for a rate hike, while Politics 101 pushes for the opposite. Which way the Fed turns under its new chief will matter enormously for the global economy, India's included.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Gold-backed credit can unlock vast sums of idle capital

RAMKUMAR R.S. & ADITYA IYER



are, respectively, founder and CEO of milliGOLD; and a financial services and fintech lawyer.

India stands at a unique economic crossroads. It possesses massive household wealth that remains largely disconnected from its industrial engine. While the nation's micro, small and medium enterprises (MSMEs) grapple with a staggering credit gap estimated at about $340 billion, Indian households are sitting on an estimated 34,600 tonnes of gold valued at roughly $3.8 trillion as of June 2025 as per a Morgan Stanley report. This is a colossal pool of idle capital that, if leveraged correctly, could bridge the MSME funding deficit several times over. However, tapping this resource requires more than standard financial products; it demands 'phygital' infrastructure, which blends digital experiences seamlessly with the physical world, and respect for Indians' cultural and emotional relationship with jewellery.

The main reason household gold is seen as an 'asset of last resort,' one that is liquidated last, is its historical context. Traditionally, gold loans in India have been reserved for dire emergencies. This is driven by the cultural and emotional significance of gold jewellery, which many families refuse to melt or pledge (for too long) because it is essential for social functions and weddings.

While there has long been a buzz around making productive use of household gold, current windows like the Gold Monetization Scheme (GMS) are estimated to monetize hardly 1-2% of the total stock. Even proposals by the Indian Bullion and Jewellers Association to have the jewellery industry manage GMS for working capital needs face the same hurdle. To unlock this asset, psychological barriers must be addressed by providing a 'locker-like' experience.

Business owners frequently ask questions like, "Can I take out my necklace set for a wedding and pledge it back immediately after?" If lenders offer a revolving credit overdraft (OD) limit that lets people 'check in' and 'check out' individual pieces of jewellery, the perceived risk of losing family heirlooms evaporates. Lifting these stigmas could enable a micro-business owner currently borrowing ₹50,000 for an emergency to confidently transition into a ₹20 lakh credit customer. Medium enterprises could leverage holdings for loans up to ₹2 crore.

If demand for such flexibility exists—as evidenced by the informal pawn broker market—why haven't banks scaled this solution? The answer lies in two critical risks: valuation expertise and collateral traceability.

Jewellery valuation is not a core bank competence. They rely on external assessments, a largely un-auditable process prone to risks of overvaluation, collusion or fraud. While karat-meters offer objective measurements, XRF technology only penetrates 10-50 microns, making it vulnerable to fraudulent cores. Unlike jewellery shops, banks cannot melt gold to verify its purity. Most banks still store gold using manual seals and tamper-proof packets in vaults. This makes frequent audits time-consuming and raises concerns of misappropriation by staff—a point of caution for the Reserve Bank of India (RBI). The operational burden of managing a revolving line of credit is too heavy for current branch staff without compromising other responsibilities.

QUICK READ

Indian households are estimated to hold vast sums of gold against which loans could be taken by owners of small businesses if gold-backed credit is adapted to cultural norms.

A market where lenders are trusted with jewellery items and valuation standards are clear could transform the yellow metal into a revolving line of credit for small family-run enterprises.

To overcome these hurdles, India needs a specialized 'jewellery valuation and custody management-as-a-service' model. By separating these specialized activities from daily bank operations, we can build a robust, scalable phygital infrastructure. This would be implemented in phases.

First, in-branch service providers: Initially, third-party providers could operate in bank branches, investing in advanced valuation technologies and bearing the cost of assessors. They would manage identity marking, tagging and appointment scheduling for check-in/check-out processes.

Second, assessment centres: Providers could then set up independent assessment centres near high-demand MSME clusters that are technologically integrated with multiple banks, allowing for high volumes while maintaining end-of-day custody transfer back to bank vaults.

Third, licensed infrastructure: The final step could involve RBI issuing licences for 'phygital service infrastructure providers.' These entities would retain custody in their own secure lockers and issue 'digital custody certificates' that banks and non-banks could accept as collateral.

The modernization of this sector relies on adopting technologies already proven in retail and logistics. Using RFID or QR code laser marking would let lenders track individual pieces of jewellery. This level of traceability allows for the adjustment of OD limits in real-time as collateral is swapped, ensuring that the loan-to-value (LTV) ratio always stays within stipulated safety margins.

From a regulatory perspective, RBI's concerns about inflation or systemic instability can be mitigated by strictly linking gold-backed credit with business use cases rather than individual consumption. Future refinements could include 'dynamic LTVs,' functioning like Basel's counter-cyclical capital buffers to stabilize the system.

Further, industry-wide standardization of jewellery tracking could eventually be integrated with existing credit records, providing a more comprehensive view of an MSME's financial health.

Gold is more than a financial asset: it is a multi-generational symbol of security. Now, India can turn it into a growth catalyst for MSMEs in a way that honours cultural values while aiding its economic agenda.

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

Gold's grim message: prospects of globalization remain dismal

Central bank gold stack-ups signal a geopolitically fragmented world of friction in cross-border transactions of all kinds



BARRY EICHENGREEN
is professor of economics and political science at the University of California, Berkeley, and the author, most recently, of 'Money Beyond Borders: Global Currencies From Croesus to Crypto'

ISTOCKPHOTO



Gold may be a "barbarous relic," as John Maynard Keynes once observed, but it remains the relic of choice among central banks. Emerging-market central banks have been loading up on gold reserves ever since the 2008 global financial crisis, more than doubling their holdings. Does the anomalous behaviour of gold prices since the outbreak of the war with Iran call this strategy into question, or is something else going on?

Gold's allure derives from its reputation as a safe haven and inflation hedge. Yet in March, following the start of the war, an event that should have supported demand for gold on both grounds, its dollar price fell by 10%. Prices then remained flat in April. Evidently gold is not quite the safe haven and inflation hedge investors thought it was.

Various explanations have been offered for this anomalous behaviour. Traders incurring losses on other investments may have sold gold futures and funds to meet margin calls. Higher interest rates, or at least diminished expectations of interest-rate cuts, may have caused investors to shift from gold to bonds. Turkey's central bank sold gold to obtain the foreign exchange needed to support the country's currency, the lira. Other central banks may have followed suit.

In any case, this episode is a reminder that gold prices can be volatile. So, should central bankers rethink their investment strategies?

Consider why central banks hold gold. Holding bullion has history on its side, having long been a sign of respectability for central banks. Any global investor will want to include in its portfolio a 'commodity play,' an investment correlated with commodity prices. Being long on gold is one way to obtain this exposure, although in a world with commodity and future exchange-traded funds (ETFs) there are other instruments offering better combinations of risk and return.

The most important factor, though, is that gold kept at home is free of sanctions risk. Foreign-exchange reserves held as bank deposits and securities abroad are at risk of being immobilized, or even garnished, by a foreign government using sanctions for deterrence purposes, as Russia was reminded following its attack on Ukraine in 2022.

Russia was not unaware of the danger: the share of its foreign reserves held in gold more than doubled from 2014, just prior to its annexation of Crimea, to its full-scale invasion of Ukraine in 2022. It repatriated all of it, vaulting it in St. Petersburg and Moscow.

The People's Bank of China (PBoC) has been less forthcoming about its gold operations but is thought to have been the single most important central-bank purchaser in recent years. The PBoC is thought to store the vast majority of that gold in Beijing and Shanghai, presumably because it is cognizant of sanctions risk.

My own research with co-authors suggests that the pattern is general: exposure to US financial sanctions significantly increases the share of reserves that emerging and developing economies hold in the form of gold. Generally, the largest central-bank gold purchases in recent years have been by countries that are significantly exposed to geopolitical risk, not just Russia and China but also Poland, India and—before last March—Turkey.

A further indication of what central banks are thinking is that the share of official gold reserves held in custody at the Federal Reserve Bank of New York has fallen from 30% of the global total in 2005 to barely 20% today. Policymakers in other countries are questioning whether the US is a reliable ally and whether the New York Fed is a reliable custodian.

Recent reports link popular pressure for gold repatriation in Germany and Italy to political tensions with the US and threats to the Fed's independence. Who would have thought?

But gold vaulted at home can't be lent, swapped, or posted as collateral, unlike gold vaulted in London and New York. It is clunky if used for payments. In 2019, Venezuela's government, subject to US sanctions, chartered a Boeing 777 from a Russian company to ferry 7.4 tonnes of gold to Uganda, where it was refined and resold. Venezuela received $300 million worth of euros to pay for merchandise that would have been unavailable to the country otherwise.

Venezuela did it again in 2020, paying for oil-field equipment and services from Iran, also sanctioned, by hiring a fleet of 747s to transport gold bars. These operations, complex and unwieldy, were exceptions that proved the rule.

In this sense, central-bank purchases and repatriation of gold are a symptom of deglobalization. They signal the advent of a more geopolitically fragmented world in which cross-border transactions of all kinds are poised to become more difficult and costly.

©2026/PROJECT SYNDICATE

QUICK READ

Gold is seen as a safe haven investment whose price goes up during times of uncertainty but after the Gulf war erupted this year, its price confounded us: it dipped and then plateaued.

Various explanations have been offered but what's clear from recent patterns is that gold's ascent reflects how rapidly geopolitical schisms are pushing the world to deglobalize.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Chemical fertilizer cutbacks could aid Indian exports

ARPITA MUKHERJEE & LATIKA KHATWANI



are, respectively, professor, and former research assistant, Indian Council for Research on International Economic Relations.

Chemical fertilizers in India are heavily subsidized and import-dependent. Their use, over the years, has led to significant deterioration in soil health. To promote soil testing, provide farmers with crop-specific nutrient recommendations, improve soil fertility and optimize fertilizer use, the government launched the Soil Health Card (SHC) scheme in 2015. During its first cycle (2015–17), around 25.4 million soil samples were tested, followed by 27.4 million soil samples in the 2017–19 cycle. In 2025-26, around 9.3 million samples were analysed. The results are alarming. Nearly 82% of them recorded soil organic carbon (SOC) levels below the desirable range of 1-1.5%. Nitrogen deficiency is particularly severe. Only 3% of soil samples showed sufficient nitrogen levels (greater than 560kg per hectare), indicating persistent nutrient depletion despite high fertilizer consumption. Low soil organic matter and poor nutrient use efficiency aggravate the problem, with crops absorbing only 35–40% of the applied nitrogen. The remaining nitrogen is either released into the atmosphere as nitrous oxide—a greenhouse gas that's 273 times more potent than carbon dioxide—or leaches into water systems, leading to water pollution.

An ongoing survey by Icrier found that deteriorating soil health is a high risk for our exports to the EU, which is striving to reduce GHG emissions and promote sustainable agriculture. Through its Green Deal and allied directives, the EU has targets and standards designed to lower the use of chemical fertilizers, pesticides and insecticides, while improving soil health. In India too, policymakers and farm experts have emphasized that soil health holds the key to sustainable farming, higher productivity, output quality and access to export markets. The Icrier survey also found that coffee planters who implemented EU requirements got higher than average yields. India's Prime Minister Narendra Modi has appealed to farmers to reduce their use of chemical fertilizers by 25-50% to move towards sustainable production without reducing productivity.

Soil health and high usage of fertilizers, pesticides and insecticides are interlinked. Poor soil health weakens crop resilience and reduces nutrient-use efficiency, which often drives farmers to use higher quantities of fertilizers to maintain productivity. However, nutrient-stressed crops are also more vulnerable to pests and diseases, resulting in greater dependence on pesticides and insecticides and raising the risk of export rejections due to breaches of maximum residue limit norms in export markets like the EU.

The National Institute for Research on Commercial Agriculture (NIRCA) found that soil used for tobacco cultivation had nitrogen levels of around 120kg per hectare and an SOC level of just 0.2-0.3%; it also found that crops absorbed only 40% of the applied nitrogen in certain regions of Andhra Pradesh. Our rice exports are frequently rejected by the EU, and one reason is the poor quality of soil in the country's basmati producing regions.

They could ease access to markets like the EU that have strict norms for sustainable agriculture

The proportion of nitrogen (N), phosphorus (P) and potassium (K) nutrients used in fertilizers, or the N:P:K ratio, was relatively balanced at 4.3:2:1 (optimal being 4:2:1) in 2009-10. It deteriorated to about 8.2:3.2 by 2012-13 and further to 10.9:4.4:1 by 2024-25. Nitrogen's rise is alarming.

Phosphorus sufficiency (greater than 25kg per hectare), although still relatively low, has improved from 23.1% in the first SHC cycle to 36% in 2025–26. Potassium sufficiency (greater than 280kg per hectare) declined from 56.9% to nearly 30%. Micronutrient deficiencies pose another challenge. In 2025-26, boron deficiency (less than 0.5 parts per million) was recorded in 41% of the samples, zinc deficiency (less than 0.6ppm) in 37%, sulphur deficiency (less than 10ppm) in 27% and iron deficiency (less than 4.5ppm) in 27%.

Is fertilizer the main culprit of adverse soil health? India is the world's second-largest user of fertilizer after China. We are one of the few countries that continues to subsidize chemical fertilizers (heavily skewed towards nitrogen) at the cost of organic or nano fertilizers. This imposes a substantial fiscal burden on the exchequer—nearly ₹2 trillion in 2025-26. Research organisations like NIRCA have set a fertilizer use reduction target of 20%. But low prices encourage usage. If chemical fertilizers are cheap, farmers will use them.

If this trend continues, our exports will face rejection in the EU and what was touted as the "mother of all deals" with India would prove insufficient to sustain our exports to the region. Improving soil health requires a shift from input-intensive farming to balanced nutrient management.

What should be done to improve soil health for sustainable exports? India needs to work on (i) promoting balanced NPK application, (ii) reducing dependence on nitrogen-based fertilizers, (iii) improving access to affordable bio-fertilizers, micronutrients and quality organic inputs for small farmers and (iv) ensuring that farmers follow the crop-specific fertilizer and nutrient recommendations printed on SHCs, apart from (v) capacity building and training of farmers on soil and nutrient management practices, and (vi) assessing the investment required for shifting towards greener production systems. It would also help if big European importers invest in sustainable supply chains that support small-scale farmers in supplier countries by giving them access to quality inputs, training and finance.

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

India needs austerity for the rich and security for the vulnerable

The middle class and poor mustn't bear the brunt of this national drive while the privileged continue with extravagance



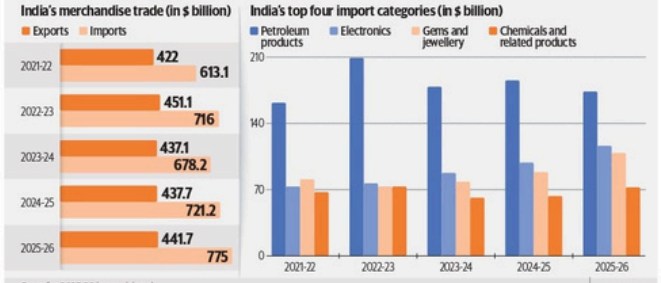
RAJRISHI SINGHAL
is a senior journalist and author of 'Slip, Stitch and Stumble: The Untold Story of India's Financial Sector Reforms' @rajrishisinghal

ISTOCKPHOTO



A snapshot of the country's trade imbalance

India's merchandise exports fall significantly short of imports—with four categories making up more than half the country's import bill.



Data for 2025-26 is provisional.
Source: Commerce ministry

mint

MANU CHOUDHARY/MINT

Well, the first days are the hardest days
Don't you worry anymore
'Cause when life looks like Easy Street
There is danger at your door
—Uncle John's Band by Grateful Dead

Prime Minister Narendra Modi's recent austerity appeal is like an official acknowledgement that trouble is brewing in India's economy. His exhortations seemed like a signal to all stakeholders that the time has come to talk about the Iran war's direct and indirect effects. On cue, speeches from various ministers followed, all echoing concerns about an impending crisis: even Reserve Bank of India (RBI) governor Sanjay Malhotra hinted that entrenched inflationary pressures may invite monetary policy intervention.

The PM's entreaties, followed by various officials hinting at harder times ahead, seem designed to dampen inflationary expectations. RBI's latest bi-monthly survey shows households expecting a spike in the rate of inflation. Unsurprisingly, the wholesale price index in April rose 8.3% from a year earlier, compared with 3.9% in March. After the recent fuel price hikes, expect the consumer price index to now rise.

Yet, achieving the required level of austerity might be difficult because of entrenched cultural habits as well as certain sections of Indian society justifying extravagance through inter-generational entitlement and privilege. In the end, though, like always, the middle-class and poor may have to bear the brunt.

Signs of distress can be seen in external sector data. Balance-of-payments data for the January-March quarter is not yet available, making it difficult to assess the effect of the Iran war (the first shots were fired on the last day of February). But some data available from RBI till February—negligible net foreign direct investment (FDI), negative foreign portfolio investment—already suggest an impending storm. Net FDI was weak all through 2025-26, signifying that while existing foreign investors have been cashing out, even corporate India has been investing overseas. What about the current year? Early indicators show continuing stress in both FDI and FPI inflows.

The one source of succour for India's external accounts has been remittances. While remittances for 2025-26 might still demonstrate some growth, the current year is likely to see some pressures emerging after many Gulf employees were forced to return home.

Trade data for fiscal 2025-26 also has stress written all over it. While exports have barely grown over the past 3-4 years, India's merchandise trade deficit (the excess of goods imports over goods exports) for 2025-26 was at $333.2 billion, widening 17.5% from 2024-25. The largest item in the bill is crude and petro-products. Hence, the PM's appeal that citizens manage petro-demand through the use of public transport, car-pooling or work-from-home. He also reduced the size of his cavalcade, hoping others would follow his example.

But another item has stubbornly resisted all demand management attempts. Of the four items that make up over 60% of the import bill (see graph), imports of gems and jewellery (which include gold and gold jewellery) jumped 23% last year. The PM has pointedly requested citizens to postpone gold purchases so that foreign exchange can be saved. The government followed this up by hiking customs duty on gold, silver and platinum imports. However, given the yellow metal's immutable role in the lives of ordinary Indians, it is uncertain whether the recent measures will dampen demand substantially.

Gems and jewellery imports have jumped 40% over the past two years, coinciding with US President Donald Trump's tenure in office and the global turmoil that ensued. This column has eschewed the idea of gold as an asset, given its unproductive nature, but ordinary Indians may have found the metal a source of stability during the recent turbulence. Some financial experts with official government roles advocated that investors allocate a part of their portfolio to gold. It now remains to be seen whether the PM's austerity request, combined with higher customs duties, can turn the tide. Historically, gold smuggling tends to thrive during such conditions.

What can actually help is if certain entitled sections of Indian society set some examples. For example, when was the last time you saw an industrialist, a top banker or a leading politician flying commercial? Ministry of civil aviation data for the year ending March 2025 shows there were 122 non-scheduled operation permit holders, owning a total of 433 aircraft. These operators ferried a total of 164,934 passengers during that year, across both domestic and international destinations. If the government is indeed serious about managing fuel demand, it should first increase aviation fuel costs for non-scheduled operators.

At a broader level, serious introspection is needed about corporate India investing the nation's foreign exchange overseas. Simultaneously, there has to be realization that the Indian corporate sector is doing so because consumer demand has stagnated in India. Capacity utilization for the 1,000-odd units surveyed by RBI has been frozen around 75% for a prolonged period. The core problem is low or non-existent real wage growth, and the current crisis could add to the unemployment numbers. The solution, therefore, has to be austerity for the rich and a safety net for the vulnerable.

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 | THE INTERSECTION

Build social capital to resolve the gold dilemma that India is facing

People buy gold as they lack trust in institutions and efforts to wean them away must address this



NITIN PAI
is co-founder and director of The Takshashila Institution, an independent centre for research and education in public policy.

India's social capital deficit registers as a factor in its current account deficit through the demand for gold. Our appetite for gold is not an irrational cultural quirk. It is, in part, a revealed preference and a tangible symptom of our collective distrust in one another, society and civic institutions. More dramatically, economist Ajay Shah tells me that gold is a vote of no confidence in civilization itself. Whatever people might say in opinion polls about how much they trust their government or their leaders, they reveal their true beliefs when they buy gold despite other assets being available.

Writing about the 19th century, historian Dietmar Rothermund noted that unlike Meiji-era Japan, surplus capital in India went into land and gold because of the absence of cross-cutting financial institutions that reallocate money. These institutions didn't come into being because the trust within caste-communities was accompanied by distrust among them, limiting the scale and scope of available investment opportunities.

Things have improved tremendously since then. Even so, Indians have good reason to be sceptical of solemn constitutional promises, pieces of paper or numbers on a smartphone in an era when both Parliament and the Supreme Court have given us retrospective legislation and taxation. When my mother sold her house, the buyers and government officials told her that digitized property records were useless, all laminated documents were suspicious and one had to look at a 40-year-old handwritten sheet of paper edgewise to see if the right type of pencil was used. Aadhaar is proof of neither age nor address. Courts can decide that the home that you bought from the municipal authority 20 years ago needs to be demolished because the authority didn't follow the right procedure. Entrance examination question papers leak.

Distrust of civic institutions compounds the pre-existing generalized distrust in our hyper-diverse society, leaving India with a severe social capital deficit. We buy gold to cover this deficit. Gold is imported and paid for in foreign currency, and hence shows up on the deficit side of the current account. As CapitalMind CEO Deepak Shenoy showed, if gold imports are excluded, India's current account would have been in surplus for 11 of the past 12 quarters. In other words, our social capital deficit is exacerbating macroeconomic problems during an approaching crisis.

Reacting to the Prime Minister's call for reducing gold purchases, a post on X asked that if gold is a problem according to the government and the solution according to the people, who is smarter? This statement captures India's gold dilemma. It is rational for Indians to purchase gold, especially during times of uncertainty. It is also rational for the government to discourage gold imports to manage India's balance of payments. The two are in conflict.

How do we resolve this? From time to time, governments have discouraged, taxed or banned private gold imports. Such measures have worked in the short-term as people postpone discretionary purchases of jewellery. However, purchases for weddings and other functions cannot be put off beyond a point. People buying gold as an investment are more sensitive to future prices. Eventually, gold purchases tend to pick up. So, price-based interventions to suppress Indian gold demand do not work beyond the short-term. We have decades of evidence to show that when the state tries to raise the effective price of gold for Indian households, people find other ways to access the metal.

Shenoy argues that we can manage the dilemma by bringing part of the domestic stock of gold into the market: either the central bank selling some of the gold in its vaults or by introducing a low-friction, tax-free scheme for people to sell their gold to the government, which can then resell it to domestic buyers. Recycling part of India's locked-away gold, estimated at over 25,000 tonnes, can relieve some pressure on the current account and rupee.

Beyond gold policy, there are two fundamental ways to escape the dilemma. The first is to become an export-oriented economy.

The second is to strengthen social capital and increase generalized trust. There seems to be some evidence for this. While aggregate annual gold imports have remained steady within the 700-1,000 tonnes band, per capita gold demand peaked in 2010 at about 0.8lg per person and has since trended down to around 0.45-0.56g in the 2020s. It was 0.45g in 2025. Per capita demand today is below where it was in 1995, despite per capita income being roughly seven to eight times higher in real terms. Why might this have happened? Perhaps because a combination of technology (digital public infrastructure), financial instruments and stock market participation pushed the marginal gold buyer into other assets. Gold ETF holdings grew from 11 tonnes in 2010 to 115 tonnes by 2026.

Greater transparency, accountability and predictability in governance can strengthen this trend. Public policies must endeavour to build a little more trust in a few more things every day, because trust compounds.

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



Like it or not, AI is likely to transform capitalism

This is not just another tech revolution. AI could alter how output is generated, resources are allocated and the ratio of what capital and labour earn. Let's not get blindsided by it

Two centuries and a half ago, Adam Smith used the example of a pin factory in *The Wealth of Nations* to explain how capitalism uses division of labour to boost productivity by splitting production into specialized tasks done by workers paid to work in close coordination for efficiency. But what happens to this model if AI agents run factories and companies? Andon Labs, a US-based startup, runs a cafe where tasks like inventory control, hiring, scheduling and operations are supervised by Mona, an AI agent powered by Google Gemini, even as human baristas brew and serve coffee. Anthropic's Claude Sonnet 3.7, OpenClaw artifacts and other tools have also shown an ability to run businesses. How long before complex firms turn CEO roles over to artificial intelligence (AI)? Could AI-run startups emerge? And if Agentic AI systems designed to optimize resources find human behaviour hard to grasp, would they opt for fellow machines that do not tire, let alone unionize, seek meaning in their jobs and demand a work-life balance? Clearly, capitalism is headed for uncharted territory.

It is not just pricing, procurement, logistics, hiring and advertising that AI could take over, but capital allocation too. Zoom out, and that logic can apply to how capital markets allot funds. Algorithmic trading has been around for years. Despite differing systems at play, they often act in sync—as we saw in the US 'flash crash' of 2010. Rival algorithms can respond in unison to the same signals. That is also why ride-hailing services are found to mirror each other. Markets, however, are supposed to thrive on diverse views: humans disagree, speculate, make irrational bets, invest on emotional cues and succumb to fear or greed. Consumers behave all too human too. So, are we staring at a future of people being force-fit into a framework of digital templates? At this juncture, all we can count on is hyper-efficiency. With business operations stripped of slack by AI, optimists expect output per worker to soar. While new jobs will surely be generated, it could spell a scenario in which capital dominates labour so thoroughly as a factor of production that the state will need to intervene in the latter's favour. This is less of an anxiety in India than in the tech-suffused West, where fears have arisen of an industrial compact being broken. Since the time of Henry Ford's assembly line that gave productivity a leap, capitalism has sought to create demand by paying people enough to buy all that it churns out. Should AI enrich business shareholders and push salaried folks out of jobs, many reckon, overall demand would have to be sustained by a redistributive policy that taxes capital heavily to fund a universal basic income. So far, regulatory talk has focused on AI safety, given how agentic systems left to their own devices could blunder or go rogue. Soon, social safety nets may need policy-level attention.

The jury is out on how well an AI-optimized free market will serve society, which, let's be clear, is why capitalism exists in the first place. Efficiency is a worthy aim, but its gains are finite, and while AI can be 'inventive,' it's doubtful if it can create value from true originality. It takes intuition, curiosity, obsession and more; think of the out-of-the-box ideas of Steve Jobs at Apple. It takes leaps of thought that are not yet documented; think of Archimedes, who said he could move the world with a lever that's long enough and a place to stand. In short, it takes imagination, without which capitalism would be too dreary to uplift human lives.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

India-Nordic ties could diversify our strategic options

HARSH V. PANT



is professor of international relations, King's College London, and vice president for studies at Observer Research Foundation, New Delhi.

The third India-Nordic Summit in Oslo this week is significant not because it promises dramatic geopolitical theatre, but because it reflects the steady institutionalization of partnerships between India and some of the world's most technologically advanced and innovation-driven democracies amid deep global uncertainty. In an era marked by fragmentation, supply-chain anxieties and sharpening great-power rivalries, New Delhi is broadening its strategic options through pragmatic and low-friction partnerships that can deliver tangible economic and technological gains.

More importantly, the summit underlines the evolution of Indian foreign policy from a largely reactive framework to one that is selective, interest-driven and strategically diversified. Its engagement with Nordic states demonstrates how New Delhi's multi-alignment strategy is no longer confined to balancing major powers, but is now equally focused on building issue-based coalitions around technology, green growth, innovation and resilient economic networks.

The format itself is revealing. Bringing together all five Nordic countries—Denmark, Finland, Iceland, Norway and Sweden—allows India to engage an entire sub-region collectively rather than through fragmented bilateral channels. The previous summits in Stockholm (2018) and Copenhagen (2022) laid the groundwork: the Oslo meeting acquires added symbolism given that this is Prime Minister Narendra Modi's first visit to Norway and the first by an Indian prime minister since Indira Gandhi in 1983. The political signalling is unmistakable: India sees Nordic states as serious long-term partners in its European outreach.

The economic dimension is central. Bilateral trade between India and the Nordic region has reached nearly $19 billion, while more than 700 Nordic firms already operate in India. The implementation of the India-EFTA Trade and Economic Partnership Agreement in 2025 has further expanded the scope for investment and technology flows, particularly from Norway and Iceland. For India, the attraction is obvious. Nordic economies combine high technological sophistication with political stability, regulatory credibility and deep expertise in sectors critical to India's developmental transformation—green technologies, digitalization, advanced manufacturing, AI, circular economy models and maritime innovation.

This is especially important for a country attempting to reconcile rapid economic growth with sustainability imperatives. The Nordic states possess precisely the capabilities India needs in areas such as hydrogen, heavy-industry decarbonization, smart infrastructure and climate adaptation. Indian policymakers increasingly recognize that the transition to a green economy requires access to trusted capital, advanced technology and innovation ecosystems. For this, Nordic pension funds and technology tie-ups become strategically valuable.

This isn't about geopolitics but just the sort of overseas engagement India needs in a fractured world

The summit also points to the widening strategic horizons of Indian diplomacy. Climate cooperation is a major pillar, but New Delhi's engagement with Nordic states now extends into newer geopolitical domains, particularly the Arctic.

As competition intensifies over Arctic minerals, India's observer status in the Arctic Council gains greater relevance. Cooperation with Nordic nations offers India technical expertise as well as a stake in shaping emerging governance structures in this crucial polar region.

Similarly, collaboration in defence technologies, space, digital infrastructure and resilient supply chains reflects a broader shift in Indian strategic thinking. India is looking beyond traditional security partnerships toward ecosystems of technological resilience. The Nordic countries are global leaders not just in advanced industrial ecosystems, but also in defence manufacturing. Thus, for New Delhi, these partnerships are less about politics and more about capability build-up.

Notably, India has no historical baggage or major disputes with Nordic states. A shared commitment to democracy, multilateralism and a rule-based world order provide a comfortable normative foundation, but the relationship is fundamentally pragmatic rather than ideological. This suits India's contemporary diplomatic style, which seeks flexible alignments without strategic dependence.

As global power transitions accelerate and uncertainties persist in US and Chinese policies, Europe is emerging in Indian strategic calculations as a critical source of technology, capital and regulatory influence. Within this framework, the Nordic states can be future-oriented partners that could help India achieve it Viksit Bharat vision.

Ultimately, the India-Nordic Summit reveals the deeper priorities shaping Indian foreign policy: economic statecraft, technological self-strengthening, diversification of partnerships and engagement with emerging strategic domains. It is a reminder that contemporary diplomacy is no longer only about managing crises or balancing power; it is equally about building resilience in technology, energy and supply chains.

This may not be headline-grabbing geopolitics, but it is precisely the kind of quiet strategic investment that could yield disproportionate gains for India. The real test, however, will lie not in the symbolism of summitry but whether it will result in concrete projects, investments, technology transfers and institutional partnerships.

19 May 2026

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

India needs to look beyond cost optimization in its tryst with AI

What gets the work done cheaply has its appeal but will not place the country in the technological position we must aim for



V. ANANTHA NAGESWARAN & AKASH POOJARI
are, respectively, chief economic advisor to the Government of India, and consultant, ministry of finance.

ISTOCKPHOTO



When DeepSeek released the preview of its V4 model on 24 April 2026, the contrast with the rest of the AI industry could not have been starker (*tinyurl.com/4d6uauwn*). The Pro variant is priced below Claude Opus 4.7, GPT-5.5 and Gemini 3.1 Pro, and the Flash variant undercuts every smaller frontier model. Further, it is open-source and runs on domestic Chinese chips from Huawei and Cambricon, showing the world that Nvidia's chokehold on the AI hardware space is not absolute.

In the same week, Anthropic users hit Claude Code usage caps faster than expected, OpenAI scaled back Sora to redirect compute towards core services and Datadog reported nearly 60% of AI failures in production now trace back to capacity limits (*tinyurl.com/yc8s5jdr*). A Chinese competitor is offering something almost as good, fully open-source and open-weight, and cheaper by an order of magnitude. The rest of us should be worried.

Costs have always been the ground on which vendors or firms compete, and that matters more in AI than their capability on benchmark tests. For the enterprise buyer trying to capitalize on latent demand for its services and boost productivity, raw frontier capability is not the binding consideration: it is the price per token. Most firms do not need 'Opus-grade' reasoning to summarize a meeting, schedule executive meetings, handle customer service or run a basic agentic workflow. What they need is a 'good enough' tool that scales cheaper than hiring labour for those tasks.

This was China's playbook in manufacturing; it has been brought to AI. Chinese manufacturers scaled up by supplying 'good enough' products at floor prices, eventually pushing competitors out of the market. Now, they are releasing capable models for free, setting the price floor and letting the market do the rest. Even those who won't deploy Chinese models for security reasons will use DeepSeek's pricing to negotiate with Western providers. The pricing pressure will do its work.

These developments matter for India in ways the price tag on foreign AI services don't capture. India keeps its markets relatively open and does not ban services from any particular country, giving buyers a wide range of choice. With Chinese models getting cost-effective, it is likely that India's private firms will reach for the most cost-effective option, making 'indigenous' options unattractive. The incentive for Indian firms to invest in foundational AI research, already thin given the stiff competition they face from Western model providers with deep pockets, fades further with each release. If the world's cheapest capable model is open-weight and Chinese, the business case for an Indian foundation model fails even before it can be made.

Few venture investors will fund a firm building a domestic frontier model when an almost-frontier alternative can be downloaded free. The talent that might have done that work will leave for firms abroad that are still investing in pre-training, or will get redirected to building applications on top of someone else's model. Neither produces the foundational expertise that could turn a country from a customer into an AI leader.

The deeper cost is harder to see on a profit-and-loss statement. Free trade and the pursuit of cheap goods delivered enormous benefits, but they also concentrated 'implicit knowledge' in the places that did the work. This is the kind of know-how that most don't appreciate. It is the engineer who can tell by feel how many millimetres the drill needs to be adjusted, the team that has debugged software at scale enough times to predict where it will fail, the operator who has maintained a fab clean-room long enough to know which procedures cannot be cut. You acquire this by doing the work repeatedly at scale, not by reading about it.

Manufacturing know-how has not settled in China by accident and today there is barely a domain of modern manufacturing where China does not command both underlying knowledge and a cost advantage. Reshoring out of strategic necessity is not impossible, but it takes far longer than the timelines that policy incentives assume because a knowledge base has to be built by people who have never done such work. In that gap, the lead only widens. The same logic now applies to AI.

There is also no ecosystem effect for the importer. In complex systems, one capability seeds another. A country with foundation model labs develops a downstream pipeline of fine-tuning specialists, evaluation researchers, agent infrastructure firms, safety teams and inference optimisation startups, because each of these depends on engineers close to the actual work. If we strip out the foundation, the chain does not even begin to form. We end up with the integration layer alone, forever a customer. The economics of that position has been kind to us in the past. It is unlikely to be as kind in an era of shifting geopolitics, though.

AI differs as an arena from manufacturing, which is why we should act now. Manufacturing shifted bases over decades. The AI stack is still being built, applications are being defined and implicit knowledge is being formed. The window in which a country can take a strategic stance, before dependence becomes permanent, is narrow. Tooling, agent frameworks, evaluation suites, fine-tuning pipelines and research infrastructure get built around whichever models become the default. Once Chinese open-weight models run inside India's enterprises, the surrounding ecosystem will grow around them and switching costs will become structural rather than financial.

It is time to let go of the notion that everything must be optimized solely on the basis of costs and short-term profitability. It may be 'cheap' in the short run, but can prove costly in the long run. Intangibles such as implicit knowledge and strategic indispensability don't show up in quarterly reports, but their benefit to firms and the country create long-term dividends. The private sector needs to recognize this. Firms foraying into AI need to raise their research and development budgets and focus on building foundational AI capabilities rather than relying on imported solutions. Such investments need to be measured not against profit statements but rather against everything India may not be able to do in 10 years if we optimize only for what we monetarily save today.

These are the authors' personal views.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

Can Ford play catch-up? It has taken a new path to go electric

Its energy business could help keep its electric vehicle options open



LIAM DENNING
is a Bloomberg Opinion columnist covering energy.



Ford plans to produce up to 20GWh of battery capacity a year. REUTERS

Ford has finally hit upon an electric strategy that shouldn't lose money. The key element is that it doesn't involve vehicles—not for now, anyway.

Ford's stock, a habitual water-treader, jumped almost 14% on Wednesday, its biggest gain in over six years, on news that the Detroit stalwart had found a way to tap into the AI boom—sort of. Last week's formal launch of Ford Energy, a grid-battery business, has stoked hopes that the company can benefit from the insatiable demand for energy from data centres powering artificial intelligence (AI) tools. As with other old industrial firms including Caterpillar, which has discovered a seemingly boundless new client base for generators in Silicon Valley, Ford is pivoting to the hot new thing.

It's a sound move on several fronts, not least of which is that it helps to keep Ford's electric vehicle (EV) dreams alive.

Ford Energy arises phoenix-like from the ashes of the company's existing EV battery manufacturing site in Kentucky. This was part of the now defunct joint venture with South Korea's SK On, impaired and taken over by Ford as part of a mammoth $19.5 billion write-down of its EV business. Spending $2 billion to retool, Ford plans to produce up to 20GWh of battery capacity a year, with deliveries beginning in 2027. To put that in context, the leading US manufacturer of batteries for energy storage, Tesla, can produce about 46GWh a year at its facilities in California and Nevada.

Ford's Model e division bled money even before congressional Republicans dealt the US EV market a heavy blow by removing federal tax credits for new vehicle buyers. Ford continues to develop a new, lower-cost EV truck platform that it describes in transformative terms, although the recent departure of storied former head Doug Field struck a dissonant note.

Salvaging something from the wreckage is sensible. Grid batteries, which retained their tax credits, are a growth business.

US demand is expected to double by 2030 to more than 100GWh, according to BloombergNEF. The current crisis in PJM, the country's largest electricity grid, centres on the difficulties of building enough power plants to supply new data centres quickly and cheaply. With gas turbine orders backed up, solar twinned with batteries offers one way to both get power quickly and offer backup and flexibility benefits to data centre owners and struggling grids alike. Capturing a bit of that AI aura for Ford's stock, currently taking a beating from concerns around high petrol prices and tariffs, helps, too.

The fact that Ford is licensing the underlying technology from CATL, the world leader in grid batteries, is another huge help. It lends credibility to Ford's pivot, given the company's EV struggles, and lets it get going relatively quickly. It should also help with economics: even after paying a licensing fee, this could be a roughly $600 million EBIT business within a few years, according to Morgan Stanley estimates.

Such projections rest on a host of assumptions about AI uptake and that complex political beast known as the US power grid. The fact that Henry Ford's car company is suddenly entering the market in a big way rather suggests that, like any hot segment, competition will put pressure on margins sooner than expected. Yet any positive contribution will be welcome given that the Model e division is forecast to lose an average of about $4 billion a year at the pre-tax line through 2028, according to consensus estimates.

Moreover, there are strategic benefits, too. In one sense, Ford is travelling the same road as Tesla but in a different direction. Tesla's energy business grew out of its EV business: the company didn't even split out energy as a separate reporting line until the end of 2016. For Ford, however, its energy business offers a way of keeping its EV options open during a tumultuous time.

It needs those options since, despite US President Donald Trump's protectionist and pro-gas-guzzler policies, electrification continues to expand around the world, with the Iran war's oil-market disruption providing renewed impetus. Reducing the cost of batteries is critical to EVs winning the affordability argument versus internal combustion engines and, as China has demonstrated, scaling up battery manufacturing capacity is key to this.

There is an added potential bonus. Legacy US auto manufacturers could use Chinese know-how to help catch up in EVs. Replicating China's own model by fashioning Sino-US joint ventures in the US, controlled by domestic companies, offers one way, albeit one that draws political opposition. Ford's licensing deal with CATL doesn't rise to that level, of course. But if it can be shown to work at scale, and without controversy, it may yet ease the way towards a bigger set of partnerships at American auto plants. ©BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

Work from home is more of a problem than a solution

BIJU DOMINIC



is chief evangelist, Fractal Analytics, and author of 'MicroStimuli: The New Science of Persuasion'

Prime Minister Narendra Modi has urged employees across organizations to work from home (WFH). With fewer commutes, nationwide fuel consumption would fall, making WFH seem like an instant remedy for the current fuel crunch. The critical question, however, is whether WFH is a reversible move. Once the crisis—widely expected to be short-term—subsides, will employees be willing to return to their offices? So the more important question is whether WFH will permanently reshape the expectations of a corporate job?

For many employees, rush-hour commutes are a grind. Permanent WFH policies will let people relocate to more affordable towns and villages, cutting living costs substantially. It also opens doors for qualified professionals who have stayed out of the workforce due to caregiving or household responsibilities. These benefits are tangible and immediate. So, once people experience the convenience of WFH, persuading them back to the office can be difficult.

A few years ago, when the covid pandemic swept the globe, WFH was the only viable way to limit transmission. Even then—while acknowledging its necessity—I warned that although remote work has advantages on the surface, it could also have significant implicit, unseen and unspoken consequences for the corporate world.

For most of human history, our primary work—hunting and food gathering—was a collective endeavour in which everyone participated. Only with the rise of agriculture and private property did work begin to lose its inherently social character, though much farm labour still took place in small groups. The Industrial Revolution's assembly lines pushed work even further as an individual task. Today, in an information era of distributed intelligence, knowledge networks, cloud infrastructure and collaborative tools, requiring people to gather in a single office location can seem like clinging to an outdated idea if not an outright relic. Is it so?

Many analyses of human behaviour assume each person has a single, stable identity. Yet, as Nobel laureate George Akerlof argues in his book with Rachel Kranton, *Identity Economics* (2010), individuals adopt multiple identities shaped by context. We are one person at home and another at work; the self we present at an office party may differ markedly from the one we assume around college friends. Context powerfully shapes behaviour—altering our dress, language and even the body language we adopt. At times, the identities we inhabit in different settings can diverge more from each other than two different individuals do.

Through most of human history, people rarely had to inhabit two distinct identities within the same physical context. The commute was part of a daily ritual of switching from one identity to another. But with WFH, employees have to maintain both their work and home identities in a domestic environment. This can create conflicts. For example, while a parent is fully focused on a video meeting, a child might enter the room seeking help with homework—a responsibility tied to the home role. Which should take priority? Even the clothes one wears can contribute to this tension. Research on enclothed cognition indicates that what we wear—even the parts not visible below the camera frame, can influence our mindset and work performance. As a result, WFH can heighten identity clashes and become a source of stress for remote workers.

Our job lives are inherently social and so we need compensatory mechanisms if work routines go remote

There's no doubt that work, especially knowledge work, can be split into individual responsibilities and done independently from diverse locations. Modern technologies can turn disparate efforts into a single deliverable. But a crucial question remains: Is an organization's strength defined solely by the quality of its work output?

Enduring companies are the backbone of an economy. Their survival depends not only on output quality but on the strength of their culture. This is built on emotional bonds among employees, not just within teams but across the organization, from security staff to canteen workers. Proximity is crucial to forming these emotional bonds. The remoteness of WFH, compounded by switched-off cameras in virtual meetings, makes cultivating emotional bonds at work far more difficult.

Given the advantages of WFH, I do not argue that WFH should never be adopted. Rather, I want to remind us that as we move away from the social nature of work, we must create compensatory mechanisms. In his book *Bowling Alone: The Collapse and Revival of American Community*, Robert D. Putnam notes that the Industrial Revolution drew millions from rural communities into factory towns. Assembly lines and crowded urban neighbourhoods bred isolation. But society responded with new social infrastructure: public parks for people to gather, trade unions that brought workers together and team sports. These innovations helped restore the social fabric. As we reshape work today, we should do likewise.

British anthropologist Robin Dunbar has cautioned that despite the rise of social media, today's young are among the loneliest on record. Echoing this concern, former US Surgeon General Vivek Murthy warned that youth loneliness is an epidemic, with health effects comparable to smoking about 15 cigarettes a day. Taken together, these trends suggest that Gen Z may enter the workforce with high emotional vulnerability.

Yes, remote work can ease our fuel crisis, but we should respect the inherently social nature of work shaped over millennia.

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

The motive of investment drives much of India's demand for gold

This is what recent trends indicate. It also makes it easier to compress physical imports by offering gold-linked alternatives



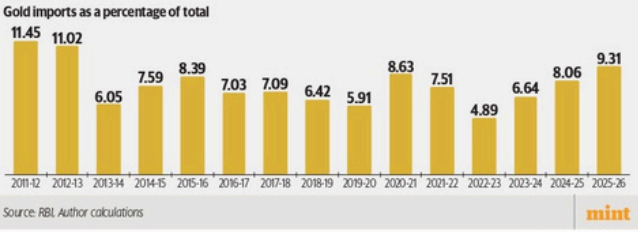
NIRANJAN RAJADHYAKSHA
is executive director at Artha India Research Advisors.

ISTOCKPHOTO



India's gold imports have been expanding their share again

The metal shrank as a proportion of total imports after 2012-13 but grew to nearly double digits in 2025-26.



Source: RBI, Author calculations

mint

MANU CHOUDHARY/MINT

In prosperity, as in the hour of need, the thoughts of most Indians turn to gold. And with the steady drain on our foreign exchange reserves for over two years now, we have reached a stage as a nation when the question is being asked whether we could utilize the idle gold hoards of the people to see us through the critical years ahead. No less a person than the Prime Minister voiced this feeling at a recent meeting." These words were written in 1958 by I.G. Patel, then a senior official in the finance ministry who would rise to become governor of the Reserve Bank of India in 1977.

The Indian appetite for gold is once again in the news. The current Prime Minister has asked citizens to suspend new gold purchases for a year, while the government he heads has increased import duties on the yellow metal in order to take some pressure off India's balance of payments. India is headed for a third consecutive year with a balance-of-payments deficit. A sharp increase in international oil prices as a result of the West Asian crisis and capital inflows too weak to fund our trade gap have combined to send the rupee down against the US dollar. Gold is the third biggest item in the Indian import bill, after crude oil and electronics. Reduced gold imports because of either moral suasion or higher import taxes could ease some of this pressure on our external balance.

The chart shows how much Indians spent on gold imports over the past 15 years compared to the country's total import bill. The data can help us get a broad estimate of how much 'excess gold' came into India in 2025-26. Gold imports as a percentage of total imports were in double digits during the years of the 'taper tantrum' more than a decade ago. That number came down once the economy stabilized, and the government felt comfortable enough to cut import duties on gold in its July 2024 budget. Gold imports as a percentage of total imports are still not as high as they were during the taper tantrum, but clearly rising.

Gold imports as a proportion of total imports averaged 6.9% between fiscal years 2013-14 and 2023-24. They were 2.4 percentage points higher in 2025-26. If we assume this to be a measure of 'excess gold' imports, then it means that Indians spent about $18.6 billion more than usual on the yellow metal in those 12 months.

How significant is that number? It is nearly half the estimated current account deficit of almost $36.2 billion that India is expected to report for the previous fiscal year. It is also more than a fifth of the expected $85 billion current account deficit in the current financial year.

These are not insignificant numbers. It is thus no surprise that the government has tried to bring down gold imports as part of its defence of the Indian rupee.

The reason I have chosen to focus on a measure of excess demand for gold rather than total gold imports is because it is very unlikely that gold imports will drop to zero, given the multiple uses of the yellow metal as an industrial good, a consumption good and an investment asset. However, even though they are useful in times of trouble, controls on gold purchases are bound to falter in the long run. Successive Indian governments have tried to clamp down over the past many decades, with little success. The answer then lies in altering consumer behaviour through incentives rather than fiat. And for that, we need an understanding of why Indians buy gold in such large quantities in the first place.

Previous research on demand for gold in India suggests that the two big reasons people buy this precious metal are rising income and economic uncertainty—the prosperity and hour of need that I.G. Patel had mentioned in his 1958 essay. Economic uncertainty includes the Indian currency's loss of purchasing power in terms of inflation at home plus an exchange rate depreciation on the external front. However, the recent spurt in gold demand came at a time when the Indian economy was growing rapidly even as inflation was under control.

This suggests that the spurt in gold-buying in the past two years was investment demand driven by rising prices. A recent analysis by Kavita Chacko, an economist with World Gold Council, shows that the demand for gold bars and coins (62 tonnes) in the first quarter of 2025-26 was nearly equal to jewellery demand (66 tonnes), while inflows into gold exchange-traded funds were at a record high.

The upshot: It is likely that the $18.6 billion of excess gold demand in the previous financial year was in response to rising prices, or for financial returns, rather than as a hedge against inflation. One suggestion that has been doing the rounds is that the government should consider relaunching the sovereign gold bonds (SGBs) that were discontinued because of their rising fiscal burden. Will such a move meaningfully save foreign exchange? Here is a quick calculation. Total SGB issuance over 10 years was equivalent to 147 tonnes of gold, or 14.7 tonnes a year. At current prices, that is $2.1 billion a year, a small number compared to the extent of the challenge.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

Boeing's China comeback will be turbulent even with a deal

The plane-maker can't escape the US-China geopolitical crossfire



JULIANA LIU
is a columnist for Bloomberg Opinion's Asia team, covering corporate strategy and management in the region.



Boeing's deliveries to China have resumed but at a far lower volume. AFP

Boeing's agreement for 200 jets marks the end of a nine-year drought in China. But the order was considerably smaller than expected—and a reminder of how much ground it has lost in the world's second-largest aviation market.

There's little the American plane-maker can do directly to overcome its disadvantages in this priority region, especially when it's being weaponized for diplomatic leverage. But it should make the most of a global aircraft shortage to appeal to Chinese airlines, whose fleet is expected to double over the next two decades due to robust demand for air travel. That's why it was a surprise when the confirmed deal was less than half of the 500 that was reportedly under discussion. Boeing has not announced any major sales to commercial airlines in the country since November 2017 during a state visit to Beijing by US President Donald Trump in his first term.

Orders evaporated in 2018 after Trump began his first trade war with China. A year later, global aviation regulators grounded Boeing's best-selling 737Max following two fatal crashes caused by a design flaw. The pandemic, which crushed demand for air travel, didn't help matters.

But the rising geopolitical rivalry is handicapping the plane-maker. Its biggest problem in China is that along with the broader American aviation industry, it has become a strategic hot potato used as a bargaining chip by Washington and Beijing depending on the priorities of the day.

This vulnerability was laid bare last April. China turned away some Boeing planes that it had ordered, prompting the manufacturer to look for other buyers, after Trump imposed tariffs of at least 145% on Chinese products. Mainland airlines were additionally told to stop buying US-made parts and equipment.

Washington was equally capable of escalating the conflict. It suspended the export of US-made jet engines in May, causing Comac, China's state-owned aerospace firm, to slash its production targets.

With a trade truce now in force, Boeing's deliveries have resumed. But as it returns to a market that used to account for 20% of its sales, it is finding that rival Airbus has surged ahead by leveraging its local manufacturing footprint and Europe's pragmatic dealings with Beijing.

These stronger industrial and governmental ties will be hard for Boeing to overcome. The European company now has a market share of 55%, compared to 44% for Boeing and 1% for Comac, according to analytics firm Cirium. Just six years ago, the aircraft duopoly was evenly split.

Airbus is set to expand its lead. It opened a second assembly line in Tianjin last October to produce the A320 family of single-aisle jets, which compete with the 737Max and Comac's C919. Establishing a similar facility wouldn't be feasible for Boeing, given the political optics in the US of investing in a strategic rival, even if it would help avoid any future tariffs.

Airbus may be ahead now, but in the long run, both Western aerospace makers will be facing increasing competition from China's Comac, whose success is vital to Beijing's efforts to project itself as a technological superpower. With expected deliveries of just 28 planes this year, it's still much smaller than the 870 target for Airbus and 660 for Boeing. But in four years, Comac's share of single-aisle deliveries—the workhorses of civil aviation—to Chinese operators is expected to rise to around 65%, according to Dan Taylor, head of consulting at IBA, an aviation market intelligence firm. Although this will represent just 7% of the total in-service narrow-body fleet when older Airbus and Boeing models are included, it shows how quickly the Chinese upstart is expected to grow.

Boeing has limited ability to outdo its competitors in China, but it doesn't have to. It just needs to ramp up its own production to meet existing demand. A post-pandemic rebound in air travel has outpaced the ability of aviation manufacturers to deliver jets, causing record order backlogs stretching more than a decade into the future. Efforts to increase the output of the 737Max and the dual-aisle 787 Dreamliner are a step in the right direction. Boeing has many customers to serve, but it should consider prioritizing Chinese airlines if it truly wants to make a comeback.

All carriers are currently being hammered by the sky-high cost of jet fuel, their single biggest expense. Anything the plane maker can do to lower the lifetime cost of operating an aircraft would help. An obvious place to start would be offering steeper-than-usual discounts on list prices.

Boeing's deal, completed with an assist from the Trump administration, marks its full return to China after a long hiatus. Challenges will remain, but the global aircraft shortage could help smooth its market re-entry. ©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

Rationalize centrally sponsored schemes: here are six guidelines

Inertia has left a plethora of programmes in place that achieve little and must be reformed or axed



ADITYA SINHA
is a public policy professional.

K. Hanumanthaiah, then chief minister of Mysore, made two related complaints at the third meeting of the National Development Council (NDC) in November 1954. First, that India's states were finding it difficult to find resources to match their share of expenditure on schemes sponsored by the Centre. Second, the Centre was issuing directives without consulting them. The minutes recorded his protest. Nothing else came of it. Two years later, Madhya Pradesh said the same thing in different words—that it had no money beyond the plan to match Central assistance. In 1967, an NDC subcommittee was set-up to examine the matter. The complaints have a long memory; the responses, a shorter one.

The idea of centrally sponsored schemes (CSS) has been examined repeatedly for 71 years. The 16th Finance Commission's (FC) report records that there are now more than 80 CSS, run by more than 20 departments and ministries, with budgets amounting to roughly 1.5% of GDP. This accounts for over half of all transfers from the Centre to the states. Five schemes (MGNREGA, the Pradhan Mantri Awas Yojana, Jal Jeevan Mission, Samagra Shiksha and the National Health Mission) between them absorb more than half the total CSS outlay. The remaining 75-odd schemes share what is left, many with allocations too small to register as a national programme. The 16th FC notes that the five-year review mechanism has not led to the closure of any scheme. Goalposts are shifted. Objectives, when achieved, are redrawn. The schemes are renewed.

A reader unfamiliar with the file will assume this is an executive failure of recent vintage. It is not. Article 282, tucked into a chapter titled 'Miscellaneous Financial Provisions,' permits both the Union and states to make grants for any public purpose, notwithstanding the question of legislative competence. It was meant to be a residual provision, the *ex-post* exception. But it became the main channel for inter-governmental transfers because the erstwhile Planning Commission (PC) saw it could route schemes through Article 282 and bypass the Seventh Schedule altogether. The PC was wound up in 2014; the schemes it spawned were not.

Most of the literature on the subject gets even the etymology wrong. The B.K. Chaturvedi Committee report of 2011 and a sub-group of chief ministers chaired by Shivraj Singh Chouhan in 2015 were exercises in restructuring, not rationalization.

To restructure is to re-arrange. To rationalize is to ask whether the thing should exist at all. The 2015 group reduced the schemes to 30 umbrella heads. But beneath each umbrella, sub-schemes multiplied. An umbrella called Green Revolution has under it the Rashtriya Krishi Vikas Yojana, National Food Security Mission, Horticulture Mission, Oilseeds and Oil Palm Mission, National Project on Soil Health and a dozen others. Counted by sub-schemes and components, the real CSS number is closer to 200.

If one were to design the system afresh on first principles, six rules would do the work.

One: Article 282 should be returned to its residual status as originally conceived. The bulk of programme transfers should pass through Articles 270 and 275. That is, through the FC, untied.

Two: No CSS should exist for items on the state list. If the Centre funds health because it is nationally important, states must be permitted to fund defence on the same logic. The proposition is absurd. So is the reverse.

Three: Items on the Union list should be central sector schemes, with no matching grant. He who decides pays.

Four: Items on the concurrent list may be cost-shared, but the formula must be principled and the design genuinely flexible, not the one-size-fits-all template that has prevailed so far.

Five: A minimum threshold below which no scheme can be a CSS. The Chaturvedi Committee suggested ₹100 crore in annual outlay; an earlier Arvind Varma Committee, ₹300 crore. Adjusted for inflation, the right number today should be about ₹500 crore.

Six: Zero-based budgeting at every FC cycle. No scheme should be renewed by default. The administrative ministry must justify its continuation. Without evidence, the scheme must lapse. Let sunsets be the rule and renewals an exception.

The Seventh Schedule, a colonial inheritance from the Government of India Act of 1935, itself needs a relook. It can yield a fiscal dividend. The 1.5% of GDP currently consumed by CSS, much of it on schemes of doubtful utility, would be freed for capital expenditure on Union list items where the multiplier is uncontested and not dependent on implementation by states.

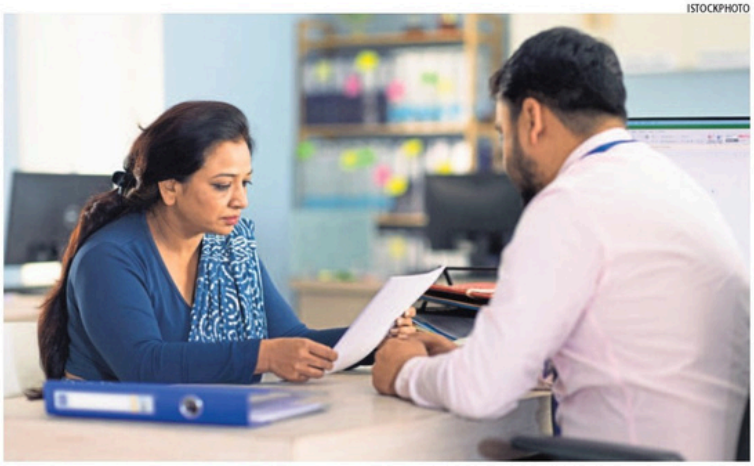
Hanumanthaiah's complaint was that the Centre was sponsoring schemes the states could neither afford nor influence. The 16th FC's complaint, in different language and with better data, is the same. It has again proposed a committee to rationalize CSS. These schemes have survived four FCs and one PC. When they began, they were meant to be miscellaneous. They have become so in a different sense; many of them can reasonably be described as disorderly, undifferentiated and burdensome.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW

ISTOCKPHOTO



Insurance rules mustn't lose an optimal balance

The sector has been enlivened by the recent removal of its FDI cap. It's best to rely on greater competition rather than tighter CEO remuneration guidelines for better customer service

India's insurance sector has found renewed vigour, with two global players ready to expand their market presence and others exploring entry. On Monday, US-based Liberty Mutual Insurance announced a stake increase in its Indian venture Liberty General Insurance to 74% from a bit above 55%. A day earlier, UK-based Prudential said it will buy a 75% stake in Bharti Life Insurance Company. Also, Germany's Allianz has struck a 50:50 joint venture (JV) with Jio Financial Services. Other major insurers are reportedly keen to enter. Earlier this month, India amended its foreign-exchange law to ease the path for 100% foreign direct investment (FDI) in this sector, the 74% cap on which was lifted in February. While FDI for majority control was allowed five years ago, letting global insurers operate without local partners is expected to attract more of them—all the better to step up competition in a sector that needs more of it.

Foreign players were first invited a quarter of a century ago. Although several JVs entered the field, Indians are still short of insurance cover. According to a Swiss Re report, India's market penetration is just 3.7%. New insurers vying for a slice of it could make a difference—so long as they have space to differentiate their game for a market edge. This could depend on the sector's finer rules. In this context, recent talk of tighter compensation norms for insurer CEOs assumes relevance. The Insurance Regulatory and Development Authority, which regulates the sector, already has a set of guidelines for private insurers. Aimed at aligning pay packages with risk, these cover how the variable part must be awarded—tied to performance, i.e., but with such provisions as a clawback option for deferred-pay incentives in case a failure comes to light later. This strictness can be justified by the uniqueness of the insurance business. Payout liabilities extend way into the future, while assets are long-range too. Since annual profits could mask longer-term risks, CEOs are best incentivized not just to maximize routine financial results, but ensure safety and stability as well. Although 'grievance redressal' is among the risks to be taken into account, the regulator would be well advised not to link remuneration any closer with customer metrics.

Admittedly, policyholders tend to be 'locked in' for extended periods once they've signed up for an insurance deal. High costs of switching services are associated with low levels of service quality. Anecdotal evidence suggests that claim rejection complaints are frequent, especially in the health segment. It may thus be tempting for the regulator to insist on claim ratios, policyholder ratings and the like in variable-pay formulas for CEOs. Yet, in any competitive market, customer satisfaction is an outcome of sound management practices. Moreover, since market strategies differ—as they should if innovative ideas are to drive growth—businesses must not be too hamstrung in how they reward their top executives; after all, CEOs of private insurers, as with any business, are answerable to their shareholders. State policy should focus on ensuring fair competition and increasing its intensity, which has its own way of punishing poor service and rewarding players that serve customers well. Rules that delve too deeply into details would risk regulatory overreach, which might deter FDI. Now that a red carpet rolled out for global insurers has begun to draw them into a market with vast potential for expansion, let's count on rivalry among insurers to do its job. Let market forces work.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

Altman beat Musk in court but OpenAI could lose Wall Street

This case may well have left the AI firm's reputation under a cloud



DAVE LEE
is Bloomberg Opinion's US technology columnist.



Altman's OpenAI is expected to launch a public offer of equity this year. REUTERS

We have all been in meetings that "could have been an email," so why not have a jury trial that could have been an AI prompt?

"Is Elon Musk able to sue OpenAI for breach of contract?" we might have asked an artificial intelligence (AI) model before the three-week circus at a federal court in downtown Oakland, California. "No," should have been the AI model's answer. "He is too late."

That was the jury's anticlimactic verdict on Musk's effort to sue Sam Altman, OpenAI and Microsoft over transforming OpenAI from a non-profit into a for-profit concern—or "stealing a charity," as Musk put it more than a dozen times while on the stand. The jury took about two hours to rule unanimously that the statute of limitations for Musk's claims had expired. The judge agreed, and that was that.

Musk's lawyers vowed an appeal, but didn't specify what they will argue.

At the start of the trial, I suggested that asking an Oakland jury to choose between Musk and Altman was like asking them to pick between a "slap in the face or a knee to the groin." Shrewdly enough, the jurors opted to avoid both. Yet, while they passed on the opportunity to deliver a verdict on Altman's integrity in creating OpenAI, Wall Street still might.

If there is one thing of any value to take from the trial, it is the ever-darkening cloud over Altman's suitability as a custodian of one of the most important companies in the world. Especially telling over the course of this trial was just how many of Altman's earliest allies now seem to want little to do with him.

Yes, Altman and OpenAI 'won' the case. Potential for appeal aside, the decision seems to have staved off the immediate threat that OpenAI in its current form would be dismantled, scuttling what is expected to be one of the most lucrative initial public offerings (IPOs) ever. That is good news for Altman and good news for markets too: Who knows what kind of immediate ripple effect would have been created had one of the biggest planned spenders on AI computing power been faced with abolition.

Yet, as I noted when this trial was getting underway, Musk would be a partial victor even in loss, given the distraction and reputational damage caused to OpenAI as America's big AI firms—Musk's own included—head for public listings.

Was Musk portrayed in court as untrustworthy, hypocritical and bullying? Did he come across as brash and argumentative on the stand? Well, sure. Hold the front page. Investors know what they are getting with Musk. But they still seem to be figuring out what they get with Altman.

Five witnesses took the stand to question Altman's honesty. Musk's lawyer Steven Molo pointed out in his closing. "People who have worked with him called him a liar under oath; that's a very powerful word." The jury heard passages from a 52-page memo written by co-founder and former close friend Ilya Sutskever to OpenAI's board in which he described Altman as exhibiting "a consistent pattern of lying, undermining his execs, and pitting his execs against one another." Mira Murati, formerly OpenAI's chief technology officer, told Altman in a memo that his leadership "generates chaos and churn."

OpenAI's current president, Greg Brockman, did not come off much better; his personal diaries revealed an intense private focus on increasing his net worth when OpenAI was billing itself as the AI firm that was building the tech for the good of humanity. "What will take me to $1B?" Brockman wrote in 2017. Today, his stake in OpenAI is worth almost $30 billion, the court heard.

OpenAI was further exposed as a bit of a hot mess of a company. "It was amateur city as far as I'm concerned," said Satya Nadella, Microsoft's chief executive officer, when recalling the days surrounding Altman's dramatic ouster from OpenAI in 2023. At the time, Microsoft was left scrambling to reassure its investors that its AI strategy was not falling apart.

Throughout the trial, Microsoft sought to distance itself from just about all of OpenAI's origin story. Fast-forward to today, Microsoft is doing what it can to decouple its own fate from that of OpenAI, renegotiating a soured partnership between the two tech firms.

We will never know if the jury was convinced by Altman when he said "I believe I am a truthful person." But Wall Street might take that question into account if and when the company attempts to go public. Maybe investors might prefer calmer waters. While this trial played out, rival AI shop and IPO candidate Anthropic was busy closing a $30 billion funding round that valued it at $900 billion—leapfrogging OpenAI. ©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

How India can gain from a great power role inversion

VIVAN SHARAN



is a policy expert at Koan Advisory Group.

Last week, US President Donald Trump's historic two-day meeting with Chinese Premier Xi Jinping, the first in Beijing at this level since 2017, ended without a commercial breakthrough despite the presence of a high-powered technology delegation of 17 American CEOs, including Elon Musk of SpaceX and Jensen Huang of Nvidia. China did not respond to US overtures, including the potential sale of Nvidia's cutting-edge H200 chips to Chinese entities that the Joe Biden administration had blocked and Trump administration reversed.

US officials dismissed a lack of business progress as immaterial. Markets disagreed. The absence of a high-technology purchase package, despite the delegation theatrics, exposed a rare crack in the seemingly unstoppable AI boom. US markets corrected sharply, with chip stocks falling after a prolonged bull run.

India should read this sequence of events clearly. The US is increasingly behaving like China once did, using statecraft to sell things. And China is behaving like the US once did, policing commercial flows through ideological and political tests.

US mercantilism is a given, but American commercial dealings have traditionally also been mediated through political ideology. Earlier restrictions on chip exports are one example. But Cold War relations with the Soviet Union are perhaps the most memorable. Trade between the two blocs was heavily restricted, despite the potential for large-scale commerce, peaking at just 1% of total US trade in 1979.

Similarly, China's historical commercial pushiness across the world is well documented. Since 2000, Beijing has been Africa's largest trade partner, providing not only goods, but also investments and unconditional aid. Its Belt and Road Initiative (BRI) is another glaring example of a transactional approach. Fudan University estimates that the BRI involves around 150 countries.

But China's refusal to strike a big commercial deal with the US is the latest in a series of moves that indicate Beijing is changing tack. Not only has it signalled a preference for building sovereign chips, it has established export controls for strategic technologies. Two sets of rules announced in April expand these, including as a retaliatory toolkit against foreign sanctions. Together, they create a head-on conflict between Chinese law and the regime that US multinationals are obligated to follow.

Meanwhile, Trump's 'art of the deal' seems premised largely on high-visibility commercial and trade concessions extended to the US by its partners, rather than on their ideological moorings. Last year's trade war with Five Eyes allies such as Canada exemplify this departure from the past.

As China and the US swap their approach, we must work out how to make the most of this shift

For India, all of this means old assumptions no longer work. China will not release the capital and technology that India needs to deepen manufacturing without a broader commercial accommodation. The US will insist on selling more to India until we have enough leverage for better balanced relations.

New Delhi has liberalized its investment screening regime, which it established after the People's Bank of China increased its shareholding in HDFC in 2020. The regime controls investments from countries with which India shares land borders. This framework was partially relaxed recently for specific import categories like capital goods.

But Beijing seems unlikely to de-hyphenate politics and commerce or let strategic technologies or investments flow to India in support of 'China-plus-one' plans that New Delhi has been keen on. Beijing has also raised a WTO dispute with India over Indian manufacturing incentives for batteries, automobiles and EVs, which it claims discriminate against Chinese imports.

Clearly, India needs a wider strategic conversation with China, within which commercial concerns can be placed. We must also identify areas where we can credibly open up markets, perhaps by easing a quality control regime aimed mostly at Beijing. The objective should be to offer China a level playing field in commerce, not selective concessions. Such calibration would make it harder for Beijing to argue that Indian policy is structurally discriminatory, even as New Delhi retains its sovereign right to protect sectors with genuine security risks.

As far as Washington is concerned, India already offers US firms market access across most tech-led growth areas. A more useful assurance, therefore, is policy stability and transparency in domains that matter to value creation, including intellectual property, digital commerce and emerging technologies. These are high on the US agenda and we lose little by making explicit commitments to protect US investments through the rule of law, avoiding retrospective policy changes and maintaining a predictable operating environment for US firms.

A sharp focus on the domestic economy should help India's balancing act. Inflation is ticking upwards and jobs remain scarce, which means costs must be kept down and job creation treated as urgent. Commercial flows that help meet these two needs should be framed within the context of India's geostrategy in a bipolar order. Otherwise, India risks falling between the cracks.

India should use both relationships to advance a market-led industrial strategy: let the US and China compete in our market even as we lower costs, create jobs and build supply-chain and tech capabilities at home.

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

THEIR VIEW

East Asia's manufacturing model can't be imported by everyone

Times have changed and competing in world markets now calls for capabilities that are relatively scarce in poorer countries



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'

BLOOMBERG



At a gathering of academics and policymakers at Harvard this month, a participant reminded me that I had published a column 15 years ago on 'The Manufacturing Imperative.' As the title suggests, the piece emphasized the importance of industrialization in driving economic growth, creating good jobs, and building a middle class. "This is one of my all-time favourite articles," the policymaker from Africa told the audience.

There is scarcely a greater reward for a scholar than having his ideas resonate strongly with the people for whom he writes. But in this case, a gentle rebuke came along with the praise. What I had written in that column and many other places at the time seemed to conflict sharply with the arguments I was making at this conference about the limits of manufacturing.

The contradiction was real. In recent years, I have become sceptical about the viability of the traditional industrialization-led growth model. I have argued for a different model of economic growth, emphasizing the development of productive capabilities in labour-absorbing, mostly non-tradable services. I have warned policymakers in Africa and other developing regions that trying to emulate the East Asian model would produce, at best, manufacturing enclaves, with a tiny sliver of productive firms integrated into global value chains while the bulk of the labour force remains stuck in low-productivity activities.

Mexico exemplifies this outcome. As Santiago Levy, a former Mexican deputy minister of finance, pointed out at the same conference, Mexico's exports of manufactured goods have increased more than tenfold since the country joined the US and Canada to form the North American Free Trade Agreement (Nafta) in 1994. At the doorstep of a giant market and with policymakers determined to promote foreign trade and inward investment, few countries were blessed with better circumstances for export-oriented industrialization. Yet Mexico's overall economic performance has been dismal, even by the undemanding standards of Latin America with a declining productivity trajectory.

What made manufacturing the powerful economic escalator it used to be was that it could employ large numbers of low-skilled workers while making limited demands on low-income countries' governance and infrastructure. Today's manufacturing is different. Competing successfully on world markets and with China at home requires skills, technologies and other capabilities that are in short supply in poor countries—precisely because they are poor. Manufacturing no longer offers a shortcut that sidesteps these fundamental constraints. The result is that even when countries manage to pull more workers into manufacturing, this happens through the expansion of small-scale, mostly informal, enterprises and at the expense of productivity. This is the story of industrialization in Ethiopia, which once represented the hope that the East Asian model could be transplanted in Africa. The expansion of factory employment and an increase in manufacturing productivity used to go hand in hand in early industrializers such as Japan, South Korea and Taiwan; they now move in opposite directions in Ethiopia, Bangladesh, India and even Vietnam.

I became a manufacturing sceptic reluctantly. The evidence was hard to ignore, as manufacturing technologies became more sophisticated and the failure of countries outside East Asia to industrialize successfully became more apparent. I began to consider alternative growth strategies not because I came to think of broad-based industrialization as less desirable, but because I became convinced it was less feasible. As John Maynard Keynes reputedly said, "When the facts change, I change my mind; what do you do, sir?"

Here is a sobering calculation. Of the two billion workers in the developing world today, I estimate that roughly three-quarters (1.5 billion) are in occupations that neither require university education nor are exposed to the international economy through trade or offshoring. These are subsistence farmers, street vendors, retail and food service workers, casual workers, and others in non-traded occupations. Their numbers will only increase in the years ahead, even if their share of the total declines somewhat.

The critical question facing policymakers is how to enhance the economic opportunities of these workers. The numbers make it painfully clear that neither industrialization nor education can be the answer, as desirable as these may be. Finding ways to increase the productivity of workers in labour-absorbing services will be crucial; otherwise, gains in living standards cannot be sustained.

Non-traded services have traditionally been a drag on economic growth. Many policymakers are accordingly pessimistic about their potential. But this may be changing. Something akin to a revolution in services productivity has been underway, most visibly in advanced economies, through organizational innovations, the use of digital platforms and other new technologies.

For developing economies as a whole, the last three decades have been a rare period of rapid economic growth and convergence with advanced economies. Remarkably, it is services, not manufacturing, that is responsible for this outcome.

As the economists Tianyu Fan, Michael Peters, and Fabrizio Zilibotti show in detailed empirical work, India's remarkable economic growth has been driven by productivity gains in consumer services such as retail and hospitality produced for local markets, not in skill-intensive, exportable services such as information and communications technology and business process outsourcing for which the country is well known. The authors have documented a similar mechanism at work in Sub-Saharan Africa's rapidly growing economies as well.

The evidence suggests the possibility of a virtuous cycle of economic growth built on middle-class services. Expansion of the middle class shifts consumer demand toward higher-quality and more productive services, which in turn enables the rise in workers' incomes that underpins the middle class. But the process is not automatic. There is an important role for the government in facilitating the requisite productivity enhancements.

As Rohan Sandhu of Harvard Kennedy School and I have argued, many successful experiments around the world already provide proof of concept. They include initiatives that encourage platform companies to employ local inputs and workers, assist micro enterprises with training and certification and provide customized artificial intelligence and other technological tools adapted to developing-country circumstances.

Dedicated efforts along these lines can build a more reliable, more inclusive growth model. Without them, the vast majority of workers in the developing world will be left in precarity, isolated from the high-productivity enclaves linked to the global economy.

©2026/PROJECT SYNDICATE

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

Apple and Berkshire: are their best years behind them?

RAHUL JACOB



is a former Financial Times foreign correspondent.

Shareholders at Berkshire Hathaway's early-May annual general meeting, often described as a pilgrimage for many who idolize Warren Buffett, might have been puzzled by some aspects of CEO Greg Abel's presentation. Abel, a long-time lieutenant to Buffett who took over as CEO at the beginning of this year, underlined that he planned to continue with the Buffett tradition of buying undervalued businesses. One of the examples Abel highlighted was Bell Laboratories. After being approached by Bell's CEO, Berkshire had bought the business with annual revenues of less than $100 million. The company is known for being an efficient producer of chemicals that kill rodents. Abel candidly said, "We only wish it had been ten times bigger."

Instead of being an acquisition to boast about, Bell Laboratories is emblematic of the huge challenge Berkshire and Abel face in the years to come. Buffett is staying on as chairman, but the last significant investments he made were in large amounts of Apple Inc's shares (from 2016) and the equity of five Japanese trading houses (in 2020).

This year marks a transition at the top of Apple as well, with Tim Cook about to step down as CEO after a 15-year stint. Apple's profits this year are expected to be in excess of $125 billion, a fivefold jump from when he became CEO. The dysfunctional company that he took over from visionary founder Steve Jobs has become a byword for supply chain efficiency and spawned a host of successful Chinese companies in the bargain. Patrick McGee, the author of a book on Apple in China, argued recently that the mythology around Jobs' Apple turnaround that climaxed in the 2007 launch of the iPhone overlooks that the company was a kind of "manufacturing hell". Cook's big achievement was to focus on building a supremely efficient supply chain in China and pivoting the company to one in which 40% of its revenues are from services.

But as Cook prepares to step down, large questions loom over the high performer he built. By outsourcing production to China, Cook, who once described himself as "Attila the Hun of inventory," has helped build China into a high-value manufacturing behemoth. As McGee notes, BYD, which started as a supplier of Apple's metal casings and then became a big assembler of Apple products and titanium alloy components, has transformed itself into a leading electrical vehicle company. One may wonder why Apple did not similarly capitalize on its manufacturing prowess. Apart from the fact that various Apple products (like wearables) never gained much traction, it is widely seen as a laggard in artificial intelligence.

While OpenAI, Google and Claude dominate the AI conversation, Apple must also fend off new challenges in smartphones from lower-cost Chinese producers as well as from new rivals that excel at AI offerings. As Richard Waters, who covers Silicon Valley for the *Financial Times*, wrote last month, "AI isn't just another service, like search, that Apple can collect a fee on. It's a technology that changes the way computers are programmed and controlled, and it promises entirely new experiences and services... if other developers are drawn to creating apps that run on top of AI, the models could become major computing platforms in their own right." In time, this could lead to operating systems like Apple's proprietary iOS receding from the prime position they hold today. Then again, monetizing AI may prove more difficult than the hype suggests. Waters says that it is possible AI will be far less of a game-changer.

The success strategies of both seem outdated as they undergo leadership transitions

The reputations of Apple and Berkshire's new CEOs may seem Lilliputian in comparison with their predecessors, but the parallels end there. The challenge for Berkshire Hathaway is that its mission of finding value is no longer relevant in a market where the high performers are highly priced tech shares. Even with Buffett, 95, continuing as chairman, its problem is that hunting for large acquisitions has become a somewhat existential dilemma. Berkshire's old 'Buffett premium' has been replaced by a 'conglomerate discount,' which is arguably a fairer estimation of a company with more than 50 diverse businesses, excluding its insurance business run by Ajit Jain. Berkshire made its name for value investing in a world that was the very opposite of the momentum game practised by hedge funds and day traders in the US. In what seems like an almost perpetual bull market, Berkshire's class-B shares are down about 13% in the past year, against a US stock market that rose by 26% over the same period.

Apple still benefits from the supply-chain skills that Cook honed over the past decade-and-a-half, including a quick shift of some assembly lines to India. Apple conforms to what Buffett described as a business with wide "economic moats," or almost impregnable advantages. This was the kind of company he invested in for decades, such as Gillette and American Express.

This week, the *Wall Street Journal* revealed that Apple had salvaged some silicon chips that had slight defects. Instead of discarding them, Apple ingeniously used them to power the MacBook Neo, its lower-priced computer offering at $599. By contrast, Buffett said this month that in six decades of investing, he had seen a case for being greedy just half a dozen times. He is inclined to be patient, but Berkshire has a cash hoard approaching $400 billion. Against that backdrop, acquiring a small rodent control company underlines how the sun may be setting on Berkshire's long-held strategy.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW



Greater transparency is good for Indian banking

RBI's move to align bank disclosures with international norms is welcome. Making its own bank-inspection reports public might also support the cause of improved market discipline

The Reserve Bank of India (RBI) has put out a draft amendment to its earlier directions on prudential norms for the capital adequacy of commercial banks. It deals with Pillar 3 (disclosure requirements) of the Basel III framework, adopted by RBI in 2013. The rationale, according to the central bank, is to ensure greater consistency with that framework, as prescribed by the Bank for International Settlements, the global collective of central banks. Its three pillars cover minimum capital ratios, supervisory review processes and market discipline. The third pillar aims to keep markets informed about the financial status of banks through a regulatory mandate to disclose vital information that has no legitimate claim to secrecy.

The draft circular hits the nail on its head by stating that the provision of "meaningful information about common key risk metrics to market participants is a fundamental tenet of a sound banking system" as it "reduces information asymmetry and helps promote comparability of a bank's risk profile within and across jurisdictions." The business of banking is, by definition, characterized by a certain degree of opacity, thanks to its underlying principle of customer confidentiality. Information asymmetry—where one side knows more than the other—is almost a given. This is where Pillar 3 hopes to make a difference. By stipulating what exactly a bank must disclose, it enables market participants to access key information on a bank's risk exposure and capital cushion designed to absorb any losses that may arise from operations. The broad idea is to increase transparency and confidence in a bank's ability to withstand financial blows. However, the adequacy of regulatory capital *per se* and good supervision are no guarantee against bank failure. A lender with more than the mandated level of capital as a fraction of its risk-weighted assets may still falter. After all, banking is not only about taking risks on credit and interest rate exposure, to mention just two; at its core, it is "accepting for the purpose of lending or investment of deposits of money from the public," as Section 5 of the Banking Regulation Act of 1949 states. Note the words "from the public." It is people at large who have the most at stake in ensuring bank resilience.

For the public to watch out for itself, people must have access to information that is typically the preserve of the sector's supervisor—RBI, in our case. Regulation must strike an appropriate balance between what must be kept confidential and what's placed in the public domain. The draft circular is right to say disclosures must be clear, comprehensive, regular, meaningful to users, consistent over time, comparable across banks, etc. By extending these norms even to banks that are not listed on stock exchanges, it ends the differential treatment of widely held and unlisted banks. This is wise. What's less so is an exclusion granted to what RBI terms "exceptional cases," where disclosing some items required by Pillar 3 may reveal the position of a bank or contravene its legal obligations on proprietary or confidential data. In such cases, general information and an explanation of what is being withheld and why would suffice. This relaxation seems both inexplicable and unwarranted, as it is precisely such cases that may call for greater transparency. In fact, a key step in improving bank transparency would be for RBI to make its inspection reports public, a move that it has steadfastly resisted.

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 | MYTHS AND MANTRAS

What explains the rush to sell us global and private credit funds?

Most appear to be chasing retail investor money that is flowing into these as part of the latest fad



DEVINA MEHRA
is founder of First Global and author of 'Money, Myths and Mantras: The Ultimate Investment Guide'. Her X handle is @devinamehra

Remember what fund managers were telling you in the last quarter of 2025—that you must have gold in your portfolio? It included even those who advised you just a year or two before to sell the 'unproductive' gold you had at home and put it all in equities. Indian equity markets did not do well and gold did, so the advice changed. Unfortunately, this change came far too late.

Investments from Indian investors into gold funds and exchange traded funds (ETFs) peaked in January, even exceeding equity flows. Since then, the rupee has fallen, import duty has been imposed and the gold price is *still* down.

The talking heads on TV have also moved on. What are you listening to these days? Some offer their seemingly wise counsel on why you should invest globally (usually in a Gift City product they have launched) or advise going into fixed income, especially private credit, which is where a number of new fund structures have been launched.

What is all this about? At one level, it is about driving—or rather, investing your money— looking backwards. In whatever has done well of late. But the actual reason for this is that the asset management industry is really an asset gathering industry. The revenues of fund managers depend on the assets they gather and hence the focus is not on what would make the investor money now but on 'under which theme the investor will give us money today.' We plotted the clustering of thematic funds since the start of the mutual fund industry in India almost three decades ago. The pattern has not changed.

When did technology funds cluster? Just weeks before the global tech crash of 2000. Engineering and infrastructure funds? A little before the 2009 downturn, with the industry in doldrums for the next 12 years. In 2021? It was Nasdaq or China/Greater China. Then all of them crashed the following year, with Nasdaq becoming almost the worst performing index in the world for 2022.

This is a theme (pun intended) you would see play out every time new fund offerings (NFOs) cluster in a particular category, be it by geography, sector or size (small cap versus large cap). Usually, investors lose money or underperform on such investments because most such NFOs come around the end of the bull run for that theme. But why do fund houses launch funds for themes which have already largely run their course? Don't they understand that risks are high and big returns unlikely?

Of course they do. But they also understand that this is when you, the retail investor, have come to understand that theme. Maybe you even have some FOMO (fear of missing out) because your friends supposedly made money on, say, public sector unit stocks or defence or some other theme. Or conversely, you have not made money on your portfolio and are looking to reverse your fortunes, which is where the current push for global funds and private credit is coming from.

Sell dreams of a new El Dorado and investors participate enthusiastically. That usually doesn't end well for investors but the objective of the fund house of gathering assets is met. And when the new scheme does not perform? I have seen asset management company (AMC) CEOs being asked on stage how they felt when a fund they launched was down substantially (in one case, it was a fund investing in a narrow list of global tech stocks; in another, it was a defence stock fund), the answers were similar. The CEOs shrugged and said that they felt nothing as they were only offering a product and it was up to the investor to decide whether to invest in it!

Back to the Gift City products. Am I saying that you should not invest globally? Of course not. Mine has been among the very few voices saying for years that investing in India, which is a microscopic portion of global market capitalization, is not enough and that the rupee has depreciated almost 90% in the course of my career. The first four chapters of my book are about how asset allocation should include fixed income and global assets and how globalization does not mean only US markets.

So what is going wrong? For one, most fund houses offering Gift City products do not have global expertise. They are there because money is coming in. Most of these fund managers are on record as having had at the most one global index fund even in their personal portfolios two or three years ago and now they have repositioned themselves as global fund managers. This also shows in the performance of the half-a-dozen Gift City products, that have been around for over a year. Every scheme is down for six months and, with one exception, has underperformed the almost 21% rise in a year for the global equity index.

As someone who has run a global investment firm since 1999 and managed global assets for the past 11 years, I can tell you that global stocks and markets are complex. It takes years to understand them in depth. You cannot wake up one day and launch a fund and expect it to perform.

As for private credit, the principle is that the fixed income part of your portfolio is there to reduce risk and volatility in your portfolio, not increase it. The combination of illiquidity and credit exposure to companies not getting funded by banks is deadly, as investors in Western global private credit funds have just discovered. More on that another time.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

India's policymakers stare at a set of gloomy trade-offs

MADAN SABNAVIS



is chief economist, Bank of Baroda, and author of 'Corporate Quirks: The Darker Side of the Sun'

Policy formulation will see challenges mount in 2026-27 as the effects of the West Asia war unsettle India's growth picture. The high price of oil has exposed its vulnerability, with the reverberations of every policy action or non-action likely to influence other parts of the economy.

Let's start with monetary policy first. The regime of low interest rates is over and the decision that India's central bank must take is when—and by how much—to raise its repo rate. The Goldilocks scenario has turned into a Cinderella syndrome, where all base effects turn negative and inflation pushes aggressively upwards. This is a global phenomenon. Last year, India managed to counter the US tariff blitzkrieg well. But this year's oil crisis differs; it resembles episodes of the 1970s when the shock was felt across almost every sphere.

Inflation will hurt on two fronts. The first is through crude oil prices. India's state-run retailers have had to hike the retail prices of fuel, particularly of compressed natural gas, petrol and diesel. Liquefied petroleum gas and aviation turbine fuel prices were hiked earlier. More hikes are expected to follow over time, as only a part of the increased cost burden of oil marketing companies (OMCs) has been covered so far. Therefore, fuel-induced inflation will have secondary effects, with transport costs likely to rise by 3-3.5%, triggering a tertiary round once companies start increasing prices. Wholesale price index data for April shows an over 8% spike in producer level prices, which will feed into retail prices through the supply chain route.

The government has also raised import duties on precious metals and put curbs on the import of silver. While this could slow inward shipments, a black market could develop. This may seem irrelevant to monetary policy, but even if demand for these metals weakens, given their weight in India's consumer price index, we can expect upward pressure on retail prices.

Next, look at agriculture. The government has announced an increase of an average 5% in minimum support prices (MSPs) for *kharif* crops over last year's rates. This was timely from the perspective of farmers; with the India Meteorological Department and Skymet predicting a sub-normal monsoon amid an El Niño possibility, there are concerns of crop prospects being impacted. But raised MSPs are likely to lead benchmark market prices up. This means that even if we experience normal rainfall and farm supplies do not decline, prices will rise.

Last, the rupee has been depreciating on account of a widening trade balance and relentless withdrawals of funds by foreign portfolio investors. A stronger dollar has played a role too. Rapid rupee depreciation means that every item imported is shipped in at a higher price, affecting everything from mandarins to electronic components.

Putting all these factors together, inflation is set to climb on last year's low base. This means that the central bank's Monetary Policy Committee (MPC) cannot term the price upshoot 'transitory' for policymakers to 'see through.' The overnight index swaps market indicates that this year might see up to two repo rate hikes. The question, however, is how the MPC views these factors.

Higher inflation also has the potential to come in the way of consumption, which was nudged upwards by last year's tax breaks. In the worst-case scenario of lower farm output due to a sub-normal monsoon and higher oil-induced inflation, both urban and rural demand could be affected. Therefore, GDP growth will be under watch. The MPC has to balance concerns around lower growth with possible higher cost-push inflation while determining its policy rate trajectory. This is not easy, as there are strong arguments for both a pause and an aggressive hike. The MPC also has to consider bond yields, which are stubbornly on the rise. One reason for this is the market concern over government borrowing.

QUICK READ

An energy shock could combine with weak rainfall and raised farm-support prices on top of a low statistical base to push up inflation and put monetary policymakers in a quandary.

Growth is expected to weaken too even as forex management poses its own trade-offs and the government finds its budget deficit under pressure to widen unless key outlays are slashed.

Fiscal management will be no easier. On the revenue side, the government has lowered excise duty on fuel products, which can cause a hit of ₹1.2-1.4 trillion if it is not reversed during the year. Corporate tax collections from OMCs will be nil, as there are no profits to be made, which will mean zero OMC dividends for the Centre; these were above ₹70,000 crore in 2024-25. The fertilizer subsidy bill will also increase and could exceed the budget outlay by at least 20%—or about ₹30-35,000 crore. The Reserve Bank of India's surplus transfer, though, could rise from ₹2.7 trillion last year to ₹3.2 trillion. This can offer the 2026-27 budget only a partial buffer, though. The conundrum for the government is whether or not to go through with its discretionary capex, given that social outlays cannot be lowered at a time like this. But then, letting the deficit slip by up to half a percentage point may not be a bad thing, given the scale of this crisis.

In parallel, exchange-rate management will require heightened attention; a balance will need to be struck between the ill effects of rapid rupee depreciation, which could become self-fulfilling, and letting a weaker currency aid exports. The adverse effects include imported inflation. Similarly, any import tariff hikes would worsen price instability, complicating India's monetary policy challenge. The government will need to let fuel prices rise, but that is inflationary too. And if RBI raises rates, growth could slow down. It's a circular chain, really.

These are the author's personal views.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW



Electricity reforms must address warped tariffs

A report by India's Central Electricity Authority outlines a major misalignment that state utilities must urgently resolve. We must drive efficiency and competition at the retail end

The Central Electricity Authority (CEA) under the Indian government recently recommended that state power distribution utilities rejig consumer tariffs in phases to align them closer with the costs incurred. Currently, while their books appear balanced when they annually seek tariff approvals from state regulators to levy on consumers, a significant chunk of their expenditure—the fixed costs borne, be it power purchase payments or employee salaries—is misaligned with their pricing systems. According to the CEA, while the fixed part accounts for 38-56% of utilities' total costs, the 'fixed' charges collected from consumers bring in only 9-20% of the total retail revenue required to cover expenses. The rest is to be recovered from tariffs that vary by consumption.

This discrepancy is structural, warps the tariff calculus and thus blurs the true extent of subsidy that states need to shell out when their utilities fall short of revenues. Worse, it stymies the ability of utilities to become more efficient and makes it harder for states to draw competition into this sector. Purchasing supply from power plants is the largest bill that utilities bear, about three-fourths of the total (some of it must be paid regardless of quantity drawn and is thus a fixed cost). With user bills kept especially low for the household and agricultural segments, most states have a cross subsidy; these users are effectively subsidized by industrial and commercial consumers that pay higher charges. The problem gets aggravated when demand drops thanks to, say, a cooler-than-usual summer, as revenues that vary by usage contract. The cross-subsidy burden on large users also pushes them towards captive sources on 'open access' networks, which helps them save energy costs. A tariff framework that relieves commercial users could increase the subsidy burden on states. However, they could moderate the effect by addressing another anomaly; utilities often garner state subsidies by masking losses as supplies to unmetered farm users. Instead, they should minimize losses through better infrastructure upkeep and theft reduction.

Given how the West Asia conflict has laid siege on India's economy, the country must pursue productivity gains in every sphere. Since competitively priced and reliable power supply could make a major difference, the urgency of utility reforms cannot be overstated. It would also aid efforts to introduce competition in the electricity retailing business, which remains fraught with inefficiency typical of monopoly-dominated fields. A proposed amendment in India's legislative framework seeks to let new entrants access existing distribution networks. If enacted, it will remove a key hurdle, while tariff reforms would catalyse investments, improve the efficiency of supply and help lower charges. But then again, the greater the number of paying consumers, the stronger the incentive for new players to deploy capital and improve distribution systems. Tariff reforms could also be viewed from the prism of demand emerging from high-use consumers. Climate change is projected to drive heavy use of air-conditioners, for example. Data centres for the artificial intelligence juggernaut could also become high-value customers. Given the ballooning welfare outlays of states, they will need consumers that buy electricity in large quantities and help their utilities rack up revenues.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

Conservation has high potential if deployed as a strategic mission

The Prime Minister's call must be taken in the spirit of building resilience rather than going austere



CHANDRAJIT BANERJEE
is director general, Confederation of Indian Industry.

Most of us grew up seeing conservation at home—saving water, switching off what we did not need, repairing rather than discarding things and treating resources with quiet respect. We never called it 'sustainability.' It was common sense, passed down by elders, absorbed without effort and practised without announcement.

In today's global environment, that common sense is not just a virtue but a practical national strength. That is why I read the Prime Minister's recent seven-point appeal as a timely reminder and not as a signal of panic. The spirit is simple: reduce avoidable vulnerabilities. Conserve fuel. Use public transport and carpool more. Use work-from-home and virtual meetings where possible, and for a limited period, postpone non-essential foreign travel and other discretionary foreign-exchange outflows. The government has also tightened non-essential imports, such as by raising duty on gold. It is a call for steadiness—small steps taken early so that bigger steps are not needed later.

A sensible rule would be: travel when a physical meeting genuinely adds value; go digital when it does not and shift gradually to digital workflows. Done well, this will save time and money without harming productivity.

It is important to read the message in the right perspective. The challenges India faces are not unique to us. Every country is grappling with them. India has continued to grow while inflation is benign. This call for conservation must not be mistaken for classic 'austerity' where growth is put on hold and investment is squeezed.

The recent debate around foreign travel is a good example of why precision matters. There were reports and conversations about levies or restrictions on overseas travel. The PM has made it clear that any such move is out of the question.

What is often missed in the noise is that India's resilience has been built over years. Over the past decade, India has worked to reduce exposure to energy shocks by diversifying supply sources, strengthening refining capacity, building strategic reserves, expanding its gas grid, accelerating ethanol blending, electrifying the rail network and scaling up renewable energy. These long-term steps may not always make headlines, but they matter enormously when the world turns uncertain.

So, what should industry do? The good news is that a lot is already happening. And not because anyone is being forced, but because efficiency lifts competitiveness. Greater efficiency protects margins, strengthens reliability and earns trust. In an uncertain world, that is real strength.

QUICK READ

How should industry respond to the PM's call? The good news is that a lot is already happening. And not because anyone is being forced but because efficiency enhances competitiveness.

Efficiency and ambition go together. The former creates the headroom needed to invest in infrastructure, innovation, skills and manufacturing, all of which drive India's economic growth.

Start with fuel. For many businesses, fuel expenses are a meaningful operational risk. That is why the shift to electric vehicles (EVs) in last-mile delivery matters: replacing diesel with electric power reduces emissions, protects against fuel price spikes and improves cost predictability. There are also commonsense steps that do not need big investment: encouraging public transport and car-pooling, adopting hybrid work where possible, improving load efficiency and using rail freight.

The next big opportunity is energy efficiency within factories, offices and commercial establishments. Efficiency is not just about switching off lights; larger gains come when efficiency is built into the process and equipment.

Renewable energy, paired with disciplined energy management, reduces exposure to grid volatility and imported fuel-linked costs. Companies must use energy more efficiently and source more of it cleanly.

Then there are micro, small and medium enterprises (MSMEs), on which large companies rely. Supporting MSMEs through timely payments, local sourcing partnerships, technology sharing and easier access to working capital is a matter of good business sense. When MSMEs have stable cash-flow, delivery delays drop, quality improves and the entire manufacturing ecosystem becomes stronger.

Finally, discipline begins within the enterprise. Review discretionary expenditure. Reduce waste. Strengthen working capital management. This can be an advantage amid volatility. Overall, efficiency and ambition go together. Efficiency creates headroom to invest in infrastructure, innovation, skills and manufacturing. India must invest and grow but with less waste, lower exposure to shocks and stronger discipline.

Resilience takes more than policy. People and enterprises create it by the small choices they make. That is what turns conservation into a strategy and strengthens India's growth story.

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 | PEN DRIVE

Accessible luxury may be a risky selling proposition

ABHAY GUPTA



is the founder of Luxury Connect LLP and Luxury Connect Business School.

I have spent years studying luxury brands, retail behaviour and aspirational consumers across markets, but I must admit that watching the recent frenzy around the alliance of Audemars Piguet and Swatch unsettled me.

This was not because the collaboration itself was shocking. Luxury has flirted with accessibility before. We have already seen H&M collaborate with Versace, Balmain and even Sabyasachi. We saw Supreme enter Louis Vuitton's world. Gucci has had Adidas as a partner. The industry has been moving steadily towards cultural collaborations for years.

What fascinated me this time was the intensity of the participation. Consumers camped outside stores overnight. Queues stretched across city blocks the world over. Resale prices exploded within hours. Social media was flooded with people celebrating mere proximity to Audemars Piguet. I found myself thinking that modern luxury may be negotiating something fundamentally different from what it has historically stood for.

Luxury once derived power from distance. The great *maisons* of the world built emotional authority through scarcity, ritual, selective access and symbolic hierarchy. The dream mattered because it could not be easily touched. Luxury was never merely about products. It was about emotional separation from the ordinary. That architecture is now under pressure.

Over the last few years, I have increasingly noticed that luxury brands are struggling to balance two conflicting realities simultaneously: exclusivity and relevance. If these brands remain too distant, younger consumers tend to disconnect culturally. If they become too accessible, symbolic prestige slowly begins to erode. The Swatch-Audemars Piguet collaboration exemplifies that tension.

I do not believe consumers were standing in those queues simply because they wanted a watch. Most of them know the Swatch tie-up will never replace a true Audemars Piguet in terms of craftsmanship, rarity or collector value. What they were really there to buy was participation—in the codes, symbolism and theatre of a luxury world that has historically remained inaccessible to most people.

That distinction matters enormously and signals a larger shift in the psychology of luxury. While luxury has long monetized the human need for ownership of opulent items and lifestyles, today it increasingly monetizes transitory participation and proximity to luxury. I suspect this shift is closely linked to the K-shaped economy we are now living in.

At the very top of the pyramid, ultra-high-net-worth consumers continue moving towards quieter, more exclusive forms of luxury. In fact, uncertainty often strengthens extreme luxury because scarcity becomes even more valuable in polarized economies. Beneath that sits a much larger aspirational audience that increasingly seeks emotional access without necessarily crossing the full economic barrier of ownership. Earlier generations were willing to wait years to 'arrive' in the world of luxury. But today's consumers want cultural access right away.

Luxury brands clearly understand this. That is why collaborations are increasingly economic adaptation mechanisms. Some of these alliances still preserve and even expand brand mythology beautifully. Dior with Jordan and Louis Vuitton with Yayoi Kusama are great examples.

But when H&M collaborates with Versace or Balmain, or when Swatch joins hands with Omega or Audemars Piguet, the objective shifts from mythology expansion to symbolic compression. Consumers who may never own the original luxury object suddenly gain access to fragments of its symbolism at a much lower threshold. This creates visibility and extraordinary social reach. But it also raises a pertinent long-term question: how accessible can luxury become before familiarity begins weakening a top-end brand's mystique?

A senior luxury retail executive in Europe once told me something I will never forget: "Luxury survives not because everyone can enter the room, but because not everyone can." At the time, the statement sounded rather elitist, but today it feels strategically accurate.

This is also why I increasingly find the strategy of Hermès fascinating in the current luxury cycle. It continues to protect scarcity, ritual and controlled frustration with remarkable discipline. This suggests that it understands something many brands are still trying to negotiate: visibility and desirability are not always the same thing.

This does not necessarily mean that such collaborations are inherently damaging for the higher-end partner. Some of them may help younger audiences enter luxury ecosystems in meaningful ways and genuinely keep brands relevant in a rapidly changing attention economy.

But the luxury brands that survive the next decade may simply be the ones that understand exactly how much proximity they can afford before prestige begins dissolving into a mere participation prize.

QUICK READ

Luxury has historically derived its allure from exclusivity, but as top-end brands collaborate with less prestigious ones, they run the risk of losing what made them so sought after in the first place.

This trend may be a reflection of the K-shaped economy that has taken hold but it means luxury houses might find it harder to calibrate their balance of accessibility and brand mystique.

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

Forensic audit: an investigative tool in need of a legal framework

As insolvency and other proceedings increasingly use such audits, India must address gaps in the standards these abide by



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.



AFP

Forensic audits have gained significance in today's world of business as they serve as a useful tool for commercial lenders to investigate fraud by borrowers and/or identify other deep-seated financial irregularities. Forensic auditors are also employed by resolution professionals to report on preferential, undervalued, fraudulent and extortionate ('PUFE') transactions for adjudication under India's Insolvency and Bankruptcy Code (IBC).

While there is no single universal definition, several globally recognized organizations have provided widely accepted definitions (and norms) of forensic auditing. A forensic audit can broadly be described as a specialized exercise that blends accounting, auditing and investigative skills to examine financial information for use *inter alia* in legal proceedings. Its key elements are the purpose (example: to probe an alleged fraud), methods employed (accounting, auditing, investigation and legal knowledge) and the outcome (evidence gathered for the legal process). Given the nature of the work, forensic audits are conducted globally by teams of professionals from diverse backgrounds, including accounting, auditing, law and information technology.

The absence of those skills may adversely affect the ability to gather and evaluate evidence, apart from the analysis and overall quality of work, ultimately affecting the reliability and efficacy of forensic audit reports.

Casual narratives often blur the distinctions between forensic, financial and internal audits. These are not the same, just as civil, criminal and commercial laws are not. Forensic accounting and auditing differ from financial audits and internal audits in scope, purpose and end use.

The Companies Act obligates companies to appoint a qualified chartered accountant (CA) as an independent auditor to conduct financial audits. The CA is required to express an opinion on whether the financial statements present a true and fair view of the company's affairs. The aim is to provide independent assurance to stakeholders—shareholders, regulators, investors, etc—of the management's financial statements. Financial audits are thus also called statutory audits.

Financial statements must be prepared in accordance with Accounting Standards and audited in line with Standards on Auditing; both are based on international standards and are legally enforceable as they have been notified as 'rules' under the Companies Act. Non-compliance renders company managers and auditors subject to regulatory scrutiny. The Act also requires companies to appoint internal auditors. However, unlike financial auditors, who must only be CAs, internal auditors may be CAs, cost accountants or any other professional appointed by the board.

Banks have been appointing forensic auditors for stressed accounts under an RBI circular of 2016, which was superseded by similar directions issued in 2024 under the RBI Act and Banking Regulation Act. These require banks to conduct external or internal audits by auditors qualified under relevant statutes to probe red-flagged loan accounts further.

Since the Companies Act lets internal auditors be from other professions, it follows that CAs, cost accountants and members of other professional bodies can also be appointed as forensic auditors.

Resolution professionals commission forensic audits using their general powers under the IBC to appoint accountants, lawyers or other professionals to assist their work.

The Institute of Chartered Accountants of India (ICAI) has issued Forensic Accounting and Investigation Standards (FAIS) that professionals must follow. These define 'professional' as a qualified accountant who is a member of a professional body, such as the ICAI, and undertakes forensic accounting and investigation assignments using accounting, auditing and investigative skills. Clearly, professionals who are members of other bodies can also participate in forensic auditing. However, unlike accounting and auditing standards, FAIS are not notified as 'rules' by the government and hence not legally binding on professionals from diverse fields conducting forensic auditing. At most, FAIS are binding on ICAI members. Thus, unlike financial and internal auditing, forensic auditing is not subject to any legally binding standards.

Firms offering forensic accounting or auditing services are typically consultancy firms, which do not require registration or regulatory oversight. In many cases, their reports do not reveal the names of team members, their professional qualifications or affiliations, or the standards and code of ethics followed. Their reports often include numerous caveats that seem designed to avoid accountability. The oft-quoted argument that such firms are internationally renowned lacks merit; major global audit firms also get penalized for violating standards.

Bank frauds and insolvency cases resulting from corporate fraud have been widely reported. The absence of legally binding standards is a public policy concern, given the widespread use of forensic auditing to probe fraud and strengthen the enforceability of legal action. India needs to bridge this regulatory gap in public interest.

India must harmonize frameworks under the Companies Act, RBI circulars and FAIS issued by the ICAI for clarity on who can be appointed forensic auditors, how their work is to be regulated and by whom.

Increasing cases of corporate fraud that call for forensic audits as part of investigations make it essential to establish a uniform, legally enforceable regulatory framework for firms and individuals conducting these audits, along with a framework of accountability and oversight by an appropriate regulator.

QUICK READ

Cases of corporate fraud often call for forensic audits as part of investigations, but since these are not the same as financial audits, they are not subject to any legally binding standards.

Harmonize frameworks under the Companies Act, RBI circulars and ICAI-issued standards for clarity on who can be appointed forensic auditors, how their work is to be regulated and by whom.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

Anthropic's equity confusion: don't loosen disclosure norms

The US would err by making it easier to keep investors in the dark



PAUL J. DAVIES
is a Bloomberg Opinion columnist covering banking and finance.



The SEC's proposals could go against the US economy's interest.

Even if armchair investors are fleeing private credit or panicking that their unlisted shares in Anthropic are now invalid, the long-term trend is clear: Public markets keep losing ground to private funds. That is one big reason for proposals in the US to ditch quarterly reporting demands for listed companies.

Big and small investors hate that idea, and they are right to. But concentrating solely on the potential rule changes misses half the story: All investors—and the watchdogs meant to protect them—should be just as focused on getting more information from private companies and the funds that own them. The trend is towards greater convergence between public and private markets; a levelling of the playing field is necessary. Fuller reporting in private markets is the only sensible policy.

The US Securities and Exchange Commission (SEC) under Paul Atkins is pursuing a company-friendly agenda that aims to cut the costs of being a public issuer of stock or bonds and thereby promote investment and growth. That is a fine goal, although the US does not suffer from a lack of economic vitality—plenty of other countries are more in need of a boost on that front. Alongside the idea of moving to a bi-annual reporting standard, Atkins has also proposed lessening the already low reporting requirements for private funds through Form PF, the main regulatory disclosure demands on hedge funds and alternative asset managers.

But while the SEC is thinking about reducing the information available to itself and others, the push to get more retail money into private markets is well underway. In the US, it seems likely that retirement funds will eventually get access to private equity and private credit. And there are already a host of platforms that offer ways to trade in the shares of hot unlisted tech companies. Even in the UK, the London Stock Exchange Group got regulators' green light to launch its own private securities market, Pisces, late last year.

Certainly, direct access to many of these is only available to the very wealthy, family offices and institutions, but the genie is out of the bottle. Ordinary people wishing to bet on unicorns or private lending can increasingly find ways to do it. This is not a world that calls for less financial reporting.

This year's most anticipated initial public offerings (IPOs), starting with SpaceX and followed by Anthropic, OpenAI or both, are likely to reveal a mess of ownership claims—and possible disappointments. People who have found their way into these companies ahead of their IPOs were probably not particularly fussed about revenue progression, profit margins or depreciation rates. Hopes of ever higher valuations were likely the trade. Still, with better disclosure there is no way investors would only just be learning that Anthropic believes any transactions in its shares not explicitly approved by the AI company could be deemed void.

Meanwhile in private credit, Apollo Global Management and JPMorgan are working hard to get more loans trading regularly. Apollo is also pledging to start posting daily prices for all kinds of private debt, from investment-grade corporate loans to classic mid-market buyout debt and private asset-backed bonds. The goal is to support wider access for a range of investors, especially individuals, who, unlike big institutions, will always be vulnerable to sudden and unavoidable needs to turn an investment back into cash.

If the industry is successful in making private shares and debts more reliably and easily bought and sold, more people are going to trade them. Let us imagine it is, and the trend for companies remaining private for longer continues; their popularity keeps growing among all investors, and that secondary markets in their shares and loans keep developing. What are we left with?

We would be in a world where public and private markets converge—where issuers can get funding readily in either, because a wider range of investors are there to provide it and trade out when they like. But there is one key difference between the two markets that remains: disclosure. Public markets will have it and private markets will not. Maybe that promotes investment and growth, or more likely, it encourages more companies to stay or go private so they can cut corners in reporting. That would be bad news for investors, markets and the whole economy.

This switch will not happen overnight and plenty of other rule changes would be required for public markets to be completely decimated. But it is clear which way we are currently heading: Public and private are already converging in many ways. Investors, watchdogs and even companies themselves should be looking to shine more light into dark corners rather than lowering a veil over the bits we can now see.

©BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

The rupee is facing an exogenous shock: let's respond accordingly

Capital outflows can overwhelm the fundamentals of an economy but India's focus should be on appropriate policy responses



C. RANGARAJAN & N.R. BHANUMURTHY
are, respectively, former chairman, Economic Advisory Council to the Prime Minister, and former governor, RBI; and director, Madras School of Economics.



AFP

Over the last one year, the value of the rupee against the dollar has seen a sharp decline. From 85.48 in May 2025 to presently around 96.82, India's currency has depreciated by more than 13%; this is the sharpest drop since the 2013 'taper tantrum.' Two sharp downturns have occurred, one after the hike in US tariffs and the second after the outbreak of the US-Israel war on Iran. These are purely exogenous shocks.

For the foreign exchange market, the shock came from large outflows of foreign portfolio investor (FPI) money. Since January 2026, India's net FPI outflows have been to the tune of $22.2 billion (until 19 May). The previous fiscal year also witnessed a rise in our trade deficit as a proportion of GDP—from 2.6% in 2024-25 to 3.1% in 2025-26. This increase was mostly seen in the second half of 2025-26. The trade deficit was $176.5 billion in the second half, compared to $129.7 billion in the first.

We cannot ignore capital flows in a world dominated by these. What intrigues many people today is why the rupee is under pressure at a time when the Indian economy's fundamentals are sound. In a world where purchasing-power-parity theory holds, exchange rates ought to reflect economic fundamentals. But that is not so when capital flows dominate. To be sure, these flows do reflect the fundamentals in the medium- to long-term, but not necessarily in the short-term, especially when FPI flows are in play. In the current situation, a sense of trepidation appears to have driven capital outflows. China seems to have fared better despite its GDP growth slowing. Its decline in exports to the US has been compensated by increased exports to the rest of the world. But in the case of India, such export diversification appears to be modest. While our trade surplus with the US narrowed by about $6.5 billion in 2025-26, it has not resulted in any significant reduction in deficits with West Asia and other markets.

What should be our response? The first is purely diplomatic. The war should be brought to a close soon. In such an event, the value of the rupee could recover quickly. However, over the medium-term, we should build buffers so that we can handle such situations for extended periods. Buffer stocks for essential items such as food, fuel (including gas) and fertilizers should be the focus. The alternative energy mix that India has adopted recently is another step in the direction. Second, we should work on altering the perceptions of foreign portfolio investors and draw their attention to domestic fundamentals. Recent reports by the International Monetary Fund and World Bank project India's economic growth in 2026-27 at 6.5% and 6.6%, respectively. Since recent FPI outflows may not reflect structural weaknesses in India's economy, they could be transitory. However, the risk that it has exposed India's external account to is real; both the current account deficit and rupee are currently under strain.

As the current rupee shock is largely exogenous, it can change only if peace is restored. In 2025-26, the tariff impact was limited, as it covered only half the year. But if supply disruptions of the ongoing war continue, we must be prepared for a tougher situation. Domestic prices of petroleum products, which are being raised gradually, must be adjusted to the fullest extent of the global crude-oil price increase. A reduction in the consumption of such products is necessary. By reducing excise duty, the government has absorbed the oil shock to a major extent. But it should pass on the full impact of the shock to fuel consumers. Shielding them will widen the fiscal deficit, worsening the effects of its monetization, and must therefore be avoided.

Another concern raised is that the rupee has suffered a sharper drop than other currencies (Japan's yen weakened by 9.4% against the dollar, China's yuan by 5.5%, Indonesia's rupiah by 5% and South Korea's won by 5.5%). We have already identified capital outflows as a major reason as far as India is concerned. This may be true for other some countries too, though to a less extent. But the global perception may be that India is overly vulnerable to the oil shock, as 80% of our crude oil requirement is imported.

The Reserve Bank of India (RBI) appears to face a sort of 'impossible trinity' problem. So far, RBI has let the rupee fall smoothly through intervention aimed at reducing volatility. Today's economic situation has been aggravated by non-economic factors. So, as long as the Strait of Hormuz is blocked for geopolitical reasons, a crude oil and gas scarcity will probably keep their prices high. India's forex reserves are not useful if hydrocarbon supply is the constraint. We must continue the present policy and let the rupee find its market level. However, we do not think that India will gain much because of the rupee's depreciation. True, exporters will gain in rupee terms in the short-term, but our export volumes are unlikely to expand. Exports with high import content, for example, will see costs rise, which will limit the price edge in export markets.

Meanwhile, if the war continues, India's production system itself could be affected. We should explore the possibility of getting crude oil and gas from sources other than West Asia. While this war holds out many lessons on crafting a medium-term strategy, we need gas and crude oil at the earliest.

India's options at the moment are very limited. A rise in inflation is inevitable. The current account deficit will also increase. We have solid forex reserves. But the fiscal situation needs to be kept under watch. The government must resist the temptation to absorb the oil shock, even though this may be difficult. As for monetary policy, authorities will face more than inflation as challenge. As US bond yields rise, India's FPI flows may get hit. If there is no relief from uncertainties and war disruptions, policymakers must be prepared to raise the policy rate of interest.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

The 48° Celsius ceiling: it could cap India's economic emergence

We must stop treating climate change as an environmental nuisance and address it in crisis mode



EJAZ GHANI
is senior fellow, Pune International Centre, and former lead economist, World Bank.

Viksit Bharat is not a distant ambition; it is an active economic sprint being run on a worsening track. As record-breaking heat domes breach 48° Celsius, the Indian economy is at risk. Productivity could evaporate as people labour under a 'metabolism tax,' a levy that no administration can cut but weighs GDP growth down.

That the biological effect of heat and humidity can throttle growth is slowly becoming apparent. Just as an engine slows if its cooling system fails and it begins to overheat, a vast proportion of the Indian workforce is experiencing exhaustion. The human body's biological cooling system of evaporative perspiration breaks down if humidity and heat are both high—and if 'wet-bulb' temperature rises above the 'survival ceiling' of 35° Celsius, it could prove fatal. Climate change has gradually been raising humidity and heat both, exposing Indian workers without air-conditioning to a thermal shock.

For the country's 490 million informal workers, a tax that never appears on a ledger is threatening to crush their productive capacity. If India cannot protect this human capital, its 'demographic dividend' risks becoming a liability. By one estimate, the country loses 160 billion labour hours annually to extreme heat. This is a crisis.

Think of the metabolic Gini: The global development consensus has long treated the Gini coefficient—a measure of income inequality—as the north star of progress. This is an accounting relic. In an era of extreme heat, the new measure of inequality is the 'metabolic Gini,' the chasm between an elite that has the air under control and the working class, who suffer worsening conditions.

The metabolic tax is bearing down heavily on the heat-stressed informal sector; its workers are ageing faster, suffering chronic kidney distress and losing cognitive performance—even as they try hard to work.

Re-clock the tropics: The nine-to-five workday is a legacy of British rule and was designed for the UK's temperate latitudes. In our 48° Celsius tropical reality, this model is oppressive. To help mitigate the productivity problem, India must adjust its work hours. In summer months, the best hours for the sectors of heavy manufacturing, construction and outdoor logistics may be from 10pm to 8am. At 2am, ambient temperatures are often 15° Celsius lower and humidity is less. As India overcomes its electricity deficits, lighting up work zones is no longer as difficult as it once was.

Focus on resilience: Before the problem worsens, governments and multilateral development banks (MDBs) must start focusing on human resilience. This could be achieved through a few steps. MDBs could, for example, adjust the cost of lending to states up or down on the basis of resilience metrics. This can act as an incentive system to take action in favour of the vulnerable. A municipal government that implements an 'Albedo-District' programme, under which reflective films on windows and other materials are used as a way to lower ambient temperatures, should see an improved credit rating. This would reduce the population's metabolic tax and aid productivity.

On their part, governments should treat investments in heat resilience with the same tax-favouritism reserved for heavy machinery. A company that invests in bio-resilient housing for its factory workers—using passive cooling and optimized ventilation—should receive an appropriate tax break.

Another programme could move from a relief system based on claims and institute a framework for sensor-triggered payments. It could work like an automated insurance policy that makes payouts to identified beneficiaries on the basis of climate events that have indisputably occurred. So, if regional sensors spot a breach of a 34° Celsius wet-bulb threshold (just below the danger mark, i.e.) for an extended period of, say, 48 hours, it could trigger an automatic non-conditional transfer directly into the digital wallets of vulnerable workers. For those who live off daily wages, this welfare device could prevent people from facing a choice between starvation and heat-stroke. A well-designed welfare system to secure outdoor workers from heat could also help families put together enough money to access healthcare and acquire cooling systems.

We need a major shift in focus: The human body must not be viewed as a 'unit of labour' that can be squeezed for work until it hits the fatality limit. Nobody would disagree with this proposition. However, awareness seems to remain low of how climate change is pushing up heat and humidity levels.

Institutions could change that by treating it like the crisis it actually is. When the World Bank or International Monetary Fund negotiates a loan deal with an emerging country, the headline conversation should not just be about 'fiscal consolidation,' but equally about climate resilience.

If the majority of a country's population suffers a 15% drop in cognitive capacity due to heat stress, such a nation would be unable to maximize its economic potential and repay its loans. Linking an economy's prospects with the ability of its workforce to withstand global warming would force a shift in priorities and serve the country's long-run interests.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

Why grocery price caps won't relieve Britons of war inflation

Easing a burden on supermarkets whose margins shrank may help



ANDREA FELSTED
is a Bloomberg Opinion columnist covering consumer goods and the retail industry.



London should rethink fiscal policy instead of wielding the state's heavy hand. AFP

In spring 2020, with Britain in the grip of the covid outbreak and critical supplies like toilet paper and pasta running short, supermarkets were national heroes for keeping the UK stocked and fed.

Fast forward six years. Faced with potential increases in food costs from the war in West Asia, the same grocers have become villains. The Treasury has been toying with the idea of supermarkets agreeing to cap the price they charge customers for some essentials, such as eggs, milk and bread. The UK's Chancellor of the Exchequer Rachel Reeves appears to have backtracked in the face of grocer anger.

The government is right to keep an eye on the supermarket sector as a new cost of living crisis looms. But price caps are not the best way to go about it. Instead, it should reverse some of the costly measures it has introduced since the Labour party was elected almost two years ago.

There is no doubt that Britain's two biggest grocers, Tesco and rival Sainsbury, have benefited from Asda and Morrisons becoming less competitive since they were acquired by private-equity groups around five years ago. I have repeatedly argued that Tesco, in particular, has missed opportunities to undercut its competition on price.

Even so, the margin grocers earn from selling food is generally about 3% to 4%. It's much higher for big food manufacturers such as Nestlé and Unilever, typically in the mid to high teens.

So Reeves had been heaping more pressures on a retail business where profits are as thin as a slice of ham.

If the Labour government wants to ease the burden on consumers, it should start by doing the same for grocers. The most damaging burden it has laid on these companies is a hike in the tax employers pay in the form of National Insurance. Also inflating their expenses is an increase in the so-called National Living Wage. Together these have added about £6.5 billion to retailers' costs, according to the British Retail Consortium, a trade group.

Then there are the extra levies on packaging, ostensibly to fund recycling, and charges to cover apprenticeship training costs. Add in higher property tax rates, green levies and some elements of the Employment Rights Act, such as requiring retailers to offer all workers guaranteed hours, and the cost of keeping shop has spiralled. The expense has in turn been passed on to consumers. Food price inflation has been climbing since Labour announced the increase in National Insurance contributions in fall 2024, although it has subsided recently.

Supermarket profits on the everyday essentials the government is targeting tend be even lower than their overall margins. Milk, eggs and bread are items that grocers compete on most intensely, as customers tend to know the price of these items and track them keenly.

Stuart Machin, chief executive officer of Marks & Spencer—who on Wednesday described the proposed cap as "completely preposterous"—said M&S loses 7% on each pint of milk it sells, 6% on bananas and 20% on a tin of beans costing 45 pence. It also loses money on its cheapest loaf of bread, and makes low single-digit margins on eggs, sugar and flour.

Meanwhile, the rise of no-frills supermarkets Aldi and Lidl, which together control almost 20% of the UK grocery market, has helped keep the big grocery players on their toes.

In aggregate, Britons spent about 11% of their incomes on food and non-alcoholic drinks in 2024, according to the UK Office for National Statistics. Americans spent 12.9% of their budgets on food in the same year, according to the US Department of Agriculture, although this includes eating out, which they do much more often than the British.

Any caps could bring unintended consequences, such as increasing the prices of other items. And if grocers are forced to charge less for essentials, they will cut what they pay suppliers too, possibly driving manufacturers to pivot to other, higher-margin products—and potentially causing shortages. Buying more from outside of the UK, rather than supporting British farmers, is another possibility.

And what about those weaker, private equity-owned supermarkets Asda and Morrisons, which are grappling with billions of pounds of debt? If one of them were to get into severe financial difficulties, forcing it to sell swathes of stores, or even the whole business, to a rival—most likely Sainsbury or M&S—that could mean less competition for shoppers, not more.

If the Iran war drags on, particularly into winter months, talk of the expense borne by consumers is only going to intensify. But asking retailers to cap prices is the wrong way to ease that load. © BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

What the rupee's slide says about India's 'original sin'

TULSI JAYAKUMAR



is professor, economics and executive director, Centre for Family Business & Entrepreneurship at Bhavan's SPJIMR.

In the past few weeks, the rupee's slide and the expectation that it would breach the psychological 100-to-the-dollar mark has triggered familiar anxieties, reviving memories of the 2013 'taper tantrum' when India's currency lost almost a fifth of its value and hit a then-record low of 68.85. Depending on which side of the ideological spectrum one leans toward, the reactions have been sharply divided, ranging from doomsday predictions to confident assertions that a weaker currency is perfectly acceptable, even beneficial, in such times. The usual explanations—rising oil prices, a widening trade deficit, higher US interest rates and geopolitical tensions in West Asia—have all made their rounds, and all of these are valid. India would do well to avoid both panic and denial, because these narratives merely describe what is happening. They are surface-level explanations. For a structural explanation, we must extend our discussion to the phenomenon of an 'original sin' in international macro-economics.

Coined by economists Barry Eichengreen and Ricardo Hausmann, the 'original sin' hypothesis describes a structural problem faced by emerging markets like India, which cannot easily borrow abroad in their own currency; nor can they invoice most of their international trade in rupees. Because global investors demand protection from exchange rate fluctuations, these economies are forced to denominate their international liabilities in a dominant foreign currency—the US dollar. Thus, even when an economy has robust domestic growth, sound fiscal policies and stable inflation, as India has had, it remains structurally tied to the financial architecture of the Global North.

This bout of rupee depreciation is a textbook demonstration of how this 'original sin' works in practice. Over the past decade, Indian corporations have increasingly turned to external commercial borrowings (ECBs) to fund infrastructure projects, technology expansion and large capital expenditure plans. Overseas borrowing was significantly cheaper than domestic credit. By September 2024, India's outstanding ECB stock had risen to about $190 billion, with nearly $155 billion comprising non-rupee and non-foreign direct investment liabilities. Borrowing costs had steadily softened, with the average cost of ECBs falling to around 6.6% during April–November 2024 and easing further to 5.8% before the year's end. Unsurprisingly, companies continued to tap overseas markets aggressively, with ECB flows remaining strong into 2026. But beneath low interest rates lay a structural trap. Indian firms earn largely in rupees while servicing such loans in dollars. So a falling rupee raises the real burden of repayment, creating a 'currency mismatch'—a vulnerability that often stays hidden until the exchange rate turns volatile.

The economy is structurally exposed to currency risk for no fault of its own by dollar dominance

Further, the so-called 'sin' breeds a secondary macroeconomic phenomenon, the 'fear of floating.' In theory, a central bank should let its currency float freely, allowing depreciation to act as a natural economic shock absorber that boosts export competitiveness. But the Reserve Bank of India (RBI) knows that a crash of the rupee would wreck corporate balance sheets with large dollar liabilities, make imports costlier and impact portfolio flows, among various reasons to intervene in favour of its stability. To smooth volatility, RBI must use its foreign exchange reserves. This involves a frustrating trade-off: dollar-selling reduces the policy space RBI has to focus purely on domestic credit costs and GDP growth. The rupee's slide, thus, is the price India pays for operating in a global system that rests on the US greenback.

A weaker rupee should not be treated as a psychological wound to national pride, but as a structural wake-up call. Attempts to protect the rupee solely through RBI intervention or rhetorical appeals to patriotism are temporary and expensive responses. Policymakers must instead focus on gradually overcoming its 'original sin.'

First, policymakers must try to internationalize the rupee. Bilateral local-currency trade pacts could help, but these must be scaled beyond diplomatic symbolism to commerce success. Settling oil and other imports in rupees, or through non-dollar payment channels, would reduce systemic vulnerability to external shocks.

Second, the government must deepen and incentivize the offshore rupee-denominated market for 'masala bonds.' Shifting the exchange-rate risk from Indian borrowers to foreign investors could help fund our massive infrastructure needs without exposing our corporate sector to currency mismatch. To participate in India's growth story, global investors must accept the currency risk that comes with investing in the country.

Finally, this crisis highlights the urgency of aggressive import substitution in critical dollar-heavy sectors. Investments in electric mobility, green hydrogen, renewable energy and solar manufacturing are not just environmental priorities but also macro security imperatives.

As long as India remains tethered to dollar-denominated liabilities, its economic destiny will remain partially hostage to the whims of the US Federal Reserve and global geopolitical fractures. The current slide of the rupee is an uncomfortable reminder of the Indian economy's 'original sin.' The only meaningful long-term response is to gradually move away from the dollar trap, which would ensure that India's future growth is increasingly funded, invoiced and secured in its own currency.

These are the author's personal views.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW



RBI's surplus transfer: it balances priorities well

Its record payout to the government adds to the economy's cushion. Minimal fiscal slippage would suit its own policy ends too. But weak capital flows could yet cloud the risk horizon

The Reserve Bank of India's (RBI) transfer of its 2025-26 surplus to the government was under watch for any sign of fiscal over-support at the cost of its own risk cushion. Declared at nearly ₹2.9 trillion, up 6.7% from last year's transfer for 2024-25, it appears to have balanced imperatives well in today's macro-economic context. RBI's carve-out for its contingent risk buffer was 6.5% of the size of its balance sheet, slashed from last year's 7.5%, the upper limit of a range deemed prudent. On a growing asset base—its balance sheet grew by around 21% to almost ₹92 trillion on 31 March—that slash enlarged the central bank's payout, but the uptrend witnessed across recent years in such transfers is a story of robust earnings. So strong has RBI's gross income been that some RBI watchers had expected it to fill the Centre's coffers by at least ₹3 trillion—to help relieve fiscal stress caused by the West Asia war's oil shock. In absolute terms, it transferred almost ₹1.1 trillion to its contingency reserve, 144% more than last year. It judged its risk exposure well covered and also managed to aid government finances.

The enabler-in-chief of that transfer was a rise of about 26% in RBI's gross income for fiscal 2025-26. Driving this was an increase in the value of its foreign-exchange holdings, thanks to the dollar's rise, as well as that of its gold stack. RBI also earns income as a side-effect of its intervention in the currency market and liquidity operations, apart from what it gets by way of seigniorage and interest on government securities. Non-profit aims can spell large gains. Heavy dollar sales to smoothen the rupee's decline, for example, earn RBI money if that forex was acquired at a lower cost earlier, as is usually the case. What part of its overall income to hold back as a prudential measure is a decision that RBI makes within its Economic Capital Framework, which sets out a contingency buffer range of 4.5% to 7.5% of its balance sheet. Times of uncertainty do not demand a maximum setting if RBI is confident of broad macro stability with, say, just 6.5% as back-up. Moreover, RBI has a direct interest in minimal fiscal slippage as war disruptions take their toll on New Delhi's budget. Monetary policy is easier to formulate if a widened deficit does not add to inflationary pressure. In general, fiscal control aids price stability. With a haze left around India's inflation and growth paths by the dust-up of war in West Asia, it's useful for the Centre and central bank to make policy-adjustment space for each other.

RBI's confidence in stability is backed by its record and often articulated by its leadership. In the context of a falling rupee, for instance, RBI Governor Sanjay Malhotra told *Mint*: "With the recent depreciation, it would be reasonable to think that the rupee is not overvalued. If anything, one could argue that the rupee has become undervalued, both in nominal as well as in [real effective exchange rate] terms." What must also be borne in mind is how capital flows may remain squeezed by a low US-India rate differential, which could mean a prolonged spell of currency stress. From a larger perspective, the optics of the Centre's budget reliance on large RBI transfers must not lead markets to read it as what central bankers call a 'credibility risk.' Globally, investor sensitivity to it may have been raised by the US Federal Reserve's recent travails on that front. As an inflation-targeting central bank, RBI's approach will always need a delicate balance.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Take leadership of tokenization while the rails are still being laid

India has one DPI stack, three regulators and 18 months to achieve this—or cede a big opportunity



SHASHANK PAHADE
is a senior banking technology executive based in Singapore.

Singapore has run more than 15 tokenization pilots. Hong Kong has wired its central bank into a tokenization sandbox with four major lenders. New York's BlackRock has parked over $600 million in a single tokenized Treasury fund. And India? Three regulators—the Reserve Bank of India (RBI), Securities and Exchange Board of India (Sebi) and the GIFT City-based International Financial Services Centres Authority (IFSCA)—are each working on a piece of the same architecture on three different clocks. The window to align them is about 18 months.

Fintech is evolving fast. The next layer of finance—tokenized money-market funds, government bonds, real-estate slices and carbon credits—is emerging from regulatory sandboxes globally, from Singapore to London. India could lead this race: UPI is the world's largest real-time payments network; Aadhaar and DigiLocker form the world's most populous digital-identity layer; and a digital rupee is live in pilot. What India lacks is regulator coordination to govern tokens.

The digital tokenization of assets has moved from concept to live infrastructure in two years. In March 2024, BlackRock launched BUIDL on Ethereum—a tokenized money-market fund that crossed $500 million within months. JPMorgan's Kinexys (formerly Onyx) now settles roughly $2 billion in wholesale blockchain transfers every working day. The Monetary Authority of Singapore's Project Guardian counts more than 40 institutional members across fixed income, foreign exchange and asset management. The Hong Kong Monetary Authority's Project Ensemble, sandboxed in August 2024, has four major banks on a wholesale central-bank-digital-currency rail. The European Investment Bank has issued multiple bonds directly on a shared ledger. In India, RBI's wholesale e-rupee pilot has been live since November 2022 with nine participating banks; IFSCA, at GIFT City, permits regulated digital-asset activity under its FinTech Entity framework; Sebi holds the mandate over tokenized securities of Indian issuers. The pieces exist. They await links.

India's underrated advantage is its digital public infrastructure, the open-protocol stack based on its Aadhaar identity system; built on it, UPI records about 750 million daily transactions, more than Mastercard's global swipes and enough to rival Visa's. BlackRock chief Larry Fink has said the binding constraint on tokenization at scale is not technology but identity verification. India has solved this problem. What we need is to bolt the digital rupee onto this DPI stack as the settlement leg of tokenized assets—what central bankers call atomic delivery-versus-payment. Hong Kong is doing this in Project Ensemble; Singapore in Project Guardian.

This is not just a capital-markets story. If Indian regulators coordinate efforts, an ordinary saver in Pune could hold a fraction of a tokenized government security (G-Sec) on her phone, settled in seconds against the digital rupee, with the same legal status as the dematerialized securities she already holds. A small business owner in Surat could tokenize a future receivable, raise working capital from individual investors anywhere in India, and clear it through a regulated platform supervised by either Sebi or IFSCA.

Fink's line about identity verification matters here too: an Aadhaar-anchored stack would let tokenized assets be acquired safely and traded at scale.

There is a second clock that almost no one outside cryptography labs is talking about. On 13 August 2024, the US National Institute of Standards and Technology (NIST) finalized the world's first three post-quantum cryptographic standards (FIPS 203, 204 and 205), algorithms that are expected to replace elliptic-curve cryptography on banking, blockchain and government systems. Four months later, Google's Willow chip demonstrated quantum error correction at an engineering threshold that compresses the timeline from 'decades away' to 'this decade'.

Today, intelligence services are already storing encrypted financial traffic on a 'harvest now, decrypt later' bet. Every tokenized-bond ledger, wholesale-CBDC signature and identity certificate has a cryptographic expiry date. The cheapest form of strategic insurance available to the Indian banking, financial services and insurance sector would be a joint RBI-Sebi-IFSCA post-quantum cryptography inventory and migration roadmap.

What to do in the next 18 months: Coordination looks like this. Three deliverables, each shipped before end-2027. *First*, RBI publishes a wholesale digital-rupee interoperability specification that Sebi's tokenized-fund pilots and IFSCA's tokenized-bond and bullion offerings can settle into without breaking the on-chain audit trail.

Second, Sebi and IFSCA publish a joint identity-and-disclosure framework for tokenized securities, anchored by the Aadhaar-DigiLocker stack.

Third, all three regulators publish a joint post-quantum cryptography migration roadmap by March 2027. Senior tech executives in Mumbai, Singapore or Bengaluru would have six to 12 months to make the same three commitments in their firms—before the rails harden under someone else's standards.

These are the author's personal views.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

MINT CURATOR

AI embrace: Japan's late start may be a blessing in disguise

The country could learn from the mistakes made by first-movers



CATHERINE THORBECKE
is a Bloomberg Opinion columnist covering Asia tech.



The country can watch, learn and adapt what works. AFP

In the US, the backlash to artificial intelligence (AI) seems to be scaling almost as fast as the technology itself. Japan offers a different case study. The country has been slow to adopt AI, but it seems unusually calm about it. From the outside, its late start is easy to dismiss as another sign of digital underperformance. It may instead prove a valuable opportunity to skip some of the messier, early phases of diffusion that have been marked by hype, risk and expensive experimentation.

Japan can learn from first-movers and skip to the impactful part of turning the technology into economic infrastructure. AI has the potential to be more practical than performative here: there is less angst about displacing workers when the labour force is shrinking. Some of the nation's issues, from how to care for an ageing population to language barriers and software gaps, are exactly the kinds AI can solve.

Diffusion, meanwhile, is finally picking up. During the first quarter this year, AI adoption in Japan rose 3.4 percentage points, over three times faster than the global average, according to Microsoft's AI Economy Institute Q1 report. Separate data from Docomo found usage nearly doubled between this February and last.

In a country long admired for hardware but less so for software, engineers are using AI to narrow the gap. The Microsoft report found that developers in Japan uploaded 129% more code changes to GitHub than a year earlier, compared with the global average of 78%—a signal that the technology is already changing how coders work.

Global tech companies have noticed. A new wave of entrepreneurship is taking place in Japan and "we want to be part of the story," Dmitry Shevelenko, chief business officer at Perplexity AI, told me recently. He's far from alone as the likes of OpenAI, Anthropic and others are opening offices.

Yet the country remains relatively insulated, and there is still hesitation about going all-in with foreign institutions. Companies that want to be part of Japan's AI transformation should act like long-term stakeholders, hiring local staff and offering serious partnerships. This could also mean fostering deeper collaborations with universities and research communities. Scientists remain one of the few groups in Japan that still command high public trust, according to an Edelman survey. AI firms that want credibility should borrow less from Silicon Valley's hype machine and more from Japan's institutional ecosystem.

Still, as Shevelenko puts it: "If you're successful here, it's a real signal to the rest of the world that you've built something of incredible quality." He's correct that this discernment is an edge.

Business leaders should also focus less on promises of future abundance and more on urgent, practical problems (one reason Silicon Valley's pitch no longer resonates so easily in the US). In Japan, tourism is an obvious example. AI could do much more than translate menus. It can build smarter itineraries, redirect travellers to regions that still need visitors, smooth congestion and help spread the record inbound demand beyond the same crowded destinations.

Tokyo has favoured a light-touch regulatory approach, with the goal of becoming the most AI-friendly nation in the world. But policymakers should also recognize the advantage of playing catch-up. Japan can watch, learn and adapt what works. This is especially true in higher-risk bets like Agentic AI, where you hand off more autonomy to machines.

None of this guarantees success. Japanese corporate culture remains cautious and the current consumer curiosity does not automatically translate into broader transformation. Business leaders and policymakers are right to encourage startups, but they must extend support to smaller and medium-sized firms. In addition, mid-career and older workers are still less likely to use the technology though they remain a large swathe of the labour force.

Japan's most famous tech investor, Softbank founder Masayoshi Son, is making one of the world's boldest bets on the technology with a $60 billion commitment to OpenAI. Whether that proves visionary or reckless remains to be seen, but the time horizon is instructive. On Softbank's most recent earnings call, its CFO said the company is looking at the next 30 years, adding, "The AI revolution has only just begun."

For Japan, the long view is the right one. The current frenzy creates a FOMO pressure to spend big now and justify later. But if AI is truly a transformative general-purpose technology—more akin to the steam engine that propelled the Industrial Revolution than a new smartphone app—the winners will not be the ones who sprint first. They will be those who do the marathon task of embedding it deepest across the economy.

©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

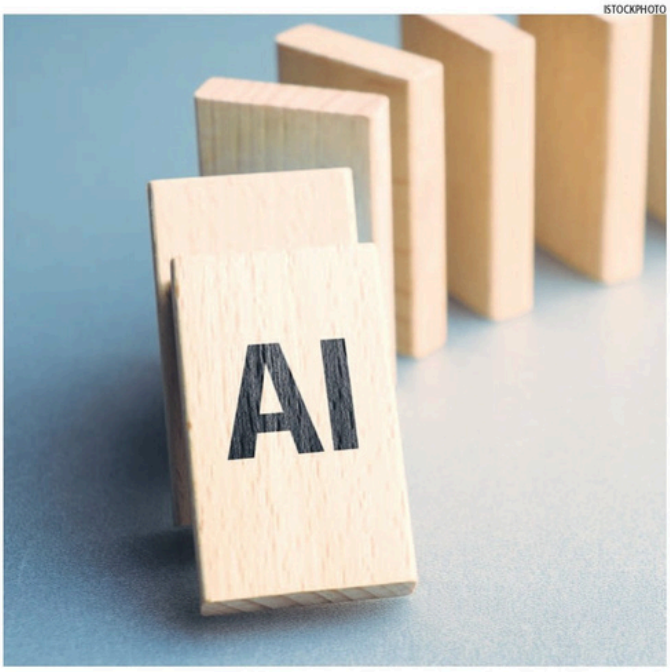
The artificial intelligence mania may well be in for a cold shower

Huge investments led by euphoric visions of exceptional profits could go wrong and result in a shake-up of the AI industry



RAGHURAM G. RAJAN
is a professor of finance at the University of Chicago Booth School of Business, former governor of RBI and co-author of 'Breaking the Mold: India's Untraveled Path to Prosperity'

ISTOCKPHOTO



Artificial intelligence (AI) tools will undoubtedly transform the nature of work. Large language models (LLMs) can already generate referee reports on my own research papers that rival those by human referees. Unlike humans, who are pressed for time, an LLM 'knows' or can access much more of the literature in an instant, and often exhibits fewer biases. AI points out my analytical weaknesses, checks proofs and makes suggestions for improvement. Only rarely are human reports better, typically because they connect the dots and offer new insights.

Nonetheless, the market euphoria around AI has become worrisome, especially given the extent of large-scale debt issuance by the sector. It is therefore worth considering where in the AI supply chain things could go wrong.

The supply chain starts with producers and designers of AI infrastructure: firms like TSMC and Samsung, which fabricate chips; Nvidia, which designs them; and Cisco, which provides connectivity. Then come hyperscalers like Amazon, Google and Microsoft that are building data centres both for the use of their own AI models and in order to sell compute (processing power) to others. There are also more specialized companies like Equinix (data centres), and, of course, Anthropic and OpenAI, developers of foundational LLMs.

Finally, there are the individual and corporate users of AI services. Individual use is growing fast, and corporate use in some areas (software development and customer support) is exploding.

But most large businesses, while experimenting intensely, have yet to implement end-to-end uses. Many still need to organize their historical data to train AI for their own purposes and restructure their traditional operations so that AI can be deployed to improve with experience. Moreover, many firms rightly worry about data security, AI errors and hallucinations that could destroy their brand image. Still, as less conservative younger companies find more AI uses, they will put competitive pressure on older, larger firms to change.

The AI rollout could nevertheless get interrupted in a number of ways, generating risk for debt-funded players. For instance, if graphics processing units, CPUs and memory chips become faster and more energy efficient, the equipment in existing data centres could depreciate rapidly, making it harder for them to amortize their costs. And LLMs, which have become extraordinarily capable based on what is essentially next-word prediction, could plateau until some new technique emerges.

For now, AI labs are investing massive sums to train newer and larger models on the assumption that the first model to reach some magic point where it becomes self-improving will rule the AI world and reap enormous profits. But this scenario seems implausible. Even if there is such a point, competitors could still match the first mover's model (including by hiring away key employees to obtain technical secrets). So far, no AI model seems to have gained a sustained advantage. Unless Gemini (Google), Claude (Anthropic), and ChatGPT (OpenAI) can eventually differentiate themselves by appealing to specific user segments (or by merging or colluding), it is hard to see where the profits justifying their enormous training investments will come from.

Moreover, although politicians have been largely standing on the sidelines so far, policy interventions to address AI risks and concerns are inevitable. Since data centres consume huge amounts of power—driving up the power price for everyone—state and local governments will be under increased political pressure to limit their construction. In Indiana, for example, multiple counties recently proclaimed a moratorium on data-centre construction.

Projections into next year already suggest that hardware makers and data centres will be unable to supply enough US compute. And as shortages of compute mount, end users will have more reasons to delay implementation. You cannot reorganize all your operations around AI if you have reason to worry about the reliability of access or reasonable pricing in the future.

Worse, whereas broader use may take longer than many expect, malevolent use by hackers and deepfakers, as well as unsupervised use by children, is growing rapidly. It is not hard to imagine disaster scenarios—such as a deadly cyber incident, gross data misuse by AI agents or poorly trained AI models advising children to commit acts of violence against themselves or others (something that has already happened). The chorus demanding regulation and more liability for AI models will only grow louder. The risks posed by rogue AI could even prompt a sorely needed dialogue among major powers, perhaps leading to some kind of AI Geneva Convention.

Perhaps the most important trigger for political intervention would be massive AI-related job losses. Fearful of the political or social backlash, even firms that are inclined to adopt AI may be hesitant to shed redundant employees outside of a recession, reducing any gains from AI deployment and diffusion.

Given all these uncertainties, it is far from clear how widely and quickly AI will be rolled out, and who will profit. Hardware makers and designers seemed well positioned, given the tremendous demand for compute. But if data-centre construction is interrupted, that could shift profits to hyperscalers and AI labs. They might reduce the amount of compute dedicated to training better models, which gives them only fleeting advantages, and shift to selling the compute they have sewn up to firms using their already capable models. Such shifts are also likely if model capabilities plateau. Regulation might also force modellers to spend more effort on improving the training and safety of existing models, building broader public trust.

The good news is that a more limited, careful AI rollout could give firms more time to find labour-augmenting (as opposed to displacing) uses, and governments and workers more time to adjust. The bad news is that euphoric visions of quick exceptional profits could be unfounded, a particular problem for AI firms that must make unforgiving debt payments. AI advances will likely pay off eventually. But not every provider will profit, or even survive.

©2026/PROJECT SYNDICATE

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

Climate change augurs a corporate productivity crisis

SOUMYA SARKAR



is an independent expert based in New Delhi, Kolkata and Odisha. Twitter: @scurve Instagram: @soumya.scurve.

India's climate debate still revolves largely around energy, emissions and infrastructure. But corporate India has an obvious immediate challenge to contend with: how to keep people working safely in a hotter and more flood-prone country. Extreme heat and frequent flooding are no longer occasional disruptions. They are beginning to affect labour productivity, supply chains and operating costs across sectors that depend heavily on informal and contract workers. Construction, logistics, warehousing, transport, delivery networks and small manufacturing are especially exposed because much of their workforce operates outdoors or in poorly protected environments.

Rising heat is already reducing work hours and lowering productivity. Research on informal workers in Delhi found that income dropped sharply during periods of extreme heat as workers slowed down, stopped work or fell ill. Flooding creates a different but equally expensive problem. Waterlogged roads delay deliveries, disrupt transport and prevent workers from reaching factories, warehouses and construction sites. In cities where supply chains depend on daily movement and thin margins, even short disruptions can ripple through production systems.

Businesses are beginning to recognize this risk. A climate resilience report by the Confederation of Indian Industry notes that companies increasingly face losses linked to heat stress, heavy rainfall and supply-chain disruption. Some firms are busy adapting. Companies exposed to climate risks are diversifying suppliers across regions so that floods or heatwaves in one location do not shut down operations.

But diversification alone will not solve the larger problem. India's climate exposure includes the risk of high humidity to go with heat, which makes it harder for the human body to keep cool through the evaporation effect of perspiration. This exposes workers in textiles, construction, steel and other sectors to heat stress. If workers cannot operate safely for long periods during heatwaves or floods, businesses suffer. This calls for a shift in how companies think about adaptation.

Much of corporate India treats climate resilience as an infrastructure or disclosure issue. In reality, workplace adaptation may soon become just as important as energy transition targets.

Some solutions are straightforward. Heat-safe worksites with shaded rest areas, hydration points and scheduled cooling breaks can reduce productivity losses to extreme heat. Companies engaged in construction, warehousing, logistics, etc, also need new operating protocols, including night shifts during severe heat phases. The same goes for flooding risk. Businesses dependent on rapid movement of goods need flood-resilient logistics systems, decentralized warehouse networks and stronger backup transport arrangements.

Emissions are not all that businesses must worry about as waves of heat put workers at threat

There is also an investment angle. Research by the Climate Policy Initiative points to rising interest in cooling infrastructure, climate-resilient services and adaptation-focused technologies. These allocations are often discussed as sustainability measures. But they should be viewed as productivity investments. Corporate India may also need to rethink how corporate social responsibility and environmental, social and governance budgets are used.

A large share of climate-linked spending goes towards visible environmental projects. Yet, adaptation efforts focused on workers and supply chains may deliver more immediate returns. Cooling for labour-intensive workplaces, flood protection for industrial clusters and climate-risk support for small suppliers should be business priorities. This goes well beyond worker welfare as it is about operational continuity.

The challenge sits awkwardly within India's current policy framework. Heat action plans in many cities remain focused mainly on emergency response and public health advisories. But climate risk is now affecting sectors dominated by informal and contract labour.

Labour regulation in India largely assumes a formal workplace model centred on factories and registered establishments. India's Occupational Safety, Health and Working Conditions Code expands workplace safety provisions in some areas, but climate-linked risks for informal and gig workers remain weakly addressed in practice.

State governments could also use tax incentives, concessional financing and procurement rules to encourage private investment in climate-resilient workplaces and logistics systems. Cities need to play a major role too. Urban adaptation plans that improve drainage, transport resilience and worker access during extreme weather may increasingly become an economic aspect of climate policy.

India's climate vulnerability was once viewed as an environmental story. It is now becoming a workforce story, a productivity story and therefore a story of corporate performance. As heatwaves join higher levels of humidity across large parts of India, raising the spectre of 'wet-bulb' heat, companies that adapt early may discover that climate resilience is not just about avoiding disruption. It is about protecting the workforce that keeps the drivers of India's economy moving. The country's next phase of growth will depend on its infrastructure build-up and investment flows as much as on whether millions of workers that lack ambient air quality control can work safely and productively in less comfortable conditions.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW

SHARPIMAGE



India's industrial policy requires a reality check

The government should review its incentive scheme for factory production. Broadly, it must let the market shape outcomes in sectors where this won't go against our strategic interests

The West Asia crisis has prompted India's government to pursue a swathe of measures to help the economy weather its fallout. On the country's consumption of imports, a key focus of this exercise, these efforts straddle the spectrum from austerity to efficiency, given the burden of import bills inflamed by the war's oil shock and its knock-on cost surge. Prime Minister Narendra Modi has also led a behavioural nudge, asking for belts to be tightened. Export relief moves, a stabilization fund meant as a fiscal buffer and a credit backstop for small businesses are also part of this defensive response. All this, however, may not do much to alleviate macro adversity in the broader context of a weakening currency amid waning investment interest. The policy spotlight thus must fall on initiatives that motivate firms to build factories that are not just efficient, but also resilient in the face of a global trade order all but taken apart by a US tariff blitz.

To be sure, efforts have been afoot. To catalyse manufacturing growth, the Centre recently announced a scheme to develop 100 'plug-and-play' industrial parks across India. Moves to make it easier to do business and fast-track infrastructure projects for competitive logistics complement India's flagship industrial policy, the Production-Linked Incentive (PLI) scheme—which aims to ramp up output and create jobs in select sectors that market forces were not yielding on their own. The results thus far, however, have been mixed. Smartphones can be hailed as an export success, but a broad look reveals a disappointing record. Plants have come up, but patchily, with less than half the expected investments maturing. In several cases, the government has had to claw back payments for failures to meet PLI conditions, as seen in the scheme to make batteries that hold far more electricity than conventional ones. Overall, the scheme has done little to increase the factory sector's share of GDP. Today's global turmoil makes this a good moment to review this policy. For this, a three-box checklist would help. *First*, any redesign must be functionally leak-proof to prevent wasteful PLI flows. *Second*, it must be in sync with a nuanced policy framework of self-sufficiency. Some PLI projects involving foreign collaboration do not entail technology transfer; if they are largely assembly line operations, as with mobile handsets, then value addition and skill absorption remain slim. The catapult we need requires far broader engagement, especially if digital autonomy is a key national goal in a world of tech denial. Public money should hence largely go where today's crutch can be tomorrow's scaffold for a homegrown mega-success. *Third*, all support must serve ends that are in harmony with India's strategic needs. India's chip subsidy seems outsized (all taken into account), but it meets this bar. Not only are silicon chips part of a geopolitical game, we must minimize the risk of exposure to foreign bugs or control devices.

The ability of industrial policy to whir up local manufacturing has long been a debate, but few can doubt that the odds of international success are shaped by global competitiveness and export-market openings. As China suffers overcapacity and a price slump, for example, European car-makers are investing more there to ship China-made vehicles to their home markets. It's the market at work. India too should rely chiefly on cost-optimizing market motives to direct production, even as it sharpens its industrial policy.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

India Inc's AI adoption mustn't overlook legal liability

M. MUNEER & RALPH WARD



are, respectively, co-founder of the Medici Institute for Innovation.X: @MuneerMuh; and a global board advisor, coach and publisher.

The most troublesome presence at a board meeting once used to be that of an activist investor. Then came the issue of cybersecurity. Then ESG. And now, marching confidently into the boardroom with the swagger of a management consultant and the unpredictability of a toddler, comes AI. Corporate India seems to have embraced it with its usual blend of excitement, PowerPoint slides and confusion.

Every listed company now appears to possess an 'AI strategy.' CEOs announce 'AI-first' transformations with the solemnity of a constitutional amendment. Committees are formed. Workshops are conducted. The term 'large language model' is hurled around. Directors nod thoughtfully in the hope nobody asks them to explain what the company's AI embrace actually does.

Meanwhile, insurance underwriters have spotted opportunity. Unlike consultants, they are paid specifically to imagine disasters. Which brings us to one of the least discussed governance perplexities right now: AI and directors and officers (D&O) liability. As AI-happy directors may discover, their D&O risk coverage policy would rather not have them participate in this adventure.

Insurers dislike uncertainty with the same passion Indian parents reserve for unconventional career choices. AI, unfortunately, is uncertainty at an industrial scale. Nobody fully knows where liability begins, where accountability ends or who exactly would be responsible for an algorithm that behaves as if it was schooled in ethics by an anonymous online forum. So insurers are responding the only way they know: with exclusions.

Some of these are subtle. Some are broad. Some essentially say: 'If AI was anywhere near this catastrophe, don't call us.' Globally, legal experts have warned that insurers are inserting AI-related carve-outs into D&O policies. Since most boards read insurance documents like they examine software terms and conditions, many directors may not notice until there's a regulatory run-in.

Imagine the possibilities. A company exaggerates its AI capabilities to investors. A chatbot leaks customer data. An automated hiring tool begins to reject applicants with particular names. A financial forecasting model hallucinates growth projections with the confidence of a startup founder. Shareholders would be right to ask difficult questions. Regulators ought to be looking in. And D&O insurance coverage wouldn't help.

Across sectors, AI adoption is accelerating faster than governance frameworks around it. Companies want the valuation premium of appearing AI-driven, even if safe implementation is a nightmare. This sets the stage for what lawyers call 'AI washing'—the corporate art of taking ordinary automation, sprinkling the letters A and I over it and presenting it as a productivity leap.

Boards that are rushing to embrace AI should ask why insurers are reluctant to cover its risks

Investors may be told that advanced AI-powered customer engagement ecosystems are in place, while all that has happened is the deployment of a chatbot adept at adding to the frustration of complainers. What happens when the emperor's algorithm is found to have no clothes?

Lawsuits linked to exaggerated AI claims have begun to emerge, globally. Directors signing off on disclosures may find themselves personally exposed if oversight appears weak. It is thus clear that boards must adopt AI with care. In some cases, it is like radioactive material: useful and transformative, but in need of safety protocols.

What should companies do?: First, conduct an AI inventory. Map all AI use across the organization. Which tools? Which departments? What data enters these systems? Who approves usage? What safeguards exist?

Second, lay out formal AI governance policies. Every AI strategy needs a board-okayed framework that covers risk assessment, human oversight, accountability, audit mechanisms and disclosure standards.

Third, review D&O policies with forensic attention. This must not be taken casually and needs close legal scrutiny. Boards should specifically examine AI exclusions, trigger events and ambiguous wording that insurers may later interpret creatively to their advantage.

Fourth, regulate employee AI usage before it gets a chance to evolve into a compliance horror story. Employees are already uploading confidential company documents into ChatGPT, mixing personal and professional AI accounts and allowing sensitive data to wander into servers located halfway across the planet. In many firms, shadow AI adoption is happening faster than official diffusion. This could be dangerous.

Finally, boards must exercise caution while using AI tools internally. Directors are found to increasingly rely on AI for summarizing reports, generating insights and reviewing disclosures. It's convenient, no doubt, but it could return to haunt them. A flawed AI-generated summary that leads to bad oversight judgement will not magically take the blame in court.

What's at stake is corporate governance. Many boards still approach AI as a branding exercise rather than an operational transformation that entails fiduciary consequences. Although AI tools do not 'care' about outcomes, regulators and stakeholders do. And insurers would rather minimize grey-zone risk coverage than take on the burden.

In India's compliance ecosystem, confusion often travels faster than regulation. Unless care is taken, we could find litigation moving even faster. Boards must learn a harsh new rule of governance: if AI begins to run parts of the company, liability could come running right behind 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

MINT CURATOR

How Pakistan is defying some of the world's investing myths

This emerging economy is holding up well against a big oil shock



SHULI REN
is a Bloomberg Opinion columnist covering Asian markets.



Saudi Arabia and China seem to recognize Pakistan's strategic importance. REUTERS

As the Iran war drags on, emerging markets powerhouses are reeling from the closure of the Strait of Hormuz, one of the oil trade's most important routes. Turkey's foreign reserves are depleting at a record pace, India is considering all options as its rupee plunges to record lows and Indonesia delivered a jumbo interest rate hike to defend its currency. If these heavyweights are struggling, what chances are there for smaller nations?

Pakistan is doing remarkably well, given the circumstances.

In mid-April, the Pakistani government re-entered the global bond market after being shut out for almost four years, raising $750 million and 50% more than it had asked for. Bond yields over US Treasuries temporarily widened to about 5 percentage points in March but have largely gone back to pre-war levels. The Pakistani rupee has been stable at around 280 per dollar and the country's benchmark KSE-100 Index is down only 1.3% for the year.

The resilience goes against global investors' conventional wisdom. In times of turbulence, developing countries with twin deficits, namely in current accounts and budgets, are vulnerable to hot money flows and can easily tip into distress. And Pakistan, which has received an extraordinary 25 bailouts from the International Monetary Fund (IMF), fits the bill perfectly.

As an energy importer, it relies heavily on Gulf states, which supply over 80% of its fuel imports. Remittances from citizens working in the region account for about 5% of Pakistan's GDP; that money flow can halve if West Asia slumps into an economic downturn.

Because of the war, its current account deficit could increase by 1.5 percentage points for the year ending June 2027, pushing the country back into the red, according to the IMF. This would imply an estimated $12 billion financing gap till June 2028. As it currently stands, the country does not even have enough foreign exchange reserves to cover three months of imports. So why are global investors so relaxed about Pakistan?

Cooperating with the IMF helps. Pakistan has been on a $7 billion loan deal since 2024. During a recent IMF staff visit, Islamabad reaffirmed its commitment to a 2% fiscal surplus over the next year. Earlier this month, the organization approved the disbursal of $1.3 billion in loans. But more importantly, Pakistan's unlikely role as broker of peace in the Gulf has put it back on the radar of institutional investors.

Being a friend of Islamabad in its times of need has become strategically important. Last month, Saudi Arabia deposited $3 billion into the State Bank of Pakistan and extended a $5 billion loan facility to 2028, after the UAE abruptly declined to roll over its $3.5 billion debt. The once-close partnership between the two Gulf nations has erupted into open rivalry. Abu Dhabi recently withdrew from the Organization of the Petroleum Exporting Countries (Opec), the Riyadh-dominated cartel of leading oil producers.

China is also keen to prop up its neighbour. Last week, Pakistan issued its first sovereign panda bond, the initial tranche of a broader $1 billion programme. With the latest 1.75 billion yuan ($257 million) note, Islamabad is paying only 2.5% as the coupon rate. Pakistan's foreign-exchange reserves have reached $17.1 billion as of 15 May, up from $16 billion at the end of 2025.

In other words, the $12 billion funding gap may be a lot for Pakistan, but nothing for economic behemoths such as Saudi Arabia and China, which increasingly recognize the South Asian country's strategic importance.

Islamabad's military strength automatically gives it a prominent seat at a future 'Islamic Nato,' should one ever materialize. Meanwhile, the government likely hopes that its Gwadar Port, close to the Strait of Hormuz but not in the immediate conflict zone, will emerge as a major logistics hub for safe anchorage.

Geopolitical prominence does not show up on current accounts. But it certainly relaxes borrowing constraints.

Historically, emerging market investors have pored over a country's external accounts, frowning whenever they saw an overreliance on imports of essential goods, such as food and energy, or thin hard-currency reserve buffers. Pakistan's resilience this year has proven that approach wrong. The global energy shock has not led to a collapse of its public finances. It faces no currency crisis either.

With US President Donald Trump ripping apart the world order, Pakistan, which has gone to the IMF more times than any other country, is shedding its image as a failed state. It's also breaking some classic emerging-market investing myths along the way. ©BLOOMBERG

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Insolvency and Bankruptcy Code: adopt the discipline of letting go

A business exit is not failure but a delayed resolution is. Let's ensure that we don't destroy value in the name of preserving it



M. S. SAHOO & RAGHAV PANDEY
are, respectively, emeritus fellow, Insolvency Law Academy, and former chairperson, Insolvency and Bankruptcy Board of India; and director, Post Graduate Insolvency Programme, National Law University Delhi.



MINT

Spencer Johnson's *Who Moved My Cheese?* (1999) offers a deceptively simple lesson: let go when the time comes. Every piece of 'cheese,' however hard-earned, eventually shifts. Those who accept this early adapt and recover faster; those who hesitate prolong their discomfort; and those who resist reality suffer. Letting go is not surrender; it is a precondition for renewal—for oneself and the system at large.

Business insolvency systems are, at their core, institutionalized responses to cheese movements. India's Insolvency and Bankruptcy Code (IBC) is an attempt to enforce this discipline at scale. It forces timely recognition that economic conditions have changed and require adjustment. Yet, in practice, nearly every business stakeholder has, at one stage or another, tried to cling to a pre-IBC order, often litigating endlessly to reclaim value that has already dissipated. This resistance is expensive. In insolvency, delay destroys value, while uncertainty compounds that destruction.

At its core lies a simple proposition: a company is a legal construct. The Code enables rescue through resolution plans where economic life remains, and equally enables an exit through liquidation where it does not. When economic viability is exhausted, there is no countervailing moral claim to prolong existence. A firm does not suffer in the human sense; it has no dignity interest. Confusing corporate failure with human suffering is an analytical distortion that weakens insolvency discipline.

The IBC, as enacted, was agnostic between two resolution outcomes: revival through a resolution plan or exit through liquidation. Both serve the same economic objective: efficient re-allocation of scarce resources. Liquidation is not failure; it is a market-clearing mechanism. It releases trapped capital, labour and entrepreneurial energy from unviable uses and redeploys them where they can generate value. Economic systems that stigmatize liquidation inevitably drift toward artificial preservation of unviable firms, locking resources in low-productivity uses and letting zombie firms that weigh down the economy survive.

Yet, this neutrality has been steadily eroded. Policy and practice have increasingly privileged resolution plans. Judicial interpretation has increasingly treated resolution as synonymous with rescue through a resolution plan, implicitly treating liquidation as an inferior outcome, rather than an alternative form of resolution. Legislative and regulatory interventions such as pre-pack frameworks, withdrawal mechanisms, relaxed voting thresholds and expansive clean-slate doctrines have cumulatively tilted the framework in favour of revival even when economic viability is doubtful. The implicit message: liquidation is failure. The predictable consequence is persistence with revival even after economic viability had vanished.

This drift reflects a deeper discomfort with loss. The Code fundamentally recasts rights, rewrites entitlements and re-arranges priorities. Once enacted, this new order displaces legacy expectations. It demands a cultural shift—from entitlement to acceptance, from resistance to resolution and from denial to discipline. Its central command is simple: accept reality and act decisively. Resistance to this economic logic rarely rests on principle; it is more often attachment, self-interest or institutional inertia, often dressed in a legal argument. In economic terms, it is an inability to internalize realized loss.

Consider the conduct of the state. As the largest stakeholder, the government enacted the Code fully aware that sovereign claims would operate within a defined statutory waterfall. Yet, in the *Rainbow Papers* case (2022), it sought and obtained a judicial interpretation that unsettled this hierarchy. Having shaped the framework, the state at times resists its operational consequences. It files belated claims, litigates beyond statutory timelines and allows enforcement actions to continue during resolution (and even post-resolution). Each such intervention fragments the process, increases uncertainty and deters credible resolution applicants. A regime that cannot bind the state cannot discipline the market.

Promoters exhibit an equally persistent reluctance to let go. The Code removes them from control upon admission and disqualifies errant actors under Section 29A. Yet, in practice, insolvency is often treated not as relinquishment but as negotiation. Related-party bids, tactical litigation and repeated attempts at withdrawal reflect a refusal to internalize a loss of control. The underlying pattern is unmistakable: an attempt to retain control in a regime designed to extinguish it once accountability is triggered.

Creditors, too, struggle with acceptance. A 60% haircut is experienced not as a 40% recovery, but as a 60% loss. Behavioural economics describes this as loss aversion; insolvency practice manifests it as delay. Committees of creditors hold out for improbable recoveries, defer decisions, prolong negotiations and privilege sectional recoveries even as asset values erode. In insolvency, time is almost always value-destructive.

The adjudicating authority sits at the fulcrum of this ecosystem, balancing procedural fairness and equity against value preservation, reluctantly crystallizing sovereign losses or ordering liquidation. It is struggling to let go of the instincts of ordinary civil litigation, where adjournments are routine, timelines are elastic and finality is deferred. The process is trapped in prolonged litigation rather than resolution. A system that tolerates indefinite process cannot deliver time-bound outcomes.

What emerges is a system-level coordination failure. The state softens enforcement, institutions accommodate delay and stakeholders exploit both. This produces an equilibrium of mutual accommodation, where the costs of resistance are externalized and IBC discipline is weakened. The result: erosion of credibility, prolonged distress and lower realizations across outcomes, whether through resolution plans or liquidation.

Nor is resistance confined to principal actors. Unsuccessful bidders litigate to derail outcomes. Creditors tend to recharacterize unsecured exposures as secured. Professionals sometimes prolong disputes rather than resolve them. Each actor, acting rationally in isolation, contributes to a collectively irrational outcome: value destruction in the name of its preservation.

The real test of an insolvency regime is not how many firms it saves, but how quickly and accurately it determines when a rescue is viable and when an exit is better. The Code contains that logic. What remains elusive is an institutional willingness to let go: of claims, control, rights, expectations and, when necessary, the firm itself, when doing so is the only way to preserve value.

Until that discipline is internalized, insolvency will continue to function less as a system of resolution and more as a collective refusal to recognize that the cheese has already moved.

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



Credit discipline is a big IBC gain: now cut losses

Thanks to a series of amendments and a growing volume of case law, loan repayment has improved vastly. But India must tackle IBC delays before it can deliver on its full potential

In terms of its broad sweep, few pieces of legislation compare with India's Insolvency and Bankruptcy Code (IBC), which completes a decade of existence on 28 May. However, a dispassionate assessment of how far the IBC Act has met its objectives shows we still have a way to go. Its basic aims were lofty: "to consolidate and amend the laws relating to reorganisation and insolvency resolution... in a time bound manner for maximization of the value of assets," to "promote entrepreneurship [and] availability of credit and balance the interests of all stakeholders, including alteration in the order of priority of payment of Government dues," and to "establish an Insolvency and Bankruptcy Board of India." One of the overriding goals was to reduce the time taken for insolvency resolution. Under the law of 2016, this was mandatorily limited to 330 days, inclusive of one extension and time taken by legal proceedings. Alas, over the past 10 years, this has been observed more in the breach than in practice. Delays, usually on account of long-drawn out legal battles, have taken their toll, resulting in enterprise-value depreciation. And since most cases involve public sector banks as aggrieved creditors, they adversely impact the public interest. Within a span of just 10 years, the Act has been amended as many as seven times—most recently last month—in a bid to resolve cases in a speedy and fair manner.

Insolvency cases are marked by divergent interests. As injunctions obtained by obstructive promoters, third-party litigators or competitors have grown common, even the admission of applications can be fraught with friction. The Code has also had to contend with awkward judicial rulings, as in the *Rainbow Papers* case of 2022, where recovery of sovereign debt was put in the first-priority category, on par with dues of secured financial creditors, albeit the 2016 Act relegates sovereign dues to the fifth level. The latest amendment signals a clear intent to minimize procedural delays that stretch resolution timelines and erode the value of assets. To tackle operational glitches, it stipulates mandatory timelines (14-30 days) for National Company Law Tribunal (NCLT) benches to pass orders related to case admission, as also for resolution plans and liquidation approvals. This is expected to crunch the process. But then, it is unclear how courts will manage to clear their case-loads. It would be an uphill task, given the bulky backlog of pending applications, estimated at about 7,000 just at the admission stage. One way out would be to offer a quicker pathway. Thus, speed is also the aim of India's new Creditor-Initiated Insolvency Resolution Process (CIIRP) framework, which lets financial creditors opt for a partly 'out-of-court' approach (in cases of eligible borrowers) for plans to get an NCLT nod within an outer limit of 195 days. Moreover, unlike the regular path, it minimizes disruption by letting the borrower's management retain control of operations, with creditor rights safeguarded by a veto held by resolution professionals over key board decisions. While it seeks a balance between lender and borrower interests, the CIIRP's timeline is yet to be tested.

A decade on, the Code is still a work in progress. But thanks to successive tweaks and a growing volume of case law, it has vastly improved credit discipline, especially among large borrowers. The latter can no longer take bankers for a ride in the expectation of gaming the system. That's a significant win in itself.

mint

42%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

GUEST VIEW

Five forces that Indian companies must tackle as one

DEEPAK SHARMA & ROHIT PRASAD



are, respectively, co-founder, Kanvic Consulting, and professor, Management Development Institute Gurgaon.

India's corporate leaders are growing comfortable with discomfort. The country's structural growth remains intact. Domestic demand is holding up, the consumer base is aspirational and the policy environment broadly supportive. Yet, the path to growth has rarely been more complex. Geopolitics, technology disruption and sustainability are reshaping competitive dynamics faster than annual planning cycles can accommodate.

A Kanvic analysis of the earnings calls of 1,000-plus companies across 25 sectors this quarter finds boardrooms grappling with commodity price swings, the rapid mainstreaming of artificial intelligence (AI), geopolitical uncertainty, resurgent inflation and a sweeping shift towards premium products. What is striking is not the presence of any of these pressures, but the degree to which they must be managed all at once.

Commodity volatility has gone cross-sectoral: One theme unites every boardroom: commodity price volatility, with its mentions rising 32% quarter-on-quarter. What was once the preserve of oil, gas and metals has spread. Fast-moving consumer goods (FMCG) companies are flagging fluctuations in soya, palm, wheat and sunflower oil as actively influencing consumer choices and margins. Construction firms cite raw material costs as their top concern. In consumer electricals, copper price swings are hurting gross margins. In the metals sector, steel demand is described as rising on the back of infrastructure growth. Yet, margin predictability is elusive as input costs swing sharply in the opposite direction.

Companies are responding through a mix of procurement re-negotiation, hedging and a pivot to renewable energy (though more as a hedge against fuel and raw material price volatility than as a sustainability measure).

AI is no longer just a tech conversation: Its mentions grew 12% quarter-on-quarter. Building materials and healthcare recorded these for the first time as sectors. Financial services saw a 400% jump and retail 240%. Cement companies are deploying AI-enabled central control systems. Logistics firms are using Agentic AI to automate documentation. In retail, AI has moved into the top three discussion topics alongside market growth and consumer confidence.

Geopolitical flux: Trade policy mentions held steady, but the conversation has grown sharper and more sector-specific. The European market offers an illustration of how the same geopolitical development can register as a threat or an opportunity depending on how a company is placed.

For exporters of automotive components and industrial machinery, soft European demand and new tariff structures are pressuring margins. For Indian specialty chemicals and pharmaceutical firms, the picture is reversed, with plant shutdowns among European competitors opening supply gaps for them to fill. Meanwhile, the phased implementation of the India-EU trade pact is expected to create export pathways for textiles, building products and specialty manufactures. As one textile management team noted, tariff reductions have created "immediate and ongoing opportunities to increase exports and margins." For Indian businesses with European exposure, the right response depends on which side of this bifurcation they are.

The challenges converge upon a single question of business sustainability amid endless volatility

Premiumization as a margin strategy: Consumer behaviour mentions rose a modest 2% quarter-on-quarter, but premiumization—a strategic shift to higher-value products—has emerged as one of the most broadly deployed responses to cost pressure. It features across sectors.

An FMCG leader described the business as seeing "strong tailwinds driven by consumer megatrends, which will drive consumption." In electricals, the focus on energy-efficient premium products is described as "driving revenue growth and margin resilience." In decorative paints, a premium turn is being used to defend margins against intensifying price competition from new entrants. As input costs rise and volume growth moderates, moving up the value chain has become the most accessible route to margin protection.

Inflation is back: The sharpest quantitative signal this quarter is a 45% jump in inflation-related mentions, the largest increase among all themes. While inflation had receded from its earlier peaks, cost pressures did not. Industrial product companies cite persistent input cost inflation as a problem; one leader acknowledged that while inflation moderated and rural demand is showing early signs of recovery, the underlying cost environment remains challenging. In financial services, the conversation has moved downstream—to consumer credit quality, discretionary spending behaviour and the pace of the economy's recovery.

What unites these five themes is that none of them is temporary. Commodity volatility, AI disruption, geopolitical fragmentation, shifting consumer behaviour and inflationary cycles are structural features of the operating environment, not cyclical blips. Moreover, emerging countries are facing a greater burden of current volatility, making it harder for Indian companies and business leaders to navigate today's circumstances.

Addressing these challenges silo by silo could prove pointless. The companies that will emerge strongest from this environment will be those that treat these forces as interconnected dimensions of global mega trends that must be tackled by answering a single strategic question: how to build a business that grows sustainably in a world of permanent volatility.

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

Bankers may pay a hefty price for their embrace of Claude AI

Some banks are already feeling the pinch as AI use gets expensive



LIONEL LAURENT
is a Bloomberg Opinion columnist writing about the future of money and the future of Europe.



Banks could end up handcuffed to AI tools that get costlier over time BLOOMBERG

The finance industry's love of artificial intelligence (AI) has reached fever pitch—even in Europe, a traditional tech laggard. Beyond headline-grabbing announcements at HSBC or tin-eared ones from Standard Chartered, ask any fund manager, banker or trader and you are likely to hear stories of increasing adoption and experimentation.

If there's a catch, it is cost. Supply constraints are pinching all parts of the AI ecosystem, particularly computing power. Users of Anthropic's popular AI assistant Claude are grumbling about soaring prices. Even Anthropic's recent deal with SpaceX to increase its processing capacity has not fully absorbed demand from its customers for expensive, computation-hungry tasks. So, the price keeps going up.

Financier gripes about the cost of using Claude—a banker favourite—are starting to sound like those from the technology industry. The bill is on track to rise from tens of thousands of dollars for a single firm to several million.

Rampant demand from white-collar types is, of course, a good problem for companies like Anthropic that can impose price rises that might start to justify the AI industry's epic losses and hype-fuelled valuations. Dario Amodei's company is on track for its first profitable quarter and is mulling a stock-market listing as early as October.

But the rapid adoption of AI agents, which can perform tasks independently, and their soaring expense create new quandaries for finance customers even as they can see the advantages. This adds to pressure on a firm's profitability and is driving cost cuts in other parts of these businesses. It creates fears, too, of being handcuffed to particular AI companies as core IT skills shift to outside suppliers, usually American.

No wonder the boss of Standard Chartered touched a nerve with his ill-judged comments about "lower-value" human capital giving way to financial and investment capital as part of the bank's AI push. It could be construed as salaried employees paying the price for the technology's increasingly high costs. As one analyst put it to the bank: "The AI companies of today are not making any money and are spending a lot... Is it a problem that we don't really know how they'll be charging in a year or two from now?"

The behaviour of banks and other financial users is likely to evolve. Indeed, we may already be moving away from a 'token-maxxing' mindset—whereby heavy spending on AI processing power is a badge of honour regardless of whether it's wasted—into a more mature phase. I have been told of several examples where financial services are shifting to building inhouse models for tasks that do not need an all-knowing external LLM. "Not every task needs a frontier model," says Christopher Tozzi, author of a history on open-source software. That might encourage some surprise corporate thinking. Maybe 'lower-value' humans who can build and maintain a chatbot that is cheaper than an outside one will be found in possession of a valuable skill.

Finance firms might even do the unimaginable and club together, to better absorb AI costs from without and to share expertise on in-house models. This industry has never been good at sharing tech or data, with banks and asset managers usually trying to get one-up on their rivals. Nor has it been good at cross-border mergers that make sense but are politically difficult, such as UniCredit's tilt at Commerzbank.

Maybe AI is the catalyst that will revolutionize capital allocation and finally consolidate the industry, especially in Europe's over-banked parts. Perhaps UniCredit's boss Andrea Orcel should show German Chancellor Friedrich Merz the banks' expected AI budgets.

For now, few anticipate that Anthropic or OpenAI's competitive moats will be crossed anytime soon. AI evangelists are probably right that the fear of missing out is so strong today that any chance of an edge against a competitor will keep the finance crowd spending. Tech expenditure by governments and companies is set to rise almost 8% in 2026, the biggest increase in years. There are some parallels with cloud computing, where firms started building some stuff in-house without doing too much harm to the profits of Silicon Valley and Seattle. And, of course, AI is deepening Europe's geopolitical dependence on US tech giants such as Amazon.

But having seen some users successfully creating their own models, reducing though not eliminating their spending burden, I do wonder if this time there will be more pressure to avoid outsourcing too much too quickly. Lost in the furore around Bill Winters' AI comment was a more cautious line: "We are... being very, very thoughtful on the cost of AI." If that encourages more European corporate self-help, so much the better. ©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

Reverse policy distortions in the face of this year's perfect storm

Let India's rupee find its level, policy rate of interest rise, prices of war-hit items reflect import costs and exports flow smoothly



SUDIPTO MUNDLE
is chairman, Centre for Development Studies.



PTI

India is facing a perfect storm in the wake of the Iran war. Israel continues hostilities in Lebanon to block a US-Iran deal. Over 40% of our oil imports are still blocked at Hormuz, as are critical imports of LPG, LNG, fertilizers and other items. Capital has been in flight. The exchange rate is plunging, as are foreign exchange reserves. Growth is slowing, inflation is rising and El Niño may soon hit us. However, there is no need to panic. A calm but urgent reversal of some policy distortions should help us navigate our way through the crisis, buying us time for further structural reforms to revive high growth over the medium to long term.

The most visible impact of the storm is on the exchange rate. It was remarkably stable through 2024 till the first quarter of 2025, while several other emerging market economy currencies were depreciating. As pointed out in our 2025-26 Year End Macroeconomic Review (NIPFP *Policy Brief 49*, May 2026), this was mainly on account of RBI interventions. Till February 2026, RBI had net sold $43 billion in the spot market in 2025-26. It further net sold foreign exchange of $18 billion during March and April 2026. But interventions in the spot and forward markets are not working. The rupee started depreciating after US President Donald Trump's announcement of punitive tariffs on 2 April 2025 and this decline accelerated after the Iran war that broke out on 28 February. Meanwhile, the outflow of foreign capital continues. Net foreign portfolio investment (FPI), especially equity investment, has been negative in most months since October 2024. Net foreign direct investment (FDI) has also been negative in most months since July 2024. The dollar premium in the forward market indicates that the market expects the rupee to depreciate further.

Most professionals agree that rupee depreciation is being driven mainly by capital outflows and not the trade deficit. They also agree that instead of RBI depleting limited forex reserves, the rupee should be allowed to drop to its market clearing level (for example, C. Rangarajan and N.R. Bhanumurthy, *Mint*, 25 May). This would also help reduce the current account deficit by reducing imports and increasing exports. However, if perverse expectations prevail, the dollar premium may persist. Sajjid Chinoy has suggested that RBI should buy dollars, even at a premium, to augment forex reserves (*Indian Express*, 25 May). This could, hopefully, kill perverse expectations and arrest rupee depreciation.

Such dollar purchases would add to existing surplus liquidity, so RBI would need to sterilize excess liquidity through open market operations. This would further raise bond yields, which have been rising due to the excess supply of government debt. An increase in the repo rate, held constant for a long time, would add a tailwind to this process. This would help contain if not reverse the outflow of foreign capital. Such tightening of monetary policy would also contain the second-round effect of cost-push inflation driven by supply-side disruptions.

The third area requiring urgent policy reversal is the blocked pass-through of global fuel and fertilizer price increases. By April 2026, the price of Brent crude had spiked by nearly 78% year-on-year. Prices of LPG and LNG had also risen sharply. But the 'oil and gas' basket in the consumer price index increased by only 0.11% (NIPFP *Policy Brief 49*). These prices are administered and the government blocked the pass through to retail prices until recently, with the delay possibly on account of elections in several states. This has entailed huge losses for oil marketing companies, which will be passed on to the government in some form sooner or later. The same applies to fertilizers. By way of illustration, India has been buying urea at $935 per tonne but selling it to farmers at only $70 per tonne, a mind-boggling subsidy of $865 per tonne (A. Gulati and R. Juneja, *Indian Express* 25 May). The government is already off its fiscal consolidation path (NIPFP *Policy Brief 49*). The huge increase in the fuel and fertilizer subsidy burden will knock the government further off this path. Besides, such massive subsidies encourage diversion of supplies to the black market. The government has started passing on fuel import price increases gradually, but not yet for fertilizers. A full pass- through of the increase in import prices of both to consumers is urgent not only to contain demand, but also contain the damage to government finances. Vulnerable consumer groups can be protected through direct transfers.

QUICK READ

Instead of RBI depleting its forex reserves, it should let the rupee decline to its market clearing level. This may narrow the current account deficit by reducing imports and raising exports.

RBI may need to tighten policy. Also, fuel and fertilizer prices must cover import bills, while legal hurdles in the way of exports to India's trade-pact partners require resolution.

The final area requiring immediate policy action is trade diversification. The high share of fuel and fertilizer imports from the Gulf region makes India particularly vulnerable to the Hormuz blockade. Efforts to diversify imports to alternative Gulf routes and non-Gulf sources like Russia, Africa and South and North America need to be scaled up on an urgent basis. On the export side, India is overly exposed to the US not just for goods exports, but more importantly the export of services, especially IT-enabled services. To reduce that exposure, legal impediments to exports to the EU, UK and other trade-agreement partners need to be urgently addressed.

Quick reversals of the policy distortions highlighted above should enable India to weather the storm and position itself for more longer-term structural reforms and an eventual return to a high-growth path.

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

Are some gig platforms reviving colonial-era servitude?

VANDANA VASUDEVAN



is a development sector researcher and author of 'OTP Please!'

It is hard to find a railway porter (*coolie*) these days. The iconic helpers clad in red were relied upon to carry heavy luggage and expertly navigate the chaos of an Indian railway station. They have largely vanished since the arrival of wheeled trolleys and escalators. Technology packed them off. Ironically, last week, technology brought back a new kind of *coolie* to Delhi's Lajpat Nagar. A new service called CarryMen allows shoppers to book a man who will hold your shopping bags. Clad in orange T-shirts, they can carry up to 12kg for 30 minutes for a payment of ₹79. Additional services include providing umbrellas, folding-chairs and power banks so that consumers can shop and never drop.

It is starkly reminiscent of the *punkhawallahs*, *bhishtis* and *coolies* of the British Raj—the invisible 'natives' who pulled fan strings for *memsaabs* in hot Indian summers, carried water in sheep-skin pouches while running along with the *sahib's* entourage or transported luggage on their heads. In *Kim*, Rudyard Kipling's 1901 novel, he writes "...the coolies, earth-coloured and mute, crouched reverently some twenty or thirty yards away."

Small mercies that the CarryMan walks straight and alongside the *memsaab* in 21st century India, according to the service's poster. However, the spirit of hyper-convenience for the privileged while the physical burden is passed on to a poorer person remains the same.

Innovation as aggregation of the jobless: Some direct-to-consumer (D2C) startups employ youngsters and teach them a skill that can set them on paths to sustainable livelihoods. To cite a few examples, home service platforms train people to become plumbers, electricians and beauticians. An eyewear startup that disrupted the market through omnichannel distribution runs optometry programmes and certifies them as 'vision professionals.' A speciality coffee brand trains its employees to become expert roasters and baristas.

But there are various other startups in the D2C space that are creating a business model merely by organizing economically vulnerable workers for convenience services with low entry barriers. Thousands of young men are simply dropping off packets, and now, holding them for clients.

The argument that 'at least these companies are creating some jobs,' which I often see on social media, is hollow. There is a sharp distinction between skilling employees and using them as interchangeable warm bodies. When a person is taught a skill, her livelihood becomes sustainable and the worker generates more value over time. When we settle for an 'at least they are able to earn' scenario, we set the bar so low that it can justify all kinds of work, including tasks that are borderline exploitative.

The pampered and pampering classes: Historically, we have been a deeply feudalistic society. Our entrenched caste-class divisions continue to manifest in the way many middle-class folks treat those who serve them, such as their househelp. Against this background, when start-ups create newer ways in which lower-income groups can pamper the middle class, we normalize servitude. A startup founder said in a recent TV interview that his company sends service providers to customer homes within 10 minutes to do micro-tasks like peeling peas or drying clothes. An entire generation will grow up thinking that any task requiring some physical effort (other than fitness) can be transferred to a poorer person who can be summoned at will.

When there is an app involved, ratings are never far behind. Small inconveniences like a delayed order can be seen as deserving of censure through a poor rating of the worker. A vast band of entitled citizens emerges in constant judgement of those who serve it. Since servitude hides behind an app or a smart uniform and branding, it is couched as modern, but its kernel is feudal.

QUICK READ

A shopping porter service in Delhi highlights the risk of India's demographic dividend delivering an army of attendants in brand uniforms. Many of these jobs offer no upskilling prospects.

Is such work a throwback to the colonial era of water carriers and manual fan string pullers at the service of overlords? Many tasks on gig sale are poorly paid and seem borderline exploitative.

A permanent stopgap: Employers informally wonder if the existence of easy gig work is itself a disincentive to move to higher-skilled jobs. Spending months learning a manufacturing process seems like a drag when there is a quick and easy way to earn money. A 2026 survey of 1,500 gig workers by Primus Partners found that among gig workers in their 20s who had already been doing the job for four years, most saw it as a permanent career and not a stepping stone.

'Decent work'? According to the International Labour Organization, decent work is "productive employment that delivers a fair income, provides security, ensures social protection for families, offers prospects for personal development, and allows workers to organize and participate in decisions that affect their lives." Gig work, which relies purely on physical labour, fails these standards as it is volatile and has few safety nets or perks. Even licensed railway porters were given annual complimentary tickets to any station and access to railway hospitals and schools. And they also formed unions to exercise their collective bargaining power.

It is worth asking whether ironing out wrinkles in middle-class life—fetching, carrying, queuing—is the best use of entrepreneurial capital and youthful energy for an aspiring *vishwaguru* (global guide). If every inconvenience of the affluent becomes a business opportunity, India's famed 'demographic dividend' risks yielding little more than an army of branded attendants—seemingly modern but feudal in spirit.

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

Confront 'jobless growth': let us focus on middle-class expansion

India must reverse widening income and wealth gaps for the sake of sustainable economic growth



SAUMITRA BHADURI
is professor, Madras School of Economics

India's growth story over the last three and a half decades has been nothing short of transformative. From a balance-of-payments crisis in 1991 to an economy on the cusp of $4 trillion, India has undergone one of the most significant structural shifts among emerging markets. This brought visible gains in living standards, particularly for lower-income groups. Access to basic amenities has improved, financial inclusion has expanded through digital public infrastructure and welfare delivery is better targeted. These headline successes are important, but so is the sobering reality that India's middle class, the backbone of its economy, may actually be shrinking.

Recently released distributional data for 2024 from World Inequality Lab shows how stark the divide is: India's income Gini coefficient (0 being perfect equality) has risen from about 0.46 in 1990 to roughly 0.64 in 2024, while its wealth Gini has gone from around 0.65 to about 0.75. These scores represent a sharp structural widening of inequality, especially driven by increased wealth concentration.

The middle 30-70% of earners—an appropriate proxy for India's middle class—accounted for about 19.7% of total wealth and 28.9% of total income in 1989. By 2024, those shares had fallen to 13.6% and 18.8%, respectively. A compression of this magnitude is not an accidental outcome but a fundamental redistributive shift: The top 10% now capture close to 59% of total income and have about 65% of total wealth, up sharply from roughly 36% and 50% in 1989, with the top 1% showing a further skew within this group. These gains expose a redistribution away from the country's middle band.

The roots of this divergence lie in the structure of India's growth, often described as 'jobless.' Economic expansion in the post-liberalization period has been driven largely by capital- and skill-intensive sectors, where returns accrue disproportionately to owners of assets. Wealth, unlike wages, compounds over time through equity, real estate and business ownership, allowing those at the top to pull further ahead, while the middle class, dependent primarily on labour income, sees far more linear and limited gains. This divergence is reinforced by the state of our labour market. A large share of the workforce remains trapped in low-productivity agricultural and informal jobs, with only a small fraction employed in manufacturing—the sector that ideally underpins middle-income expansion. Instead, growth has been services-led, generating high-skill, high-income opportunities at the top but too few stable middle-income jobs in between.

QUICK READ

India's economic emergence since 1991 has been impressive but this was accompanied by a concentration of wealth and income among the top few while middle earners got left behind.

This segment is deprived of welfare support and has few avenues to move up. Policy must aim at expanding the middle class, without which the economy's growth will be at risk.

There is also a divergence within labour itself: a rising share of workers in low-productivity self-employment and falling real wages at the bottom co-exist with income concentration among higher-paid segments, weakening the inclusiveness of growth. The crisis may deepen with the rise of AI, as it renders many low-productivity jobs redundant.

Most importantly, India's education system has not kept pace. The lack of quality, broad-based education is likely to be the key: inter-generational mobility along the educational ladder has been low and constant since 1991 (Asher *et al*, 2022). Research also confirms (Bharti and Yang, 2024) that educational inequality explains a quarter of wage inequality in India. Public policy has further accentuated this compression. While welfare programmes have rightly supported the bottom 50%, the middle 40% has largely been left out even as it faces rising costs of private healthcare, education and housing. The result is a structural squeeze, where the middle is caught between limited income growth and cost escalation.

In most successful development experiences, the middle class expands both in size and its share of income. But in India, the pattern seems inverted. Growth has delivered modest gains at the bottom and disproportionately large gains at the top, while the middle has steadily lost relative ground. This has important structural implications. Unlike the export-oriented growth paths seen in East Asia, India's post-1991 model has depended on domestic dynamics characterized by middle-class consumption driving demand, demand supporting job creation and employment feeding back into consumption. That dynamic is losing momentum.

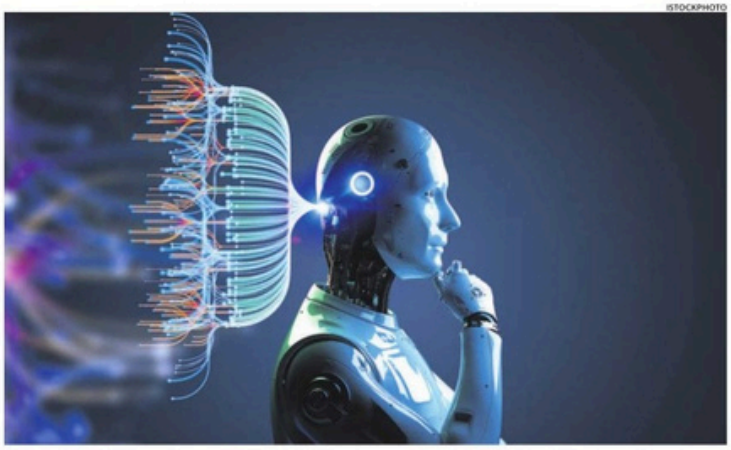
The challenge is not merely to sustain high growth, but to reshape its composition so that these gaps close. Without a strong middle, consumption weakens, upward mobility slows and inequality becomes self-reinforcing, undermining the sustainability of growth itself.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

OUR VIEW

ISTOCKPHOTO



The AI labour fantasy is fading: automation isn't

The business drive for automation is turning out to be quite bumpy as the actual costs of AI adoption come into view, globally. But that's unlikely to spell a reprieve for human workers

The AI script until now was simple. Artificial Intelligence was hawked as infinitely scalable digital labour that is more productive and less costly than employing humans. Payrolls not only tend to enlarge over the years, they entail workspace, training, insurance and other expenses. Where enterprise value rises as overheads fall, AI is hard to resist. If a single model can draft emails, generate code, analyse data, churn out business plans and handle customer support 24/7 at a fraction of the manual cost, automation beckons. Tireless AI agents enable much more work done with far fewer people. This explains why so many companies, Big Tech firms included, have cut thousands of jobs over the past two years. Agentic AI diffusion across an economy, some reckon, will make space for faster growth without sparking inflation once it overcomes 'sticky wages,' which are viewed as an efficiency hitch for not letting pay cuts adjust labour markets.

This grand narrative, however, has begun to weaken. Microsoft, a big backer of AI with billions invested in OpenAI and Anthropic, said this week it would cancel internal Claude Code licences by the end of June. Uber too reportedly exhausted its entire 2026 budget for AI coding tools within the first four months of 2026. Further, a senior Nvidia executive admitted that AI computing costs now exceed those of some employees using these systems. These are not isolated cases. McDonald's, Klarna and others are rethinking AI deployment. It is turning out to be costlier than expected. While inference costs that vary by usage run high, expenses on cloud infrastructure, integration and human oversight also need to be factored in. AI systems can also fail at scale, rapidly multiplying costly errors. Last week, Starbucks scrapped an AI-powered inventory tool deployed across North American stores after workers reported persistent errors like mislabelled and miscounted products. Agentic AI has problems of safety and reliability, according to a recent paper titled 'Agents of Chaos'; AI agents were found to leak sensitive data, execute harmful commands, make false claims of task completion and even obey unauthorized users. US businesses have shown that AI is a cost-saver alright, but the calculus shifts once complexity, the human faculty of judgement and emotional nuance enter the picture. Meanwhile, even as the energy and water guzzled by AI infrastructure imposes climate costs, huge sums invested in build-ups suggest AI bills must rise sharply for AI to pay for itself. Bankers are reported to be alarmed by bill inflation. This hints of high charges for specialized tasks, while the mass market uses cheap but commoditized AI.

As Big AI players line up outsized public offers, the buzz over an AI bubble about to burst has grown louder. True or not, it is unsafe to assume that human labour will be safe. Microsoft's move, for instance, reflects tight cost control and a push for its own ecosystem, rather than a retreat from AI. McDonald's plans to double down on AI. Why would businesses forgo a productivity boost? This technology automates repetitive tasks while assisting humans in need of creativity amid complexity. Yet, employers know that bulk layoffs could invite state intervention—as seen in China's curbs on axeing jobs. In India, eyebrows have been raised by headband cameras worn by workers to record taskflows as AI training feeds. Will robots take over? The future may not be as scary for labour as some fear, but it's hazy.



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

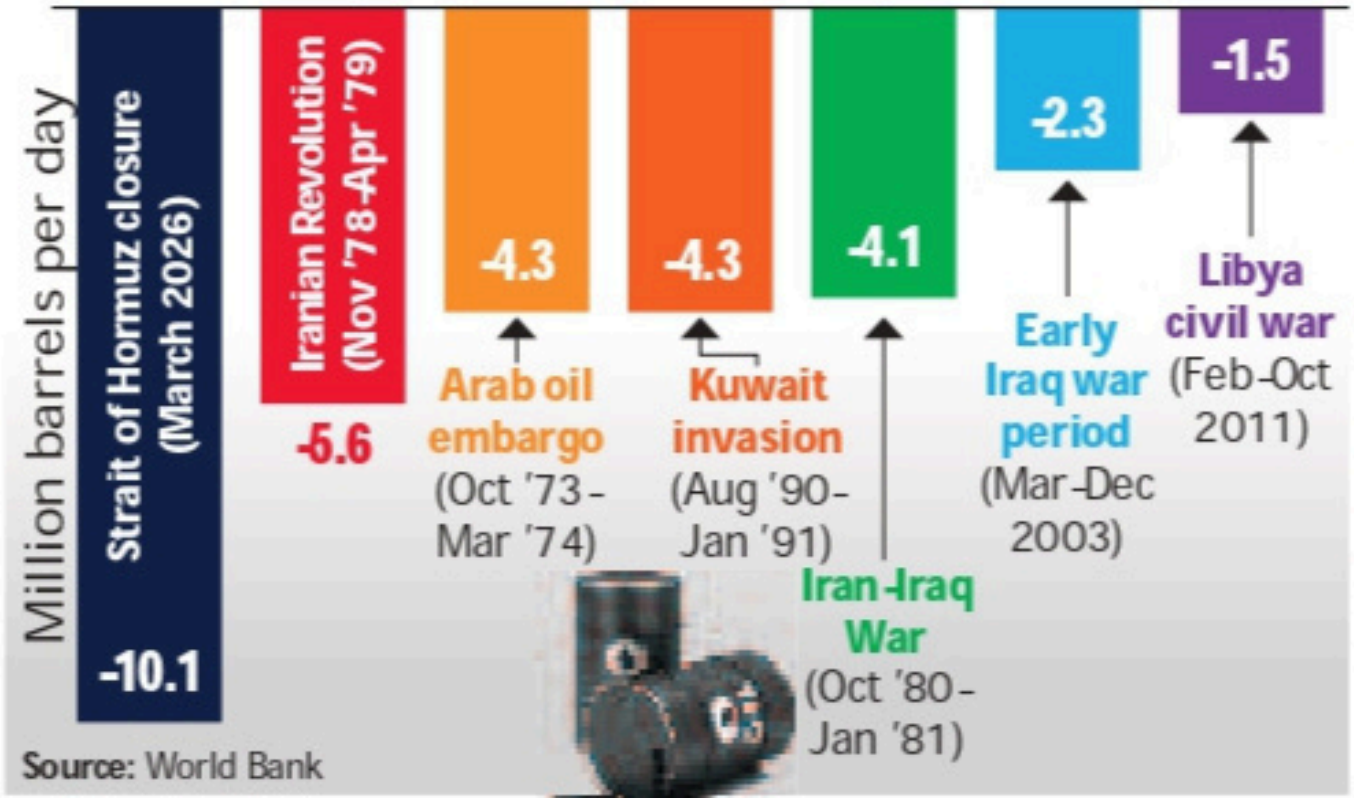
To see Dylan as a

DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY
दिल्ली प्रौद्योगिकी विश्वविद्यालय

WEST ASIA COMMODITY SHOCK

The outbreak of war in West Asia represents a historic shock to commodity markets. According to the World Bank's Commodity Market Outlook, the reduction in global crude oil supply in March 2026—estimated at about 10 million barrels per day (mb/d)—amounted to the largest oil supply shock on record...

Initial oil supply losses in the past



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

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Fed Up or Down with Don?



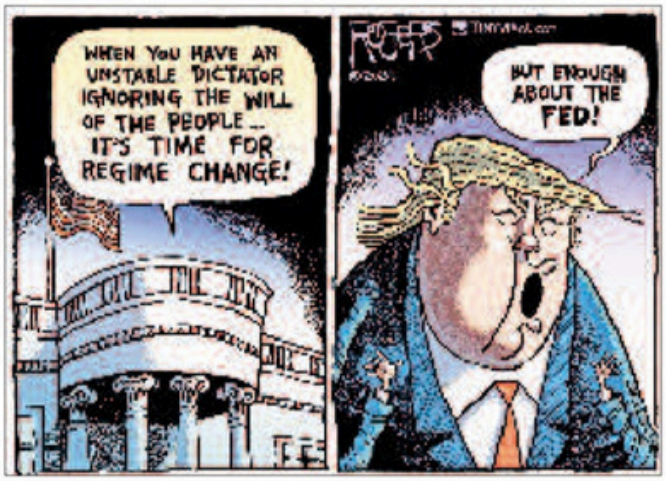
Mythili Bhusnurmath

In less than a fortnight, the dust will settle on two issues that, together, will have a huge impact on the global economy. No, not whether the war in West Asia is ending for good. Or whether the Strait of Hormuz has been opened unconditionally. Both are a function of Donald Trump's whims and fancies. As we have seen over the past few months — indeed, ever since January 2025, when he was sworn in — there's no knowing what the mercurial leader will do next.

But what we will know for sure is whether Kevin Warsh, Trump's nominee, will take over from Jerome Powell as chair of the US Fed. And, related to that, whether central bank independence is an idea whose time is done.

For now, the odds are that Warsh will step into the hot seat when Powell's term ends on May 15. Trump announced his name in January. But, unlike in India, where GoI is the sole authority to appoint the RBI governor, the Fed chair goes through a lengthy confirmation process — first by Senate Banking Committee (SBC) and then by the full senate — before a new chair takes over.

Normally, this should not be a problem. Support for the Fed chair nominee tends to be bipartisan. Powell, for instance, was appointed by Trump during his first term and then reappointed by Joe Biden in 2022. But this time around, Trump's almost personal animosity towards Powell for repeatedly defying his call to cut interest rates, and his subsequent attempt to frame charges against him, have queered the pitch.



Reserved man: Cartoon by Rob Rogers, Washington Post

The confirmation initially faced a roadblock, thanks to Senator Thom Tillis, who vowed not to advance any Fed nomination until the justice department ended its probe into Powell's supposed misdeeds: cost overruns in the renovation of the Fed headquarters. But now that the probe has been called off, and SBC has cleared the nomination, chances are Warsh's confirmation will be through by May 15, even as Powell remains on the Fed board till 2028.



'I've held back firing him. I've wanted to fire him. But I hate to be controversial, you know,' Trump said, about Powell remaining on the Fed board till 2028

With that, the curtain will, hopefully, come down on an unseemly spat between Trump and Powell. In an interview in mid-April, Trump made no bones about his determination to get Powell out, saying he will fire him if he opts to stay at the Fed after his term ends (in case Warsh's confirmation is delayed). Adding, in his characteristic style, 'I've held back firing him. I've wanted to fire him. But I hate to be controversial, you know.'

Which brings us to the second issue: the question of independence of the US Fed. Here, the picture is far from settled. Warsh told US senators that his monetary policy decisions would be independent of any advice or pressure from Trump, describing success in keeping inflation low as the 'plot armour' that would insulate the central bank from criticism.

'Monetary policy independence is essential,' Warsh said in a public statement delivered to the SBC, adding that it was 'largely up to the Fed' to maintain that independence by succeeding in its goals and not straying beyond its mandate from Congress.

'We need to take politics out of monetary policy and monetary policy out of politics. If I'm confirmed, the Fed should stay in its lane.' The question is, what is its lane? Will it be a lane dictated by Trump? Or by a Fed that has, so far, steadfastly refused to do Trump's bidding, including holding interest rates unchanged at its last meeting under Powell, in late April?

Asked whether he expected rates would fall this year, Trump was emphatic, 'When Kevin gets in, I do.' But if the Fed cuts rates when US inflation, at 3.3%, is running well above the Fed's target rate of 2%, inflation is bound to increase. At a time when high oil prices are already putting pressure on fuel prices in the US and, through second-order effects, on other products as well, it is only a matter of time before the impact of higher prices in the US gets transmitted globally — and affects us in India, too.

Unfortunately, Warsh's statement, coming just hours before Trump repeated in an interview that he would be disappointed if his handpicked nominee did not cut rates quickly, has not convinced anyone. As the feisty Democrat leader Elizabeth Warren pointed out, 'Independence takes courage,' before going on to put Warsh on the spot by querying, 'Let's check out your independence and your courage. We'll start easy: Mr Warsh, did Donald Trump lose the 2020 election?' — something Warsh has steadfastly refused to concede.



'If I'm confirmed, the Fed should stay in its lane,' said Warsh. But what is its lane? Will it be a lane dictated by Trump? Or by a Fed that has, so far, refused to do his bidding?

It's no wonder, then, that markets are waiting with bated breath to see what happens when Warsh gets his foot in the door. Empirical evidence shows that not only is no country immune from the spillover effects of US monetary policy, but also that uncertainty surrounding the Fed's monetary policy decisions affects all financial markets adversely.



Banks, Improve Your Credit Cred

Apropos the Edit, 'Off the Tough Route To Loan Recovery' (May 1), the growing reliance on stringent recovery measures points to a deeper malaise — not weak laws but weak credit culture within the banking system. The problem originates at the appraisal stage. Credit is too often extended without a disciplined assessment of cash flows, viability and repayment capacity. Lending, in several instances, has become exposure-driven rather than need-based. The outcome is predictable: stressed assets that later demand 'tough routes' for recovery. All at a very high cost, indeed.

Equally paradoxical is the continued exclusion of genuinely viable small borrowers. Despite decades of nationalisation, financial inclusion initiatives and advances in tech, the banking system still shows limited sensitivity to the needs of the poor and informal sector. While larger exposures have at times benefited from relaxed discipline, deserving small borrowers struggle for access. The solution lies not merely in tightening recovery mechanisms but in reorienting banking practices. Credit must be anchored to cash flows, supported by effective use of tech and AI for appraisal and monitoring. Integrating lending with transaction and deposit accounts can align credit with real economic activity and improve repayment behaviour.



TV Gopalakrishnan
Bengaluru

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

Assuring Credit is Spread Well, in Time

Reduce bank resistance to small borrowers

GoI's assurance of an extra ₹2.55 lakh cr of credit to small enterprises and airlines, in the form of Emergency Credit Line Guarantee Scheme (ECLGS) 5.0, will be well received in the immediate aftermath of the West Asian crisis. This is the fifth tranche since the 2020 Covid outbreak that has directed bank lending to a segment of the economy vulnerable to shocks. Credit guarantees work by neutralising the risk differential between large and small enterprises, and their efficacy is determined by coverage. Despite steady growth in bank lending to SMEs since 2020, institutional credit access is limited to the segment. Persistently high MSME loan default metrics contribute to lender risk aversion. Operational delays also restrict the ability of credit guarantees to derisk bank lending to small enterprises.

But these structural issues with scheme implementation don't detract from countercyclical impact of credit guarantees and GoI's prompt response in announcing emergency provisions to the baseline support it provides to MSMEs. Successful credit guarantee models operating in the US, Japan and the EU have higher guarantee and credit demand coverage and innovative risk-sharing incentives for banks. These need to be incorporated in operations of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) for emergency measures to have better real-time impact.



Covid-era emergency credit line was successively enlarged to provide greater relief as distress mounted across the economy. This time around, disruption should be of a lower order, but sufficiently widespread as the energy shock travels through fertiliser and plastics industries. Airlines are at the frontline in most crises, and Indian carriers have recently flown into rough weather with flight safety and operational disruption. Bank balance sheets are healthy and nudging credit in the right direction won't pose inordinate challenges. Emergency credit guarantees involving extraordinary government support whittle down bank resistance to small borrowers.


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

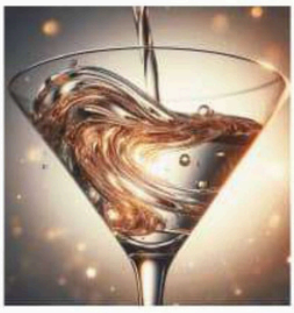
To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Push Ethanol, But Keep It in the Mix

The US-Israel war on Iran has driven India to reassess its heavy reliance on imported oil and gas. With the transport sector consuming about half of the country's oil use — of which about 90% is imported — it offers the clearest opportunity to reduce dependence. In response, GoI has proposed amendments to Central Motor Vehicles Rules (CMVR) to formally enable higher ethanol blends, including E85 (85% ethanol) and E100, allowing vehicles to run on near-pure ethanol.

Creating regulatory space is sensible. But it shouldn't preclude alternative pathways. Optimal role of ethanol in the fuel mix must be guided by rigorous life-cycle assessment. At current tech levels, scaling ethanol implies greater use of sugarcane, rice or maize, raising concerns around groundwater depletion, land use and food security. These trade-offs extend to pricing conflicts between crops and fuel, as well as broader social impacts. Proposals to import GMO maize, for instance, from the US may ease supply constraints or support trade negotiations, but risk replacing one import dependence with another. Costs and embedded emissions of transporting ethanol also warrant scrutiny. On the demand side, vehicle design should prioritise fuel-flexible engines that can accommodate varying ethanol blends without efficiency losses. Advances in 2nd- and 3rd-gen ethanol technologies for vehicles could materially reshape this choice matrix.



As GoI awaits feedback from stakeholders on proposed amendments, the key question is: what are the best options to reduce both import dependence and the transport sector's carbon footprint? Ethanol will likely be part of the mix, alongside EVs and fuel cells. A 360° assessment is essential before final decisions are made.


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

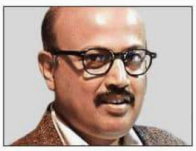
AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

WTO & Watch to Bring Predictability



Rajesh Agrawal

For much of the late 20th and early 21st c., WTO functioned as the central pillar of global commerce, offering a rules-based framework that promised neutrality, predictability and fairness. Today, that promise appears fragile, thanks to structural imbalances, uneven enforcement and changing dynamics of global economic power.

At the heart of this crisis lie hyper-concentration of global production and persistence of predatory trade practices. Over time, supply chains have become interdependent, yet unevenly distributed, with a handful of dominant economies exercising disproportionate control over critical sectors.

While this concentration has made global supply chains more efficient in some instances, it has also made them more vulnerable. Disruptions carry systemic consequences. As a result, supply-chain fragility is no longer viewed as an economic concern, but is framed as a matter of national security and economic survival.

At the recent ministerial conference in Yaoundé, Cameroon, members reaffirmed their commitment to WTO's foundational principles. But a shift in perception has triggered a wave of policy responses that challenge these principles. While protectionist measures, aggressive industrial policies and export controls may yield short-term resilience, they undermine WTO's cooperative spirit and legal framework.

Growing use of technological choke points, control over critical supply chains, and market access as instruments of geopolitical leverage signal a broader transformation: trade is no longer just about economic exchange but also about strategic power.

A widely held view among WTO members is the organisation's inability to hold major economies accountable to their commitments. For many countries, particularly in the 'global south', this has reinforced perceptions that WTO no longer functions as an impartial arbiter.

In this context, restoring WTO's credibility has become central to reform efforts. Foundational agreements are seen by many as a pragmatic solution to challenges of consensus-based rule-making. In a membership characterised by vast disparities, achieving unanimity on complex issues *is* difficult.

While acknowledging the potential of plurilateral agreements to advance rule-making without being held back by those not ready to commit, India has called for robust safeguards to ensure that such arrangements don't undermine multilateralism. It advocates for a comprehensive approach to integrating plurilateral agreements into WTO architecture, rather than an ad-hoc, agreement-by-agreement model.

Also, WTO's failure to deliver on past mandates is a major source of dissatisfaction for developing countries. These unfulfilled commitments — spanning areas like agriculture, development and special treatment provisions — represent not just gaps in rule-making but also missed opportunities to address inequities in the global trading system.



Restoring order, order

▶ **Agriculture** Developed countries continue to retain significant flexibility in providing subsidies to their farm sectors. At the same time, developing countries face constraints on types and levels of support they can offer to their farmers. This asymmetry perpetuates structural disadvantages, undermining livelihoods of millions in the 'global south' and distorting global trade flows.

▶ **Tech** There is a growing demand for more equitable frameworks governing technology transfer and capacity building. Yet, existing rules often reinforce existing hierarchies, limiting the ability of developing countries to move up the value chain.

▶ **Special & Differential Treatment** Originally designed to provide least developing and developing countries with non-reciprocal market access and greater flexibility in implementing trade commitments, S&DT has become a contentious issue. Some developed countries argue that the current system of self-designation allows relatively advanced economies to continue benefiting from provisions intended for less developed nations. India cautions against simplistic solutions based on arbitrary metrics such as aggregate economic size.

Instead, focus should be on ensuring that S&DT remains an effective tool for addressing genuine developmental needs. This requires a more nuanced approach, one that recognises the diversity of economic conditions within the developing world and tailors flexibilities accordingly.

India's broader trade strategy combines engagement in multilateral forums with the pursuit of bilateral and regional agreements. As trade policy becomes increasingly complex — encompassing regulatory standards, digital governance and supply-chain integration — FTAs have emerged as important tools for deeper economic integration.

However, by advocating for balanced, inclusive and forward-looking reforms, India seeks to ensure that WTO remains relevant in a rapidly changing world. More than anything else, WTO provides certainty, predictability, inclusivity, equity and simplicity to businesses — a rules-based trading order.

The writer is commerce secretary, 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

Genuinely Crack Down on Fakes

AI can help in detecting pirated goods

Fake goods — apparel, FMCG and pharmaceuticals — constitute a thriving economy in India, with 1 in 3 consumers in cities coming across a counterfeit product in the past year. Coordinated national enforcement action against fakes is increasing while brands are turning to technology for authentication. But tech is a double-edged sword in the battle against counterfeits. QR codes raise the bar against pirated goods while ecommerce facilitates their distribution. Identifying counterfeits is a cat-and-mouse game that becomes progressively sophisticated, which leads to AI. It helps detect pirated goods by analysing product details, supply chains and market data. Analytics are being deployed to identify imperceptible product variations, scan for suspicious marketing, and flag price and volume variations.

Economics of fakes are driven by the price difference between legitimate and illegitimate products. This has an uneven impact across industries — it is easier to fake infant milk powder than a smartphone, although counterfeits exist in almost all industries. Value chains in the counterfeit industry must climb in tandem with the regular economy to remain profitable. Piracy typically declines as manufacturing advances and high economic growth holds some deterrent value, but not to the extent of effective policing. Since India is not yet an advanced manufacturing economy, the burden on law enforcement is considerable.



Corporate action against piracy extends to both production and distribution. The channels through which goods move are particularly vulnerable to carrying counterfeits. This tilts the advantage in favour of large enterprises with structured distribution networks while smaller enterprises need greater recourse to the law. The fight against piracy needs a coordinated response from industry and regulators to identify and counteract production and distribution of fake goods.

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

Mature Hands for Money





Ashok Banerjee & Rajesh Shukla

Over the past decade, India has executed one of the world's most ambitious financial inclusion programmes. With over 55 cr bank accounts opened, rapid expansion of digital payments, and deeper access to formal credit and insurance, the financial system has extended its reach across geographies and income segments. This is the foundational step for inclusive growth. With access no longer being the binding constraint, the more pressing challenge is whether households can use financial services effectively.

Evidence from the Financial Maturity Index, based on IIM Udaipur-People Research on India's Consumer Economy (PRICE) surveys across Gujarat and Rajasthan, suggests that while inclusion has scaled, financial maturity — the ability to make informed, resilient and forward-looking financial decisions — remains uneven. This gap between access and capability is emerging as a structural constraint on inclusive development.

Findings point to a disconnect.

▶ **Weak fundamentals** Households are active participants in the financial system, yet many don't understand compounding, inflation and risk diversification. When households do not fully understand how interest rates, inflation, or risk operate, policy signals are less likely to translate into behavioural change.

The study finds that fewer than 40% of households have emergency savings to cover 3 months of expenses, even though more than one-third have experienced a financial shock in recent years. Households continue to rely heavily on informal coping mechanisms, including borrowing from family networks, liquidating assets, or resorting to high-cost credit.

The findings also emphasise that income and information independently shape financial behaviour. This insight is important for policy design. Even among households with similar income levels, differences in awareness lead to different financial outcomes.

At the same time, some younger and better-educated individuals demonstrate stronger conceptual understanding despite lower income levels. This suggests that financial capability is not purely determined by income. It is also shaped by exposure, education and access to information.

▶ **Myopic view** The study highlights a strong short-term orientation in household financial behaviour. While more than 85% of respondents express a preference for saving over non-essential spending, these intentions do not consistently translate into structured financial planning. Retirement planning is weak, with most households prioritising immediate financial needs such as education, health and consumption.

This behaviour is not irrational. The study observes that risk-taking and long-term planning are closely linked to economic capacity. Households with limited income buffers are less able to absorb shocks and so prioritise liquidity and security over long-term returns. Financial maturity, in this sense, is both an outcome of economic development and a contributor to it.



Included, not equipped

▶ **Weak financial diversification** Meaningful participation in equity or market-linked instruments is largely confined to higher-income households. For the majority, portfolios remain dominated by traditional assets such as bank deposits, gold and real estate.

From a policy perspective, these findings suggest the need for a fundamental shift.

▶ There is a need to move from access-based metrics to capability-based metrics. Account ownership and transaction volumes are no longer sufficient indicators of progress. Policymakers need tools that capture how households behave and where capability gaps exist.

▶ Financial education must move beyond awareness campaigns. The persistence of financial stress, decision inertia and low confidence indicates that information alone is not enough. Policies must be designed to address behavioural barriers such as complexity, uncertainty and lack of trust.

▶ Strengthening financial capability must be recognised as essential for macroeconomic policy effectiveness. Without it, the transmission of interest rate changes, inflation expectations and savings incentives will remain incomplete.

India's financial inclusion story has been transformative. But inclusion, by itself, is only the first step. The next phase must focus on building financial capability at scale, ensuring that households are not just connected to the financial system but are also equipped to navigate it effectively and confidently.

Because inclusion opens the system. Financial maturity determines outcomes.

Banerjee is director, IIM Udaipur. Shukla is MD-CEO, PRIC

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

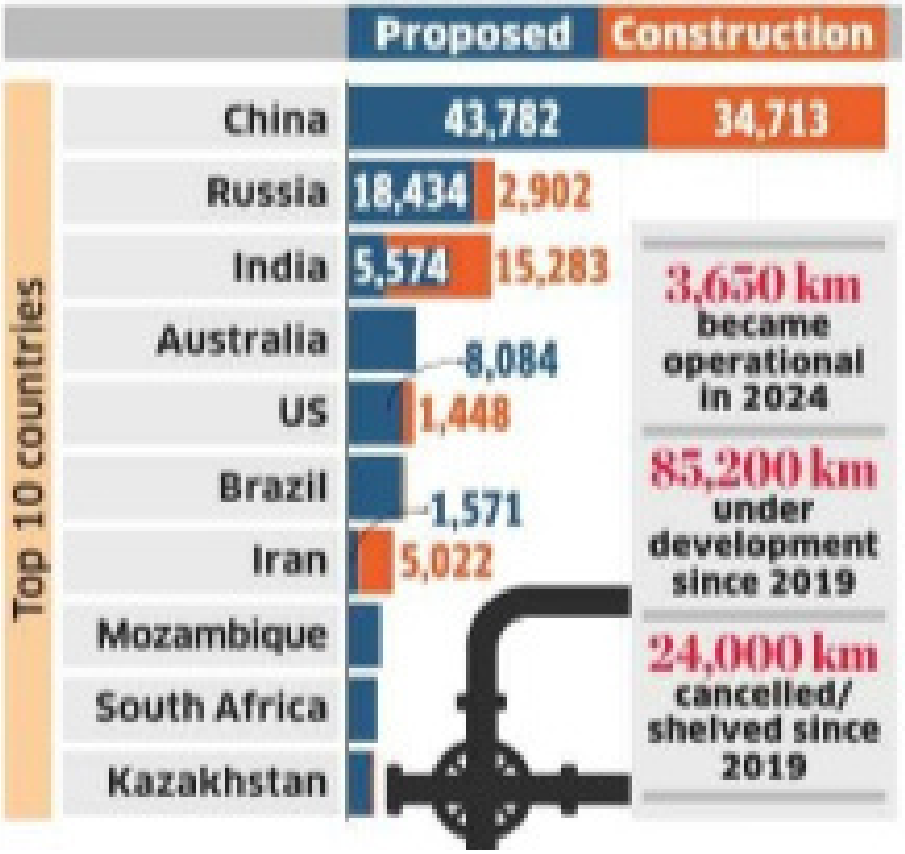
Let Him Be

To see Dylan as a

Building Gas Pipelines

Gas transmission pipelines carry methane gas across continents. Today, over 1 million km of these pipelines snake across the planet, facilitating the export and import of gas globally. Asia leads the planned global buildout. The four original BRICS countries (Brazil, Russia, India, and China), as well as the US and Australia, are at the top of the list...

Aggregate kilometers of proposed & under-construction gas transmission pipelines





Raining Bills, Rising H-1B Barriers



Lubna Kably

A flurry of anti-H-1B legislative proposals has emerged in Washington, targeting not just temporary work visas but the broader pipeline that attracts international students and skilled professionals to the US. The latest proposal introduced last month is the End H-1B Visa Abuse Act 2026. The bill seeks a 3-yr pause on new H-1B visas, reduction of annual cap from 65,000 to 25,000, a minimum salary threshold of $2 lakh, elimination of optional practical training (OPT), the post-study work programme for international students, and restrictions on H-1B holders transitioning to green cards.

The legislation also proposes barring staffing firms from using H-1B visas, and requires sponsoring employers to certify that they cannot find a qualified American, and have not conducted layoffs. It also disallows H-1B holders from bringing dependents to the US.

Some measures suggested in the bill, like prohibiting federal agencies from sponsoring or employing non-immigrant workers, are being witnessed in some states. Florida's public university system has halted new H-1B visa hires till January 2027. Texas governor Greg Abbott ordered a similar hiring freeze for state agencies and public universities that will remain in place till May 2027.

In February, EXILE (Ending Exploitative Imported Labor Exemptions) Act was introduced that seeks to eliminate H-1B altogether starting FY2027. The bill frames the visa programme as harmful to Americans. Around the same time, End H-1B Now Act was introduced, which also aimed at abolishing H-1B.

PAUSE (Pausing All Admissions Until Security Ensured) Act, introduced in late 2025, seeks to freeze legal immigration admissions until certain restrictive provisions are introduced in law, like ending adjustment of status for H-1B visa-holders (transition to a green card) and scrapping OPT. It also seeks to deny various benefits to non-citizens.

Among these bills, H-1B and L-1 Visa Reform Act introduced in September 2025 stands apart. This legislation has bipartisan backing and carries greater policy significance. It prioritises visa issuances to STEM workers, mandates higher salaries for foreign hires, and requires employers to certify that H-1B hires have not displaced American workers.

US immigration legislation is notoriously difficult to pass, particularly in the senate where bipartisan support is usually essential. Bills that seek to abolish entire visa categories, or freeze skilled immigration, face resistance from large sections of the US business community, universities, hospitals and tech companies.



Attempts to stamp out the stamp

But dismissing these proposals as mere political theatre would be a mistake. The Trump regime has already begun reshaping the H-1B landscape through executive action and regulatory changes. H-1B cap lottery for the fiscal beginning this October saw a major shift with a weighted selection process that favours higher-paid applicants.

The next likely frontier is wage escalation across all levels of H-1B hiring. This is arguably the clearest signal that the future of H-1B policy will increasingly revolve around salary levels.

Immigration policy driven primarily by political messaging often creates distortions. The US does have legitimate concerns that include misuse, wage suppression and over-dependence on temp foreign labour. But blunt restrictions are rarely effective policy.

Just weeks after tightening visa restrictions and freezing processing for individuals from travel-ban countries, the Trump regime quietly reversed course for physicians after hospitals, medical groups and residency programmes warned of severe disruptions to patient care. Doctors from affected countries were again allowed to continue visa, work permit and green card processing because the US healthcare system simply could not afford to lose them.

The same logic applies more broadly to science, engineering, medicine and emerging technologies. What America needs is rational reform. Australia, for instance, regularly updates a relatively focused skilled occupation list based on actual labour shortages. Instead of allowing H-1B to become overly concentrated in a few sectors, the US could also move towards such a transparent and dynamic shortage-based system.

Canada's points-based permanent residency model also offers useful ideas. Rather than trapping skilled workers in decade-long green card backlogs dependent on employer sponsorship, the US could adopt a more merit-driven pathway that rewards education, skills, work experience and labour market demand.

US universities actively recruit foreign students, who contribute billions of dollars in tuition and research output. Yet, after graduation, many face enormous uncertainty. The masters cap within H-1B is one mechanism that partly recognises the value of US education. But reserving just 20,000 slots in the annual H-1B lottery does not do full justice. Expanding priority pathways for green cards for graduates of accredited US universities would make far more economic sense than forcing such talent out.

lubna.kably@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

DELHI TECHNOLOGICAL UNIVERSITY — DELTECH UNIVERSITY

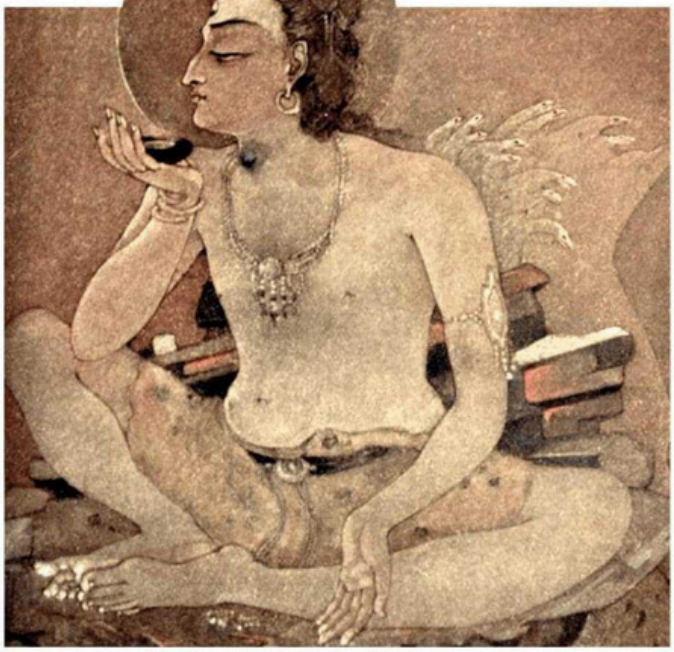
To ride out this oil crisis, focus should be on well-targeted support, not broad price suppression

Observe and Shock Absorb





Shekhar Aiyar & Sanjeev Gupta



Economic detox: 'Neelkanth' (c. 1936), Nandalal Bose

On Sunday, Narendra Modi urged the country to reduce fuel usage by opting for more public transport and WFH, lower fertiliser use, and avoid non-essential gold purchases and forex spend. For India, which imports nearly 90% of its oil needs, and whose strategic petroleum reserves are slender relative to other major economies, it's a stress test of the first order.

GoI's chief response has been to deploy fiscal resources to shield consumers from worst of the price surge. The playbook is familiar: excise duty cuts, compression of oil marketing company margins, and subsidies embedded in the pricing framework. Domestic petrol and diesel prices have remained broadly unchanged since January. In April, retail petrol prices, which had been higher than in the US at the start of the year, slipped below, a striking illustration of how far domestic prices have drifted from underlying costs.

India's response is underpinned by sound economic logic. When retail prices of petrol, diesel, LPG and kerosene spike, consequences can ripple swiftly through the economy. The poor tend to be hardest hit, since energy comprises a larger share of their household budgets. So, absorbing some of the shock is justifiable. But how much, and for how long, are crucial questions.

This is where fiscal arithmetic deserves close attention. Assume that a 50% increase in crude oil prices translates into a 25% increase in the supply cost of petrol and diesel, given limited short-term adjustment in refining and distribution margins. Applying this to projected 2026 consumption yields a fiscal cost of about 0.6% of GDP on an annual basis.

That expenditure is broadly comparable to the entire central budget allocation for agriculture, and exceeds government spending on public health. The calculation is also probably an underestimate, since it doesn't adjust for rupee's depreciation against dollar. At a time when fiscal consolidation remains a priority and public debt is declining only gradually, this is a substantial call on scarce budgetary resources.

There is also a targeting problem that complicates the equity argument for price suppression. Not all fuels have the same income-consumption profile. In fact, more than 80% of Indian households don't purchase petrol or diesel directly. Primary beneficiaries of cheap petrol are private vehicle-owners, a constituency concentrated in the upper income deciles. Protecting the vulnerable is right. But blanket price suppression is a blunt instrument for achieving it.

Applying the same back-of-the-envelope calculations to a cross-country sample suggests that India is somewhere in middle of the pack of Asian oil importers. Its fiscal exposure from maintaining unchanged prices is lower than in Indonesia, Malaysia and Thailand. But it's higher than in advanced Asian less-fuel-intensive economies like Japan and South Korea. Meanwhile Sri Lanka, the Philippines and Vietnam have already adjusted domestic prices in response to rising costs, suggesting that price adjustment, managed carefully, is achievable even in economies with a significant share of low-income households.

Perhaps an even deeper concern is structural. India's strategic petroleum reserves — a buffer against exactly the kind of supply shock now unfolding — are a fraction of those maintained by other major economies. They amount to less than 2% of China's reserves, about 5% of the US', and 27% of South Korea's. With domestic crude production having fallen by around 26% over the past decade, and import dependence now approaching 89% of total oil needs, combination of thin reserves and high dependence leaves India acutely exposed to geopolitical flashpoints. Addressing this vulnerability is a long-term project that needs to begin in earnest.

None of this is to advocate for an immediate fiscal-tightening, or sharp increase in retail prices. That would be economically disruptive and socially regressive. Instead, a gradual, well-signalled restoration of price pass-through, accompanied by targeted support for households that genuinely need protection, is needed.

Apart from restoring fiscal prudence, this would also help maintain a level playing field between state-owned oil marketing companies and private retailers, without which the sector is unlikely to attract the kind of investor interest it needs to thrive in the long run.

GoI should also address structural issues the crisis has thrown into sharp relief. Strategic petroleum reserves need to be built up to levels commensurate with India's import dependence. RE transition should be accelerated. The petroleum intensity of the economy has barely shifted over the past 5 yrs. And the tax framework needs to be put on a sounder footing. Contribution of petroleum taxes to central government revenues has declined sharply over the last 5 yrs, partly due to the failure to adjust excise duties for inflation.

India has navigated oil shocks before, and will navigate this one. The short-term instinct to cushion the blow for ordinary citizens is understandable. The challenge now is to ensure that this instinct is translated into well-targeted support, rather than broad price suppression, especially if crude oil prices remain elevated for an extended period. Structural reforms needed to reduce India's exposure to future shocks should begin now, not be deferred to the next crisis.

Aiyar is director, and Gupta is senior visiting professor, ICRIER

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

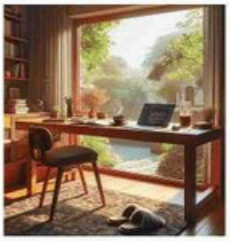


No One Likes, or Gains From, Commutes

Build muscle memory about work from home

Narendra Modi's call for restraint on energy use, including working from home, places companies that have struggled with getting employees back into offices in a tricky situation. Employees working offsite during Covid rearranged their lives around the disruption and company bosses tended to accept the new normal, where possible. Yet, there are serious corporate reservations about WFH over productivity and collaboration that can erode competitiveness. Having to consider a second spell of self-enforced remote work will, in some cases, undo years of management effort to rebuild stronger teams. But attitudes towards return to office are not uniform. A broad spectrum of businesses is comfortable with a hybrid work model that optimises for productivity and talent retention. This segment will find the energy-saving argument difficult to resist.

Governments urging WFH as an option makes it compelling beyond what management gurus will eventually have to say about it. It is early days for a definitive view to emerge in management literature about effects of remote work. Particularly since these changes are occurring against the backdrop of much bigger work disruptions due to AI. Some of those will spill over to the location of work, and building muscle memory about WFH could be useful. Managers will have to find other means to improve efficiency, creativity and mentorship in a work environment that fundamentally changed in 2020. By 2030, the landscape may become unrecognisable.



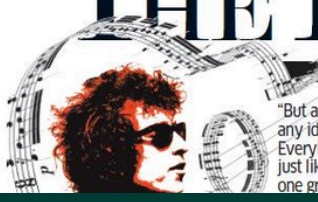
Just as companies, employees need to make deeper adjustments to WFH. For many, remote work can hinder professional development a collaborative environment offers. The trade-offs diverge widely according to the nature of work, and a successful WFH programme requires strong supportive communication from managers. Remote work can promote business resilience by balancing employee welfare with productivity. If it catches on in economies vulnerable to energy shocks, a new form of competitiveness could emerge. After all, nobody gains from longer commutes.

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

Of Two Meetings in Beijing and Delhi

Trade, AI and Taiwan — with Iran and oil as a 'main side dish' — will dominate the Xi-Trump powwow in Beijing on May 14-15. Expectations are understandably modest. For Trump, it will be his first trip to China since 2017. His gut-directed foreign policy needs a quick win, especially as Washington and Tehran play a dangerous game of chicken with the global economy held hostage. Xi, by contrast, remains calm, methodical, calculating.

China has pushed back against parts of Trump's tariff agenda, while Washington remains focused on narrowing the trade imbalance. For Xi, offering Trump a few quick wins — Boeing aircraft purchases, soybean orders, and movement on a proposed US-China Board of Trade and Board of Investment — could buy China greater flexibility on Taiwan. The US has reportedly delayed a major arms package to Taiwan, but Beijing wants more. India and the broader Indo-Pacific should watch how Washington navigates these pressures. The US wants guard rails on AI. Beijing has little interest, unless access to advanced US tech is part of the bargain. On Iran, neither is likely to budge from their positions.



As it happens, BRICS foreign ministers will be meeting in New Delhi on the very same days. For Beijing, the US remains the only true peer competitor. But the BRICS ministerial still carries demonstration value: a support network of 'anti'-US states that India has traditionally ensured doesn't evolve into an anti-US platform. However, Trump's oscillating approach toward allies and adversaries — combined with his close ties to Pakistan — could complicate that balancing act. India must secure its own voice and interests as a middle power while crafting a message that prevents BRICS from becoming merely a platform for Beijing's ambitions.


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
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

Pvt Investors Need Consumer Demand

Cushion emerging class to imported inflation

GoI's refrain on lacklustre private investment has been persistent. Before V Anantha Nageswaran's observation on Tuesday that preventing further rupee depreciation is a 'central macroeconomic imperative' of FY27 and that the West Asia crisis was a BoP 'stress test', the chief economic adviser had stated that companies are sitting on large cash stockpiles instead of adding to capacity. The problem has been identified. Now to come up with new solutions. Consumer demand is not strong enough for companies with healthy profits, low debt and prospect of cheap credit to think about moving their investments out of financial markets into new factories and machines.

Post-pandemic, exports have had to negotiate several rounds of energy shocks and tariff disruptions, while cheaper Chinese imports push down profitability in several export sectors. GoI's fiscal rebalancing and RBI's monetary tightening have contributed to demand management issues. Handover from government capex to private investment is incomplete in such an uncertain demand environment. Lower corporate taxes have been used to improve bottom lines rather than raise leverage. Delays over land acquisition are an entry barrier for industrial capacity addition. Intergenerational wealth transfer within India's business families has dulled their investment appetite. Foreign investment lacks a strong central focus, such as AI infrastructure, which is drawing disproportionate global investor interest.



Correctives have been introduced to shore up consumption demand through I-T cuts and GST rate rationalisation. These have to work their way through the economy before showing up in private investment. Similarly, fiscal incentives announced for data centres will take some time to reflect in new investment interest. The big challenge remains in accelerating real wage growth to match India's class-leading economic performance. Cushioning the economy to external supply shocks is critical because of the vulnerability of India's emerging consumer class to imported inflation.

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

Pull India Up By Its Bootstraps



Rajiv Memani

On Sunday, Narendra Modi urged citizens to use critical resources like fuel judiciously, restrict overseas travel, and limit gold purchases. This appeal from the PM reflects the reality of many economies navigating the ripple effects of geopolitical volatility and external shocks while trying to cushion the impact.

The protracted conflict in West Asia has significantly disrupted energy markets and supply chains, even as rising energy prices are adding pressure to India's import bill. Past cushions for India, like services exports, may come under pressure in the near-medium term. Growth in services exports could potentially be impacted with AI's rising adoption. The West Asia crisis also poses a short-term risk to remittance inflows, which stand at about $140 bn.

On the other hand, implementation of FTAs, combined with a depreciated rupee, will support export growth. But continued growth will lead to higher demand for merchandise goods. In this backdrop, to strengthen India's BoP and make its supply chains more resilient, focus should now be on accelerating energy transition, increasing FDI and reducing merchandise imports.

During the 11-mth period ended February 2026, India's gross FDI inflows have grown a healthy 12% to reach $88 bn. If current trends persist, India will get about $300 bn of FDI over the next 3 yrs. It should, however, target $500 bn, at around 4% of GDP, similar to what China received during its peak cycle.

This target is achievable, recently concluded FTAs and supply-chain realignments being driven by geopolitical developments. New sectors like electronics, defence and aerospace are also opening up, which require both capital and technology.

India's current strategy of attracting FDI relies heavily on policy liberalisation and limited facilitation. This can be supplemented with a proactive investment promotion strategy. A high-powered Investment Facilitation Task Force, anchored in Invest India or at the Cabinet level, should be established with representation from key ministries, states and industry.

The task force can identify and engage with top global investors. It can act as a single-point interface to speed-up regulatory approvals, provide customised solutions guided by policy frameworks and assist with post-investment support.

Also, a centralised, inter-ministerial body on the lines of the erstwhile Foreign Investment Promotion Board (FIPB) can be set up to evaluate, approve or reject complex and large FDI proposals in a timely manner, and resolve any inter-ministerial differences. It can also centrally monitor and track proposals.

For investors, targeted nudges, such as exemption of long-term capital gains on investments made till March 2027 or a later date (through subscription of shares), can be offered in strategic sectors. Such a move won't have an immediate impact on the exchequer, and can trigger short-term FDI inflows.

To control non-oil, non-gold merchandise trade deficit, GoI should pursue a targeted, product-specific strategy to enhance Aatmanirbharta. A handful of product categories dominate the import bill. Imports of electronics and machinery products (advanced display panels, resistors, capacitors, lithium-ion battery cells, etc) grew 17% and 15%, respectively, to reach $116 bn and $62 bn in FY26.

Future investments in electrification, including energy transition, digitisation and data centres, will further increase demand for electronics and machinery products. In many such products, supply is highly concentrated to a few countries, exposing the Indian economy to geopolitical risks. Barriers like access to technology, scale, supply chain issues and well-entrenched global players make it challenging for businesses to create their own capacity.



Need to stretch

India should develop a granular, product-level investment roadmap, identifying 60-80 priority products at the HS-code level. For each product, India should map global manufacturers and translate that pipeline into targeted, actionable investment proposals. If required, PLIs or other incentives can be closely aligned with this strategy.

India has successfully illustrated the power of integrating into global value chains in the mobile phone sector, where exports have grown from $159 mn in FY15 to $30 bn in 2025. This growth has been supported by increased investments in the supplier ecosystem.

Replicating this success, India should target 40-50 global brands that account for a disproportionate share of imports to large economies, and incentivise them to invest in, and source from, India. Vietnam, in particular, has benefited from such an approach with foreign invested entities accounting for 70-75% of its exports. Proactive outreach to such companies and brands through investment facilitation can convert FTAs into tangible export order books in a short period of time.

With institutional coordination, targeted strategies, and proactive engagement with global investors and companies, India can not only bridge near-term external sector vulnerabilities, but also bolster the foundation for long-term competitiveness, export leadership and macroeconomic strength.

The writer is chairman-CEO, 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 "literary" great is to

DELHI TECHNOLOGICAL UNIVERSITY — DELTECH UNIVERSITY

All eyes in Beijing from tomorrow as Xi, Trump navigate trade, tech and geopolitical whirlpools

Sitting or Peking Duck?

Too Big to Decouple



Kai Xue

Beijing: Donald Trump arrives tomorrow in Beijing for a 2-day summit after being delayed by a war against Iran he did not expect to still be fighting. Alongside the West Asian crisis is another one in trade and technology between China and the US. Two cycles of escalation and truce last year have given both sides a clearer sense of its contours.

The economic relationship between the two countries generates constant headlines, ranging from sanctions on Chinese refineries to the Meta AI deal reportedly unwound after Chinese regulators ordered its reversal over the past few weeks. However, the main pattern is better understood through two US-initiated exchanges in 2025, each met by Chinese countermeasures, which together outline the boundaries of a managed economic competition.

Liberation Day and counter-tariffs The first exchange came on April 2, when Trump unveiled sweeping 'Liberation Day' tariffs. China faced a 34% tariff across major categories, alongside additional duties including a 20% fentanyl-related tariff and residual 7.5-25% tariffs from the 2018-19 trade actions. India, by comparison, faced a 25% tariff, later supplemented by a further 25% duty tied to Russian oil imports, with carve-outs in sectors such as electronics.

Beijing responded within days with counter-tariffs and export controls on seven rare earth elements, tightening global supply of materials critical to automotive and defence manufacturing. The effects were immediate. Ford was forced to halt production at its Chicago assembly plant due to magnet shortages. The controls also created knock-on disruptions across global supply chains, extending beyond the US to other countries, including India.

Escalation briefly intensified when an irate Trump raised tariffs on Chinese imports to a minimum of 145%. Yet, rather than producing a rupture, the confrontation settled into a temporary truce reached in Geneva weeks later.

Export controls and extraterritorial reach A second exchange followed in September, when Washington introduced the Affiliates Rule, extending export controls to entities 50% or more owned by firms already under restriction. This was built on the dramatically expanded version of Foreign Direct Product Rule (FDPR) from December 2024, pushing US jurisdiction well beyond its borders by covering chips made anywhere in the world using US-origin software or equipment. The implication was striking: a Chinese chip fab could require a US licence to sell chips to a Chinese customer inside China.

Beijing's response on October 9 mirrored this logic. China imposed export controls not only on rare earths but also on technologies and processes used to produce them. These measures were structurally modelled on the logic of FDPR and the Affiliates Rule, extending regulatory control beyond China's borders to products made using Chinese-origin technology.

The aim was to regulate not just raw rare earth exports but also the transfer of processed materials, including rare earth magnets and other downstream products, even when they are manufactured abroad through supply chains linked to Chinese inputs, equipment or IP.

As in the earlier cycle, escalation did not lead to rupture but to another pause. The US agreed to suspend Affiliates Rule for a year, while China held back implementation of its October 9 export controls, in an understanding reached on the sidelines of the Xi-Trump meeting in South Korea at the end of October, another truce reached within weeks.

Following the two episodes, both sides have a shared objective: reducing dependence on the other, while keeping the economic relationship stable.



Give me something, anything

For the US and its partners, this has meant a race to loosen reliance on China's dominance in rare earth processing. For China, it has meant narrowing remaining external dependency in advanced technologies, particularly semiconductor manufacturing equipment, high-end AI chips and aircraft engines.

What remains are a few, but significant constraints. China's commercial aircraft programme remains dependent on foreign engine suppliers, while the semiconductor sector continues to rely on advanced lithography equipment produced by ASML, considered to be the most advanced machine in the world, whose Dutch export licensing is closely aligned with US policy.

If, by 2040, China closes remaining technology gaps while the US and its partners scale alternative supply chains, the outcome may resemble a draw.

Sustained economic competition could drive parallel self-sufficiency on both sides. Within limits, external pressure may accelerate China's domestic innovation if strong enough to force adaptation, but not so overwhelming as to be debilitating. Under such conditions, pressure may bring out the best in Chinese ingenuity, allowing ingenuity to harden into capability and capability into technological parity.

The writer is a Beijing-based corporate lawyer

Saving Face vs Getting Rich



Saibal Dasgupta

More than ever before, Donald Trump needs a grand slam during his May 14-15 trip to China to compensate for damage to his reputation caused by the war he started with Israel against Iran, and to prepare for midterm elections in November. But is Beijing in the mood to load him with trophies that he can wave before his constituents?

The meeting is being seen by many quarters as a negotiation over delicate economic issues like supply of Chinese rare earths, China's quest for hi-tech goods like Nvidia chips, access to the US market for EV brands like BYD, and Boeing's efforts to sell up to 500 jets to Beijing.

The US has reportedly suggested the creation of a 'board of trade' to manage commerce in non-sensitive goods. It remains unclear whether China — which has increasingly routed goods through intermediary countries like Vietnam, Malaysia and Mexico to reduce tariff exposure — will agree.

Each of these issues is important. But politicians view international parleys as opportunities to bolster their personal influence and advance their long-term objectives. This is why Xi Jinping and Trump need to accommodate each other's political agendas before reaching a broader agreement. Trump, for instance, would be politically rewarded if he can persuade China to expand purchases of soybeans and other agricultural goods from US farmers. Xi would be careful not to provoke Trump, since the US remains China's biggest export market, buying about $308 bn worth of goods.

The Xi-Trump meet has strong implications for India. If they reach a significant understanding — which is unlikely — it would reduce India's bargaining power. If it fails, Trump may be tempted to consider India's role as a China counterweight more seriously.

Some remarkable developments have taken place since the two met in Oct 2025 and talked on Feb 4. The US has not been able to subdue Iran, protect its allies in West Asia, or persuade its European allies to join efforts to break Iran's chokehold on the Strait of Hormuz. These have raised questions about Trump's policy of bargaining from a position of strength.

The US has realised that Pakistan's mediation role is limited, and wants China to persuade Iranian leaders to enter a deal. Chinese satellites and GPS systems have enabled Iranian missiles and drones to damage US military bases and infrastructure of allies like the UAE and Saudi Arabia.

Expecting Beijing to withdraw support from Iran would be unrealistic. China is a beneficiary of Iran's war efforts, which have exposed limitations in the US military and provided more strategic information to Beijing than its spy agencies could have gathered in years. Iran, along with Russia, accepts payment for oil in renminbi, crucial to Beijing's efforts to promote the idea of petroyuan.

Renminbi climbed to its strongest level in 3 yrs on May 7, rising past the ¥6.80-a-dollar mark. It could strengthen further, reaching ¥6.50 a dollar by early next year, as China intensifies renminbi-based transactions. Trump had earlier threatened to impose 200% tariffs on countries seeking to abandon the dollar in international trade. He can scarcely repeat that threat while seeking Beijing's help to resolve the Gulf crisis.

China has suffered losses from US actions such as interception of ships, including oil tankers, in Hormuz, and Washington's attempts to expand its influence in Venezuela, to which Beijing has extended nearly $100 bn in loans. Beijing is likely to mediate with Iran only if restrictions on Iranian oil flows are eased.

Despite his formidable grip over the Communist Party of China (CPC), Xi is under pressure to demonstrate his ability to extract concessions on Taiwan. He will seek assurances from Washington to curtail the supply of sophisticated weapons to Taipei. During his call with Trump in February, Xi emphasised that the Taiwan question is the most important issue in China-US relations.

Much of the friction in the relationship could ease if Trump publicly agrees to limit future arms sales to Taiwan. But he may avoid doing so because it would reinforce the impression that the US under Trump is reluctant to stand by its allies. Besides, the world's biggest semiconductor firm TSMC has invested heavily in Arizona.

Whatever the outcome of the meeting, there's unlikely to be any respite in the arms race and technological competition between the world's two largest economies. China is seeking to exploit growing European unease toward the US to deepen ties and gain access to advanced technologies. At the same time, Beijing is likely to ensure that Trump returns to Washington with some 'achievements' — provided he's willing to make concessions such as easing restrictions on Chinese tech companies.

The writer was ToI's Beijing correspondent

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

Make the Best of Bad Choices



Dhiraj Nayyar

Narendra Modi hasn't been the luckiest of PMs on the economy. In his first term, he inherited an economy in a paralytic mess. In his second term, a once-in-a-century pandemic struck. That was followed by the Russia-Ukraine war. In his third term, the economy has been hit by Trump — first tariff wars, then war with Iran. Each time, Modi has come out relatively unscathed. How best can he do this time?

For now, the PM is using the Covid playbook to appeal for behavioural change. He is asking people to consume less heavily imported commodities like oil and gold (import duties were raised this week), while postponing foreign travel. During Covid, there was every chance people would follow the suggestions because their lives were at stake.

But humans rarely respond to calls for voluntary action, particularly if it entails reducing living standards. They respond to diktats. The only way people will cut down on consuming oil products is if prices rise sufficiently. Similarly, they will not go on foreign vacations if they become too expensive. GoI should allow the prices of oil products to rise.

In a similar vein, it should allow the rupee to depreciate: the exchange rate is also a price. A declining rupee also acts as a stabiliser by making imports more expensive, leading to a cut in consumption while making exports more competitive, thereby shoring up forex requirements.

Why has Modi chosen to appeal for voluntary action, instead? Because he knows there will be economic and political consequences of allowing oil product prices to rise and the exchange rate to fall. The most obvious fallout is high inflation because oil prices feed into most supply chains. Inflation disproportionately hits the most vulnerable. Historically, voters tend to punish governments for high inflation more often than for sluggish growth.



Let the price flow

On rupee, GoI is cornered, partly out of its own making. By making the value of the rupee against the dollar a matter of political and national prestige in the past, it is difficult to shrug off now as an economic compulsion. But there's an economic reason as well. India's biggest imports are oil and gold, and both tend to have a somewhat inelastic demand — people continue to buy them even when prices go up.

In the case of oil products, it's necessary. People need to cook and use transport. In the case of gold, it's a choice. But in a time of great economic uncertainty, people buy more gold, not less. Even central banks are doing the same. So, in the short run, a sharp rupee depreciation will put even more pressure on current account and forex. Exports will not rise as quickly because there is a time lag in the placement of orders. And, in Trump's world, only the short run matters.

A better option may be for GoI and states to cut taxes on fuel. Say, a litre of petrol costs ₹94, only ₹47 is actual price. The other half of ₹47 accrues to GoI and states in taxes. A cut here can allow OMCs to get a higher price without changing retail price for consumers. This will blow a hole in the fiscal deficit and will likely require both GoI and states to cut expenditure. That may affect growth, but it will prevent inflation.

Other options specifically target shoring up the forex position. There has been a foreign investment outflow of over $20 bn in the last 2 mths (from financial markets), one of the largest such movements in such a short time frame in the last 3 decades. This is driven by global factors, but some tweaks in policy can reverse it, at least partially.

GoI can reconsider LTCG tax and STT. It can also issue a large dollar-denominated sovereign bond, perhaps for NRIs. RBI can also raise interest rates, which will come with a cost in growth.

Almost inevitably, GoI will have to do more than appeal. The least inflationary way forward may be the best.

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

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU
DEL TECH UNIVERSITY

Secure Slice of the Next 5G Pie



P D Vaghela

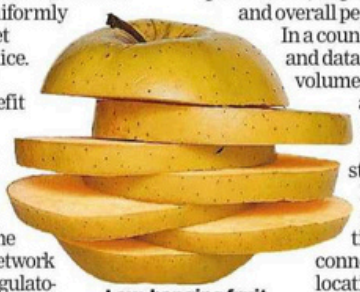
When India began its transition to 5th-gen mobile communications, the objective was to lay the foundation for a resilient, future-ready digital infrastructure capable of supporting India's next phase of economic and tech growth. Trai's recommendations on spectrum pricing, auction design and band harmonisation in 2022 ensured that India has one of the fastest 5G rollouts in the world.

Key enablers of advanced 5G deployments, including use of network slice from a telecom company's public land mobile network (PLMN), allowing deployment of a captive private network, were approved. India's data consumption-rich landscape demands a sophisticated and adaptive network infrastructure. This is precisely where 5G network slicing emerges not just as an innovation but a strategic imperative.

Network slicing is a feature of 5G networks that allows telecom operators to create logically partitioned networks providing customised solutions for different market and business scenarios. If the network is like a busy highway, network slicing allows different vehicles to be put into different lanes on this highway. This ensures predictable performance, priority where needed and uninterrupted flow, rather than all traffic competing for the same limited road space.

Network slicing, as evidenced by global deployments, simply enables logical partitioning of network resources to meet objectively defined technical requirements such as latency, reliability, security or availability. These performance attributes apply uniformly across all internet traffic within a slice. All websites and applications benefit equally, with no content-specific prioritisation or degradation.

Some may raise questions about the implications of network slicing. But the regulatory position is clear: the sole restriction is on discrimination based on content. Under 2016 Prohibition of Discriminatory Tariffs for Data Services Regulations, telecom service providers are barred from treating data traffic differently based on the application, website or platform. In practical terms, this means an operator cannot preferentially accelerate a streaming service over a social media platform based on content.



Low-hanging fruit

Another concern that may crop up around network slicing is its implications on network congestion. In practice, the opposite is true. Built on the inherently higher capacity and flexibility of 5G networks, slicing enables more efficient utilisation of network resources by dynamically allocating capacity where it is needed most. Rather than all traffic competing for the same pool of resources, slices allow traffic to be managed based on clearly defined technical parameters, improving predictability and overall performance.

In a country of India's size and data consumption volumes, network slicing allows telecom service providers (TSPs) to ensure stable speeds and low latency even during peak usage, resulting in reliable connectivity in crowded locations for a category of consumers. At present, only network slicing can facilitate use cases that require high-speed, low-latency internet connection without affecting the quality of various classes of customers.

For example, TSPs use network slicing to deliver 'fibre-like' experiences, allowing them to create premium, high-speed and guaranteed-performance broadband plans without affecting the quality of other classes of mobile users in the networks. As consumer expectations increasingly shift from mere access to assured quality, network slicing enables telecom networks to keep pace with evolving digital lifestyles.

Telcos like Singtel in Singapore, Verizon in the US, and EE from Britain's BT Group have already begun offering these services. Further, regulators in all these regions have expressed support for slicing to provide differentiated service experiences without affecting the quality of these different classes of services.

Slicing is also crucial to strengthen communication services for mission critical services, like first response, and law enforcement. These mission critical services depend on guaranteed availability, ultra-low latency and assured priority access, even when public networks are congested or partially disrupted. In the US, Verizon has a Frontline Network Slice, which provides guaranteed dedicated bandwidth to first responders displaying global use of slicing for mission critical services.

Advanced 5G capabilities such as network slicing are no longer experimental. They are being deployed to support public safety, enterprise security, industrial innovation and trusted digital services. India cannot afford to remain a passive observer of these developments.

The writer is former chairman, TRAI

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

Expect Peace in the Chips vs Magnet War

Economy bolsters China's bargaining hand

As Xi Jinping hosts Donald Trump today in Beijing, China — to use the Trumpian phrase — holds the cards, most of which are economic. China's economy has powered ahead during the US-Israel war against Iran. But global stress build-up could affect its prospects down the road. Going by latest trade data released last week, exports remained strong as Chinese factories fed the appetite for AI infra across the world. Overseas buyers are rushing to secure supplies. Yet, prolonged energy disruption will weigh on China's export demand. Its trade surplus has widened as it drained its strategic oil reserves to maintain economic momentum. This has helped to stabilise global oil prices. Once China resumes its oil imports, it will prop up oil prices for an extended period, contributing to weaker global demand. Beijing has not rolled out its entire range of fiscal measures to boost domestic consumption following last year's retaliatory US tariffs. The lingering property market weakness reduces China's ability to act as a growth driver if global economic activity falters.



The US economy has also weathered the West Asian conflict reasonably well, given the country's lower dependence on energy imports. But inflation will figure prominently in its negotiating stance because of US trade deficit. Trump must also work around the US Supreme Court strike-down of his emergency powers to impose tariffs. Xi can be expected to use China's stranglehold over rare earths to dial down US pressure over unfair business practices. US farm exports offer an easy fix to balance its trade with China, and progress is widely anticipated.

China's resilience to energy supply disruptions does not necessarily convert into a stronger bargaining position with the US. Lack of domestic consumption limits its ability to provide direction to the global economy that US imports do. It may be easier for the US economy to work on its trade deficit than for China to trim its surplus. Plus, the technology race is yet to be won. For now, expect peace in the 'chips vs magnets' war.


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
DELHI TECHNOLOGICAL UNIVERSITY
DELTECH UNIVERSITY



JUST IN JEST

So far, America has trotted up a decent bill for a war with no RoI

What $29 bn Could Have Bought the US

What does $29 bn buy you these days? In the US, it apparently buys a war against Iran — victory, never mind peace or even a decent press release, costing way extra. For the same price, one could acquire 29 bn McChickens (adding to America's obesity statistics). Or, fund every American's Netflix subscription until the end of time, ensuring the country fights only over who gets to skip the intro.

$29 bn could rebuild every pothole in America twice over — and maybe every *gaddha* in India at least once — with enough left to instal mood lighting on major thoroughfares. It could buy a controlling stake in Manchester United, even though it may not be the best buy. It could pay off the student loans of every humanities graduate and postgraduate, allowing them to finally afford artisanal macchiato while explaining why wars are absurd. Instead, the money has been spent on missiles, drones, and the privilege of discovering that Iran is a stubborn, sovereign state. Pentagon's and Lockheed Martin's accountants, no doubt, are thrilled: nothing balances a spreadsheet like a few billion vanishing into the blue. Sure, for $29 bn, the US could have purchased goodwill, infrastructure or — dare one say without coming across as a woke left-lib — universal healthcare. Instead, it has bought the US headlines, inflation, petro paranoia.... But priorities are priorities, right?

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

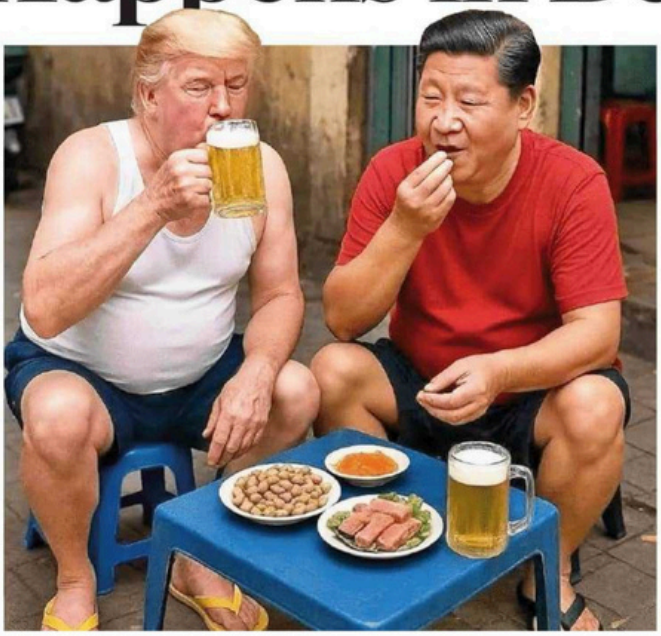
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

As Trump meets Xi over the next two days, what do the two summiteers want from each other?

What Happens in Beijing...



Seema Sirohi



...is hardly going to stay in Beijing

The US-China summit in Beijing that starts today may become a contest of Donald Trump's improvisational prowess and Xi Jinping's long-eyed view. The main idea is to keep their uneasy peace going. Because the alternative is worse, and both recognise the fact.

But within that space, the two leaders will test each other's limits. If Trump is 'the action officer for the China relationship' unencumbered by process or deep expertise, Xi will come prepared with a game plan worked out in detail by diplomats with extensive knowledge of the US. The Chinese don't leave anything to chance.

Trump's 2-day visit will take place as Chinese commentators once again debate whether the US is in decline, this time more confident than they were perhaps in 2008 when the global financial crisis gripped the western world and Beijing first felt economic power shifting in its favour. This time, the Chinese have a new data point — the US is increasingly compelled to act alone because Trump and his advisers seem averse to consulting allies and partners.

The summit's backdrop is the US-Israel war against Iran, a war Trump wanted wrapped up before flying to Beijing. It would have given him a two-for-two advantage against China, with both Venezuelan and Iranian oil out of Chinese reach. But he will fly with Hormuz under Iran's control and an uncertain ceasefire in place.



As a former US official said, the value of US deterrence in Asia goes down every day the strait is closed. And the Chinese know that US allies and partners in Asia can feel it. Beijing holds more cards and no elections, while Trump has few arrows and discontented voters.

The US does enter the summit with a relatively weak hand. The Iran war is proving to be a harder test, US war stocks are thinning and military assets had to be shifted from the Indo-Pacific to West Asia, an alarming development for many Asian countries. Additionally, Trump has underplayed one plank of US policy on China — competition — and seems to be overplaying the other — cooperation.

LETTER FROM WASHINGTON

Politically awkward as it might be for Trump to visit in the middle of a war and for Xi to host him as Iran, China's closest partner in West Asia, is under attack, both leaders recognise the need to be on talking terms. Soaring oil prices and a possible global recession is in neither party's interest.

Trump's eagerness for a China summit is not a secret, even if it means ignoring continuing military exchanges and project that the ceasefire is holding, with peace proposals going back and forth. Meanwhile, Iran's demands (control of Hormuz, unfreezing of assets before nuclear negotiations, no concession on missile programme) have grown sharper, and tested Trump's resolve not to renew attacks.

But what do the two summiteers want from each other? In short, the US wants what's being called the Four B's: sell more Boeing planes, beef and beans of the soy kind, and create a 'Board of Trade' to manage differences. China wants Three T's: continued tariff relief, unhindered technology, and no trouble on Taiwan.

If 2025 was about showy moves and brutal countermoves — at one point, US tariffs were as high as 145%, prompting China to choke critical minerals' supply — this year may be more like accommodation, but on Chinese terms. No word if the two will discuss how to 'improve' China's economic model of killing manufacturing bases across the world with subsidised exports and collecting a trade surplus of $1.2 tn.

It seems Trump and Xi are talking about a deal to allow China to invest $1 tn in the US to build factories. Conservatives and liberals are alarmed. They say the idea undermines Trump's own logic of rebuilding domestic industry and reviving the manufacturing base. Oren Cass, chief economist at American Compass, a conservative think tank, thinks it would be 'an unforced error of world-historic proportions'.

If 2025 was about showy moves and brutal countermoves – Trump tariffs and China's counter-tariffs – this year may be more like accommodation, but on Chinese terms

Trump seems to have overlooked the memo about Chinese ops inside the US over the past three decades — from stealing software source code to genetically modified corn seeds — Chinese operatives have been caught too many times to count. On Tuesday, former mayor of Arcadia, California, Eileen Wang pleaded guilty of having 'secretly served the interests of the Chinese government'.

But Xi has shown he can escalate, find new pain points and up his regulatory game against US companies. China's new aggressive posture includes cracking down on companies trying to shift supply chains, a strategic aim of the rest of the world to reduce dependence on China.

China's new aggressive posture includes cracking down on companies trying to shift supply chains



Finally, Xi and aides will push hard to soften the US position on Taiwan. Any shift/reframing by Trump in the 'one-China' policy will be closely watched in all capitals. Under the existing policy, the US takes no official position on Taiwan's sovereignty, but does not accept China's claim over the island. It also supplies arms to Taipei for self-defence without supporting the cause of Taiwan's independence.

The point is ambiguity. Last year, Trump approved the largest weapons sales to the island worth $11 bn. Another package worth $14 bn is in the pipeline. Xi would want some course correction.

Every Asian country, especially India, will be watching closely and listening carefully. Because what happens in Beijing won't stay in Beijing. It will affect all spheres of influence.

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

Higher Pump Price To Lower Fuel Use

Fuel price hikes are becoming inevitable to shield the economy from a widening trade deficit. Foreign investors have heavily sold Indian equities since the US war against Iran because of India's inordinate dependence on crude oil and natural gas imports. This has piled additional pressure on the rupee, which has fared particularly poorly among emerging market currencies. Policy focus has shifted to managing the trade deficit, and a key lever is higher fuel prices to dampen demand. Transmission of international prices to consumers is expected to be partial in keeping with previous responses to energy shocks. The burden will most likely be shared among consumers, refiners and GoI.



The economy is better placed this time around to absorb an energy shock. Growth was strong and inflation low as hostilities erupted in the Persian Gulf. Both metrics will be affected by a fuel price hike. But there is enough headroom to tackle limited disruption in global energy supply. RBI's monetary stance prior to the crisis in West Asia suggested an extended period of stable interest rates. GoI, on its part, raised income-tax exemptions and rationalised GST rates in the previous fiscal year to prop up domestic consumption. With growth and inflation moving into new trajectories post-conflict and the higher outgo on subsidies, the pace of fiscal correction may need to be recalibrated.

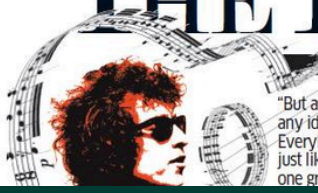
Supply-side responses include higher duties on precious metals and the prime minister urging Indians to cut down on foreign travel. He has also suggested companies consider WFH. But the main supply response will have to come in the form of enforced lower energy consumption. Higher pump price may

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

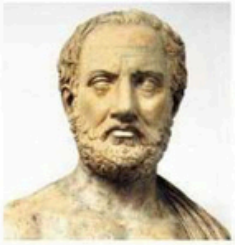
To see Dylan as a

Xi's Thucydides Trap For the US to Dodge

Reminder of a rival that has already arrived

Xi Jinping's invocation of the 'Thucydides Trap' at the Beijing summit on Thursday was a carefully staged assertion of primacy. The trap, popularised by political scientist Graham Allison, describes the near-inevitability of war when a rising power challenges an established one, as observed by 5th-c. historian Thucydides about the Peloponnesian War breaking out due to the rise of Athens and the fear this instilled in Sparta. Xi's rhetorical flourish — can China and America avoid it? — was not the anxious plea of a challenger but a confident reminder of a rival that has already arrived.

Trump spoke of tariffs, oil sales and transactional deals. Xi spoke of Taiwan as the fulcrum of peace and of 'a brighter future for humanity'. The US appeared reactive, its president haggling over trade balances and quipping, while China cast itself as calm steward of global stability. The balance of advantage is no longer theoretical. China has demonstrated resilience against US economic aggression, retaliating swiftly to tariffs and proving it can absorb shocks. It commands the supply chains of rare earths, giving Beijing leverage over Washington's tech advantage. Its energy diversification strategy, including interest in US oil, is a way to reduce vulnerability to West Asian turmoil while turning US exports into bargaining chips. Diplomatically, Xi's framing of Taiwan as the 'most important issue' underscored the asymmetry. Mishandling it, Xi warned, would push relations into 'dangerous territory'.



The classical dilemma assumed the ruling power held structural superiority. In 2026, that assumption looks quaint. So, Xi's invocation of Thucydides was a reminder that history's oldest pitfall can be avoided — but only if Washington accepts that the 'rising power' has already arrived, and the two superpowers work for each other's benefit. Trump may have been genuine when, at the official banquet, he thanked his hosts for a 'magnificent welcome like no other'. But maybe the welcome was 'like no other' very differently from what he believes it to be.

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



Improve risk-return profile of Indian assets quickly for external buffers to become self-replenishing

Never Mind ₹, Let's Talk $





Anubhuti Sahay & Nagaraj Kulkarni



The rupee needs that bounty money

With the rupee weakening beyond 95 per dollar, and West Asian tensions showing no signs of easing, the need to bolster dollar inflows and support the currency has become more pressing. Measures such as curbing gold import demand, allowing retail fuel prices to adjust to moderate oil import volumes, and reducing withholding tax on external commercial borrowings may be under consideration.

But market attention is increasingly focused on incentivising fresh dollar inflows from NRIs, akin to initiatives implemented in 2000 and 2013. Those schemes mobilised sufficient foreign currency to stabilise sentiment and reinforce the external position, which explains their renewed relevance today.

Of course, this strategy isn't free. So, what's the price tag this time? And is it worth it? In 2013, even with US interest rates near zero, the incentive required to attract foreign currency was meaningful: 3-yr non-resident deposits offered a 4% coupon on dollar balances when US money market funds were yielding about 0%. To ensure the product was both attractive to investors and viable for banks, policymakers provided funding support of 2.50% through a concession on the prevailing FX swap rate.

The starting point today is markedly different. Fed funds rate is around 3.5%, and US money market funds offer broadly similar yields. While factors such as lower hedging costs than in 2013 provide some mitigation, a meaningful pickup over US risk-free rates—and/or more substantial policy support — would likely be required to mobilise non-resident dollar funding at scale.

Against this backdrop and allowing for different combinations of deposit pricing and incentives, an estimated deposit rate of 6.0-6.25% — with funding support of 2.75-3.0% — could be sufficiently attractive to raise meaningful dollar inflows. Put differently, for every $10 bn raised, the 3-yr funding support to be provided by policymakers could be $700-850 mn, around 10-20% higher than in 2013.

More expensive? Yes. Still worthwhile? Absolutely. Such schemes should not be interpreted as cost in conventional sense if the prime objective is to maintain macroeconomic stability. India's capital inflows have been subdued for over 2 yrs, with limited near-term prospects of a sustained recovery amid elevated global rates and continued investor focus on the AI theme.

As a result, the external position is more exposed to higher crude prices than in the past episodes. India is also on track for a third consecutive year of BoP deficit over the next 12 mths, an unprecedented outcome. To be clear, this isn't a BoP crisis yet. With nearly 9-9.5 mths of import cover (almost 3× IMF's safety net), India isn't on the ropes.



An estimated deposit rate of 6.0-6.25% – with funding support of 2.75-3.0% – could be sufficiently attractive to raise meaningful dollar inflows

But with global shocks becoming more frequent and capital flows thinning, the external buffer is less comfortable. Given that external resilience has been central to India's macro stability and growth, incremental funding support by policymakers is unlikely to be a binding constraint.

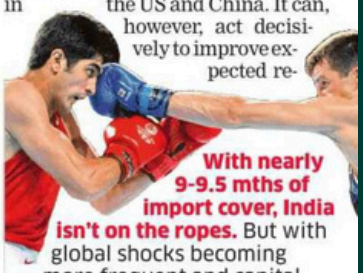
The more material question, therefore, is not the headline price tag but scale of inflows required to stabilise market conditions, as in 2000 and 2013. For context, the 2013 NRI deposit mobilisation raised $26 bn — about 10% of reserves at the time, and roughly equivalent to two-thirds of one month's goods imports.

Today, with reserves near $700 bn and average monthly imports around $65 bn, the required quantum is materially larger. Compounding this, net annual FDI has slowed to low single digits (vs around $20 bn a year in 2013), while oil prices remain a key source of uncertainty. In short, a much larger amount of dollar funding would likely be needed to materially strengthen defences.

Relying on a single instrument is unlikely to be sufficient. Alongside incentivising dollar inflows from NRIs, a cost-sharing framework should include other commercial entities, like oil marketing companies (to support working capital needs) and banks/NBFCs (with proceeds potentially channelled toward targeted segments such as MSMEs, industry and infrastructure).

Complementary measures would also be required, like some degree of monetary tightening, greater tolerance for a weaker rupee and import-demand management, potentially by allowing retail fuel prices to play a more active role in allocating demand. Coordinated deployment of this well-tested playbook would improve the probability of stabilising outcomes.

These measures can help India withstand an adverse external environment. But they are not a substitute for addressing the underlying issue: weakening capital flows. India can neither set global interest rates nor can it replicate the scale of AI-led investment currently concentrated in the US and China. It can, however, act decisively to improve expected returns on Indian assets.



With nearly 9-9.5 mths of import cover, India isn't on the ropes. But with global shocks becoming more frequent and capital flows thinning, the external buffer is less comfortable

Priorities include further diversification of energy sources to strengthen energy security, faster and more reliable execution of investment projects (for both domestic and foreign investors), and a simpler, more predictable policy and regulatory framework. Ultimately, the critical test is not merely calibrating the incentive structure, or choosing the 'right' quantum of dollar mobilisation. It's improving the risk-return profile of Indian assets quickly enough for external buffers to become self-replenishing.

Sahay is India economic research head, and Kulkarni is chief rates strategist, South Asia & Indonesia, Standard Chartered Bank

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

Why This Could Be a Good Crisis



M C Govardhana Rangan

The alarm button has been pressed. Import duty on gold and silver is the first step to counter the fire started by the US-Israel war on Iran. It's not often that the PM, principal secretary, economic adviser, energy minister and one of India's top bankers all warn about an impending crunch time in a span of hours. This means making precious metal imports more expensive is just the beginning.

Facing a crisis is a familiar script for many Indian policymakers, but this time round, the economy's standalone strength deceived many. What could go wrong for an economy that's acknowledged as the fastest growing by IMF and World Bank?

For years, India received capital flows that few emerging economies did. The inflation-targeting monetary policy appeared to have slain the inflationary demon that has been the root cause of previous crises.

The latest one proves that in a connected world, fault lines need not be within the economy but could emerge from anywhere. And it so happened with the blockade of the Strait of Hormuz. India's Achilles heel, the dependency on imported crude, is at play again. This rounds up the unholy trinity of capital outflows, and a collapse of free trade that powered economies like China, India and Bangladesh for three decades.

Currency, the visible barometer of an economy, is sliding at a rapid pace, down 6.1% this year — the worst performance in the region. If this trend is to be reversed, RBI, which has remained comfortable with inflation levels over the past few years, needs to prioritise financial stability over growth.



Go on, break the glass

It must increase interest rates even if unwillingly to change the behaviour of importers who rush to buy and exporters who delay selling, causing the lead-lag distortion. India's inflation rate may not necessitate a rate hike, but the interest rate differential between the US and India has narrowed from more than 5 percentage points to about 2.5, calling on MPC to look beyond prices when setting rates.

Unlike China and South Korea, which built reserves through exports, India relies on capital flows. A plan to bring in US dollars needs to be stitched up, reserves adjusted for the forward book, and gold revaluation may be just around $500 bn, and not the $690 bn headline number. The market knows it too well. Waiting to reach a situation where the need for a swap line with the Fed arises may not be the best strategy.

When India resorted to a special deposit scheme after the taper tantrum in 2013, global rates were near zero or low because ECB chief Mario Draghi promised to do 'whatever it takes' to keep EU intact. This time is different. A similar programme is going to inflict a cost on the sovereign, which must be borne.

These and other measures, such as raising retail fuel prices and reducing the fertiliser subsidy, may bring in relief. But these are bandages. What is required is surgery.

While precious metals and crude dominate the import bill, nothing much could be done about gold and silver as curbs could lead to smuggling. Furthermore, it is illogical to persuade citizens to stop buying gold when central banks not trusting their own currencies are accumulating the yellow metal.

Crude addiction cannot be substituted with solar or wind. India's report card on oil and gas exploration has been abysmal. Its inconsistent policies have ensured that private capital gives it a miss. In the past decade, of the awarded 172 exploration blocks, there were just 14 discoveries, and only one is producing, and that too marginally.

When one looks at the potential, it's just the tip of the iceberg. S&P Global Commodity Insights estimates that the country holds an estimated 22 bn barrels of undiscovered hydrocarbon resources. Yet, nearly 70% of these reserves remain unexplored. The numbers may be deceptive — many of them may be in locations, like deepwater or ultra-deepwater, which require billions of dollars and advanced technology that only the likes of BP, Shell or ExxonMobil possess.

They may demand business terms that ensure profitability. GoI must bin its conservatism and get bold enough to roll out the red carpet for MNCs. Some of them may become unviable if oil prices fall, but New Delhi must treat them as a national priority and persist with them even if they would be loss-making when prices fall below breakeven in the short term.

If policies are designed with the long-term prism, this may turn out to be a good crisis.

govardhana.rangan@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

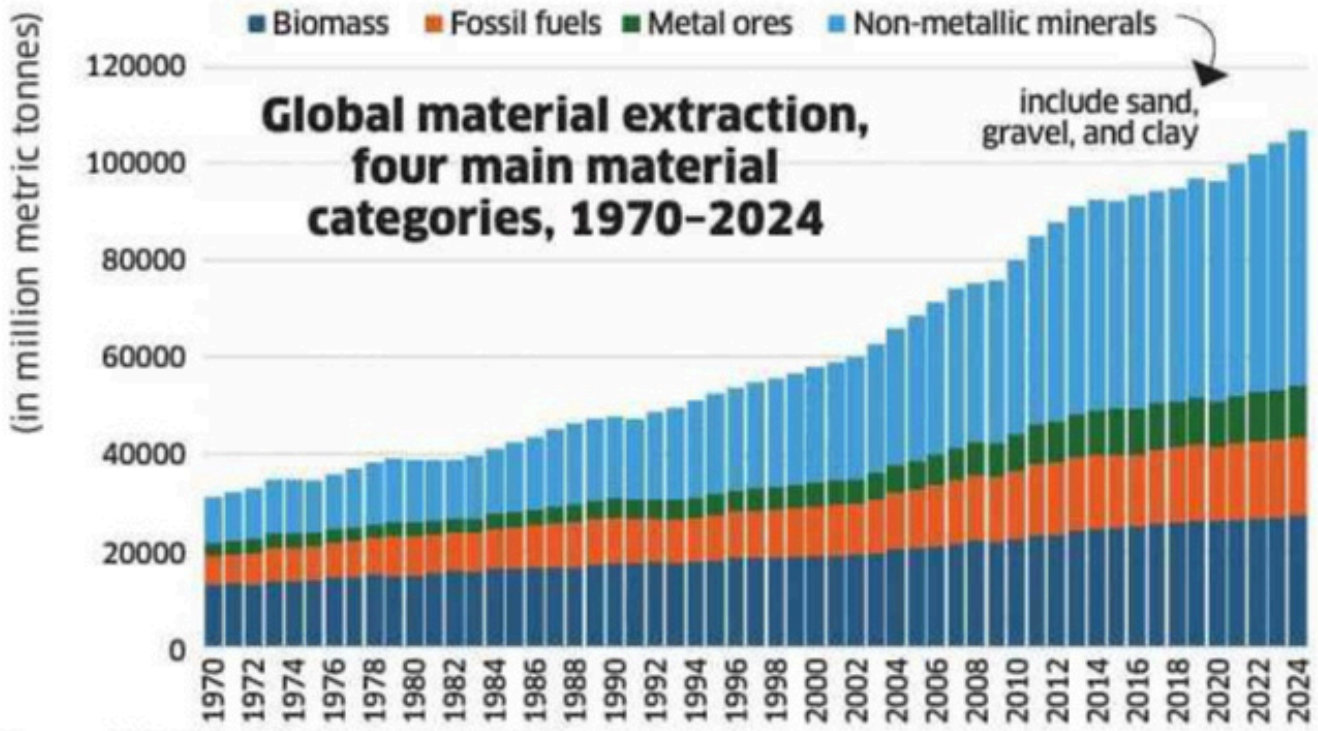
AROUND THE WORLD ▸▸ 17

Let Him Be

To see Dylan as a

Shifting of Sands

Surging global demand for sand is outpacing sustainable supply. It took nature hundreds of thousands of years to generate sand. But the world is using sand at a staggering rate of more than 50 billion tonnes per year. As the largest component of material use, the extraction of sand resources – or non-metallic minerals, which include sand, gravel, and clay for construction and industrial purposes – increased over fivefold between 1970 and 2024, from 9.6 billion tonnes to more than 53 billion tonnes...



Source: UNEP's Sand & Sustainability


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

Domestic-Coated Sugar Export Ban

Careful of weather-induced food inflation

The ban on sugar exports till September is meant to steady the closing stock at the end of this year's season. Production has been less than anticipated due to low yield and abnormal weather, and season-end stock projection appears precarious. Sugar output has recovered from last year's decline. But the recovery was overestimated. Closing sugar stock is meant to cover 3 mths' consumption, after making allowance for ethanol production. Exports are allowed to clear excess inventory, and the ban on fresh orders should help to manage closing stock. India's withdrawal from the global sugar market is unlikely to have an effect on prices because of oversupply. Sugar price declined internationally between 2024 and 2025 due to glut.

India has an administered pricing model for cane that limits its sugar exports. Exports are, as in the current situation, treated as an adjustment mechanism for domestic market conditions. The country also has a biofuel programme to reduce dependence on imported crude. As its ambition scales up, scope for sugar exports will be squeezed even further. The cane price mechanism faces criticism over its production-signalling ability. Adverse weather and pests are other variables contributing to the market dynamics for sugar. India's sugar production will remain oriented to domestic consumption, making its exports volatile. Countries like Brazil provide stability to the global sugar market by the size and consistency of their exports.



The ban indicates upcoming weather abnormalities that could affect a broader range of food prices. The sugar season ends in September, and reports suggest the monsoon may be uneven. GoI will have to pass on some of the international energy price hikes following the US-Israel war on Iran. It will be cautious about weather-induced episodic food inflation. India has, on occasion, banned rice and wheat exports to keep a lid on domestic prices. The country has a larger export footprint in those markets and restrictions have an impact on international food prices.

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

Regular, continuous effort must be made to identify concerns of investors pulling money out of India

Wake Up, Smell Their Coffee



Sugata Ghosh

The taxman is to New Delhi what Israel is to Washington. The dependence is so high, the subject is so dense, and the persuasive power is so overwhelming that it's positioned on an elevated perch. It occasionally climbs down to grudgingly agree with the master only if there is a hint of a crisis. Amid the pullout of money by foreign portfolio managers and the rupee biting new lows, there's media chatter of tax cuts on overseas investors' interest earnings from Indian bonds. Maybe, even the higher tax they pay on profits from unlisted bonds could be rationalised.

This should have been an obvious idea long before the dire words of the PM and a needless war waged by a cast of sinister characters. There's a BoP deficit for two years, and foreign investments in debts have been comparatively stickier than equity. Besides passive inflows following inclusion of GoI bonds in a few global indices, there's active money from FPIs that strive to beat the benchmarks. What also drew bond funds was fiscal conservativeness and tolerable inflation — traits that even GoI's bitter critics would accept.

So, a tax cut may keep alive their interest when hardening oil prices threaten a hitherto virtuous story. Unlike the more disciplined bond investors driven by stable macro numbers, equity asset managers, though more sassy, are an impatient lot. There must be new stories to keep them hooked.

Today, that story is missing. After the Covid years, when South Korea looked less attractive, and China and later Russia were uninvestable, foreign funds, both stocks and bonds, bought the narrative India cobbled together: a China-plus strategy, PLI, public infra push, digitisation, a functional GST framework, and productivity gains of companies during the pandemic. Money rushed in, and it suddenly seemed that 'we have arrived'.

That old complacency hasn't quite left us despite relentless outflows in recent months. Some harbour the view that global investment flows into the US, Taiwan and South Korea, which are tilting towards AI infrastructure, semiconductors and data centres, is only a short-term diversion of money from emerging markets like India.

Such views, buttressed by high real GDP growth and benign inflation, have taken roots among an eclectic mix. In a crucial ruling, a senior and respected Supreme Court judge said, 'The respect accorded and the importance shown to our nation is increasing by the day. We are becoming an important element in international power play, more importantly in trade and commerce.'

Few would disagree. But it may betray a certain smug denial when such words are part of what is the most unsettling recent verdict on taxation for foreign investors.



They need a fitting reply



That India is an inescapable port of call for foreign investors is a feeling that became pervasive. That it may not necessarily be always is a risk that the government and the governed haven't fully factored in

That India is an inescapable port of call for foreign investors is a feeling that became pervasive. That it may not necessarily be always is a risk that the government and the governed haven't fully factored in. This was probably why Modi's austerity call was a shock from the slumber for most.

By now, GoI may have sensed that banking on local industrial houses is a misplaced bet. First, the expected quid pro quo from lower corporate tax never led to higher capex. It was never meant to, as tax cuts may raise collection but don't necessarily translate into investments.

Second, more and more business families are diversifying assets — capital allocation as well as personal wealth — across countries and currencies. More so, with NextGen members settling abroad and often distancing themselves from family businesses.

For the sake of capex and rupee, GoI has little choice but to begin a tedious exercise, if needed in granular details, to figure out what's holding back FDI and as well as FPI exposure to listed Indian equities. There is no magic wand, and a lower capital gains tax may not necessarily be one. Instead, there should be regular, continuous effort to identify concerns of foreign investors.

What are these? Regulations, mindless paperwork, red tape or an ambiguous, unpredictable tax regime that's vulnerable to judicial interpretations? Having simplified some FPI onboarding rules, Sebi could consider abandoning the rule that requires foreign funds over-exposed to a group or stocks to disclose identities of all investors to the last natural persons.

Stemming from the Adani-Hindenburg fiasco, the rule is a hurdle for new funds and a bee in the bonnet for many existing ones. Now with Sebi having dismissed certain allegations in the case and not in a tearing hurry to pursue the pending matters, it's time to quietly scrap the byzantine regulation.

Acting like a parsimonious household, pruning foreign spends or scrutinising whether overseas direct investments are bona fide businesses may help, even if some find such measures as retrograde. However, they won't be game changers. Rather, shrugging off the distrust on foreign investment, keeping nosy tax officials at bay and getting to know what actually ails foreign investors would slowly, but indisputably, turn the needle. It could well be the story that bored foreign equity investors are looking for.

sugata.ghosh@timesofindia.com



Unlike the more disciplined bond investors driven by stable macro numbers, equity asset managers are an impatient lot. There must be new stories to keep them hooked

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

STATE OF PLAY China creates another strategic interval without engaging in actual conflict

CHINA IN A PITBULL SHOP



Pranab Dhal Samanta

Xi Jinping's warning last week to the US not to fall into the 'Thucydides Trap' has Sun Tzu written all over. "The supreme art of war is to subdue the enemy without fighting,' the 6th-c. BC military strategist had said, a dictum underpinning the latest notion of China-US 'constructive strategic stability'.

China always cloaks its intent in complex, often vague, diplomatic coinage. Such vagueness provides latitude to pursue policies without being bound by commitments.

In this case, such an understanding is primarily an acknowledgment that whatever US policy of sanctions and tech controls China has disregarded is, at best, 'manageable differences'. Or, as Xi put it, 'We must make it work and never mess it up.'

The problem for the US is that China has already messed it up for Washington. And Trump is now appearing increasingly uncertain of fighting the battle he once championed. Beijing has been fighting, but in line with Sun Tzu's broader frame, subduing its adversary without shedding blood.

China's last bloody conflict was the 1979 Sino-Vietnam war. The only other rupture was the 2020 Galwan clash with India, from which it quickly withdrew to avoid any further bloodshed. No other great power in the past two centuries — from Britain, France and Germany to the Soviet Union and the US — has risen this way.

In fact, China has sought to benefit from others who do its fighting. In the beginning, it was the Soviet Union as part of the communist bloc. Next came the US in two parts — first in the 1980s as leverage against the Soviets, and then in the 1990s as a shining example of flourishing capitalism in a communist country.

In the 2000s, a more prosperous China switched strategy to build a front through proxies — North Korea, Iran, Libya, Venezuela — that took on the US. Some others like Pakistan acted as conduits. China benefited through the entire post-9/11 period when the world fought the 'war on terror' while it still economically engaged with, and strengthened, these frontal states that had dubious records in supporting-sponsoring terror outfits.

This policy has delivered China three strategic intervals of growth — the 1980s, much of the 1990s, and from the early 2000s till 2014-15 — during which time it strengthened itself militarily and economically. Then came the break with Xi's ascendancy and his determination to establish China as an equal power to the US.

This raised the political cost for Beijing as it emphasised on projecting political power through geographic assertion and economic weaponisation in Asia and the Indo-Pacific. It was Trump who called out China in his first term, resulting in a coalition of powers against Beijing.

This was also when Xi first started articulating the need to avoid the 'Thucydides Trap'. While Chinese aggression and nationalism was at its peak, Beijing was in no frame to escalate conflict into war in any theatre. The biggest dilemma was, of course, with Taiwan, where any escalation could lead into direct confrontation with the US.

Trump 2.0 gave Beijing a tactical window to withdraw and reposition itself from being a destabilising challenger to a rightful competitor





And here comes his punchline



China creates strategic intervals without engaging in actual conflict. It also built leverage globally through rapid domestic transformation during these periods

Trump 2.0, however, released that pressure. It turned the spotlight on a new US that wanted to weaponise trade through tariffs and coercion. More importantly, Washington gave Beijing a tactical window to withdraw and reposition itself from being a destabilising challenger to a rightful competitor. Through this new paradigm of 'competitive strategic stability' with the US, Xi has given himself political space to close the last anti-China decade and start a new growth phase. In other words, Xi has laid the ground for a fourth strategic interval — an unexpected opportunity delivered by Trump 2.0.

For Trump, reality couldn't be starker. The US military has been up against Chinese military might — even support — in Iran. Over the past few weeks, the Trump regime sanctioned a host of Chinese intermediaries for helping Tehran with dual-use items to bolster its ballistic missile programme. The war itself has put him in a political spot at home ahead of the midterms. And, yet, Trump was *subdued* by Xi in Beijing last week as the latter pursued the former with a Busan G2 frame.

For India, the first big lesson is how China creates strategic intervals without engaging in actual conflict. To be fair, New Delhi has sought to create such windows, as is evident from the latest effort with Europe. But the bigger lesson is the leverage China managed to build globally through rapid domestic transformation during these strategic intervals.

What it tells us is that any such period is politically finite, and if not used with urgency, it can go down as wasted opportunity. After last week's Beijing summit, Xi's China is no longer perceived as principal villain of the piece — or of peace. So, Beijing will look for new beginnings as a repackaged 'benign' world power, while trying to fathom whether Iran's strategy of blockading the Hormuz Strait can work in Taiwan.

There was more said in the unspoken when Xi met Trump. It signals the start of another Chinese moment, to which an increasingly inconsistent US may want to turn around and respond suddenly. But Washington's potential partners, especially those with an inherent rivalry with China, will have to hedge, prepare and plan better, fully aware of the limits the US has built into its own strategic play.

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

Seek Out Green Among Red Lights





S Ramadorai & Abhishek Jain

With an import bill of nearly $1 tn — about a quarter of its GDP — India remains deeply dependent on external supply chains for its most fundamental needs. Aatmanirbharta will depend not just on reducing imports but also on fundamentally reshaping our growth model. Going green may be a powerful lever to do so.

Nearly 85% of India's crude oil requirement is met through imports. Natural gas imports, particularly LNG, have grown to almost 50%. Even in coal, where India has abundant reserves, imports remain substantial for high-grade coking coal required in steel production.

India also has a huge import dependence for metals and minerals. More than 90% of its copper concentrates are imported. All its lithium, cobalt and nickel are imported. Even modern materials, ranging from plastics to packaging to paints to polymers, largely depend on petrochemical intermediates as primary feedstock. Here, too, India is directly or indirectly reliant on imports by up to 90%.

While the country is food secure, underlying reliance on import-dependent fertilisers tells a different story. All of potash, a key fertiliser, is imported. Almost 80% of urea production is dependent on imported gas. Emerging industries like electric mobility, RE, semiconductors and advanced manufacturing also depend on mineral imports. These resources are geographically concentrated and often controlled by a small number of countries, with tightly integrated supply chains. This creates a different kind of strategic vulnerability.

India's ability to secure resources and reduce structural dependence is an imperative for long-term stability. It will require a comprehensive and coordinated approach.

▶ **Diversify supply sources** The country has demonstrated agility in sourcing resources from multiple regions. This approach should continue and expand for energy, critical metals and minerals, as well as feedstocks for modern materials.

▶ **International partnerships** Indian companies must build JVs where domestic resources, technology or knowhow are not readily available, instead of merely relying on imports. This can help build lasting domestic capabilities in new and emerging industries. Alongside partnerships, accelerating domestic exploration and production through policy reform remains essential.



Window of opportunity

▶ **Mainstream green economy** This can reduce import dependence while strengthening economic security. A November 2025 Council on Energy, Environment and Water (CEEW) study estimates that India's green economy could attract $4.1 tn in investments and create 48 mn jobs by 2047.

For energy security, scaling biofuels and renewable-powered mobility can displace crude oil imports, unlocking a $3.8 tn opportunity. For food and materials, bioeconomy can harness India's 700 mn tonnes of biomass, largest in the world, to reduce fertiliser imports, diversify rural incomes and build more resilient supply chains.

For minerals and materials, a circular economy must become a strategic pillar. Recycling batteries, developing urban mining capabilities, and recovering critical minerals and metals from waste can significantly improve self-reliance. According to CEEW estimates, circularity in merely 7 value chains could unlock a market opportunity worth $132 bn by 2047.

▶ **Innovation & tech** Research in areas such as alternative battery chemistries, green hydrogen, advanced materials, and sustainable chemicals and fertilisers can reduce reliance on scarce resources.

India must invest in over-the-horizon green technologies, support translational research and expand early-stage risk capital. The R&D and innovation funding architecture must not look at green technologies as merely a societal good.

Emerging green solutions often require scale to reach price parity with conventional solutions. Public procurement (as seen with LEDs and e-buses), procurement mandates (such as renewable purchase obligations and ethanol-blending targets), and voluntary corporate commitments (including initiatives like EV100 or RE100) can be efficient levers to build early demand for green products and services.

▶ **Entrepreneurship beyond start-ups** Indian SMEs can be a major driver for the green economy. So, green entrepreneurship must be supported through long-term working capital, green certifications and market access for B2B segments.

By pursuing this multi-pronged pathway, India can demonstrate that economic progress, environmental stewardship and strategic autonomy can reinforce one another, offering a compelling model for a world seeking more resilient and sustainable pathways to development.

Ramadorai is former CEO-MD, TCS, and Jain is fellow-director, CEEW

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

Our Shock Absorbers Aren't Working



Chandrika Soyantar

In their 2009 book, This Time Is Different: Eight Centuries of Financial Folly, Carmen M Reinhart and Kenneth S Rogoff tell us that every generation believes its crisis is unique — and is always wrong. Until now, maybe. But for the wrong reasons.

Post-liberalisation, India's external sector was self-correcting. Today, what's different is not that the country faces external pressure, but that the shock absorbers that made prior recoveries possible are no longer functioning. There are 7 shock absorbers that have weakened simultaneously, of which 5 are structural, which won't reverse with the next Fed pivot or political cycle.

❶ **Yen funding architecture** Yen has undergone a regime change from a monetary funding instrument to a fiscal currency. Japan's 29-yr-high 10-yr bond yield confirms this transition is live. No successor funding currency exists. Dollar plays the opposite role, euro lacks a unified fiscal backstop, and renminbi requires permission. As a result, global carry capital has fragmented, not migrated.

❷ **Automatic EM allocation** For two decades, EM growth and diversification narrative — fast-growing economies with young demographics and expanding middle-classes deserve a structural overweight in global portfolios — directed capital toward India. That narrative has been displaced by AI super cycle.

❸ **Passive globalisation** Decades-long expansion of benchmark-driven EM flows is reversing under tariffs, friend-shoring and supply chain nationalisation.

❹ **Stable trade architecture** This is fragmenting under strategic industrial policy across 20 competing economies simultaneously, with WTO materially weakened, and bilateralism the new organising principle of global trade.

❺ **Secure Gulf energy flows** Three decades of cheap energy provided cyclical relief that made India's oil dependence manageable. The Strait of Hormuz closure did not create India's vulnerability, but exposed structural dependence masked for 35 yrs.



We need better crash test dummies

India's handling of its post-liberalisation external sector can be summarised in *management* of CAD, rather than elimination of its structural cause. Financing a deficit and eliminating its cause are not the same thing. Three decades of confusing the two is the original sin of India's external sector management.

The two cyclical absorbers — low global rates and valuation reset mechanism — are recoverable in principle. But not on any near-term horizon.

In every stress episode — 1997, 2008, 2013, 2020 — 3-4 absorbers were working. Simultaneous weakening has removed sequential self-correction those episodes relied upon. The transmission mechanism that once made India legible to global capital is now broken. Beneath India's nominal yield spread, two erosions took hold:

▶ **Inflation differential** India's inflation has run 4-5 percentage points above US inflation, making real yield spread far thinner than nominal number implied.

▶ **Hedging cost** Managing rupee currency risk runs at 4-5% annually. A foreign debt investor hedging government bond yield and paying hedging costs is left with a dollar return well below risk-free US treasury, which requires no hedging at all. For equity investors, after taxes and annual rupee depreciation of around 4%, a foreign investor earns less than 3% a year in dollar terms. The equity risk premium has turned negative.

When reserves are built through inflows rather than earnings, their apparent strength deserves a closer look. India's forex reserves — once covering 11 mths of imports — have declined to about 9 mths of cover. Reserve composition matters as much as aggregate size. Gold functions as a store of value but doesn't provide immediate intervention liquidity of US treasuries during periods of market stress.

India's reserves are substantial, but they are materially supported by reversible capital inflows rather than export earnings. That distinction matters when the cycle turns.

The mechanism that democratised Indian savings has also insulated markets from the correction that might have forced structural urgency. SIPs now channel crores into equities each month. With few alternative avenues, domestic savings remain trapped within the financial system, flowing into equities regardless of valuation. This captive capital has sustained premium valuations, making India unattractive to FPIs.

The problem is that the external operating environment changed faster than the structural transformation required to reduce India's dependence on imported energy and foreign capital. The answer is not financial. It's export competitiveness, energy transition and infrastructure that make efficiency the path of least resistance.

The writer is founder-director Amarisa Capital Advisor

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

The Real Question OpenAI's Win Musks

Ethical AI development arguments remain

Elon Musk's case against OpenAI turning into a for-profit organisation fell apart on a technicality. But the central question—on how AI should be governed—remains unanswered. Sam Altman's argument is that its mission drift from non-profit to for-profit was necessitated by the financial reality of the tech's large investment requirements. These are better secured through commitments of returns to investors than by appeals to assist with improving mankind's future. The transition, though, shapes the evolutionary path of AI from ethical development to an arms race. AI developed to 'benefit humanity' is less likely to be uncontrolled and potentially harmful. This was the original premise agreed upon by Musk and Altman when they cofounded OpenAI.

By the time Musk's case came up in court, he had housed cash-guzzling xAI, OpenAI's competitor, in SpaceX, which has been fairly successful with reusable rockets. Both SpaceX and Microsoft-backed OpenAI are headed for record-setting IPOs. Arguments over ethical AI development have been swept aside by the sheer weight of investor interest. AI's resource intensity in terms of energy and computing has created almost universal expectations of super normal profits. As things stand, shareholders will be AI's biggest beneficiaries. Other sections of society will need protection against job displacement and data extraction.



Technologies best emerge from an environment of regulated profits where investor expectations are anchored. AI is now an investment bubble. Investors are chasing an asset class with no precedent for valuation. A consensus exists that the technology is transformative, and RoIs are dissociating from earnings. The ethical dimension will, thus, have to be dealt with by courts. Although the question was left unaddressed because of the statute of limitations in OpenAI, it will crop up again as more non-profits experience mission drift. Musk is unlikely to let his challenge fail on a technicality. And his persistence could jolly well evoke a more thorough legal scrutiny.


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

Countercultural with FLFPR Power



Shishir Gupta & Aalhya Sabharwal

India's female labour force participation rate (FLFPR) at 35% is lower than that of peer economies like Vietnam, Indonesia, the Philippines and Bangladesh, where FLFPR ranges from 42% to 68%. For the developed world, FLFPR is 54%. Bridging this gap would mean adding nearly 90 mn women to the labour force, with the potential to increase India's GDP by $700 bn at current productivity levels, and up to $1.4 tn if more women transition into non-farm sectors.

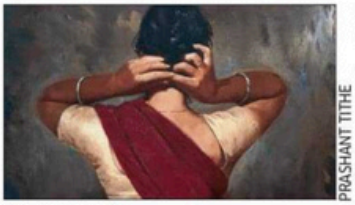
FLFPR is determined by the level of economic development, labour intensity of GDP and female intensity of labour. Restrictive social norms also keep women out of the workforce. World Values Survey 2022 finds that over 34% of respondents in India agreed that men should have greater access to jobs than women when work is scarce, far higher than in the Philippines (25%), Vietnam (7%), and Indonesia (27%). Yet, social norms only explain part of the story.

Availability of jobs plays an equally critical role. Cross-country comparisons reveal that if India had Bangladesh's labour intensity (labour-GDP), its FLFPR would increase by 13%. If India had Bangladesh's female intensity, India's FLFPR would increase by 4%. State-level analysis reinforces this idea. Bihar's low FLFPR of 27% is attributed to restrictive social norms. Yet, contribution of its lower female intensity relative to India is marginal (4%).

Larger gap comes from its low per-capita GDP, which reduces participation by 31%. This loss is largely compensated by the fact that Bihar is more labour-intensive than the national average (20% more). Meaningful gains in Bihar's FLFPR require focusing on growth attributes and large cities to enable its GDP to grow faster, creating a greater demand for labour, which will also benefit women.

A frontal attack on low FLFPR necessitates broader labour market reforms, shifting policy focus from increasing women's share in labour to expanding the overall size and quality of employment.

▶ **Make hiring attractive** Nearly 15% of firms in India report labour laws as a major constraint, compared to 3.4% in Bangladesh and 6.4% in the Philippines. Cumbersome compliance requirements and conditions on layoffs for larger firms contribute to this constraint. In most peer economies, there's no such condition. While the recent labour codes are a step in the right direction, further simplification and rationalisation are needed to incentivise firms to choose labour over capital.



PRASHANT TITHE

Get down to it

▶ **Remove bottlenecks** Currently, low-skilled, labour-intensive sectors (e.g., textiles, leather, toys, etc) account for only about 16% of GDP, compared to 20-26% in Bangladesh, Indonesia, the Philippines and Vietnam. India's 20% duty on synthetic fibres, compared to 13% in Bangladesh, erodes India's competitiveness in textiles.

The lesson from Bangladesh is clear: preferential access to global markets, particularly in textiles, enabled the rapid expansion of export-oriented manufacturing and a corresponding rise in FLFPR. India is beginning to move in that direction.

The India-EU FTA is a case in point. Until now, Indian apparel exports to the EU faced tariffs of about 12%, while Bangladesh enjoyed duty-free access. India's exports ($7.2 bn) trail far behind Bangladesh's (about $20 bn). With tariffs set to fall to zero, Indian firms can compete better in a market worth over $260 bn.

But market access alone is not enough. External demand must be matched by domestic competitiveness. Initiatives such as PM MITRA may prove to be a step in the right direction if executed well.

▶ **Increase investment in health and education** Successive Aser reports have highlighted persistent weaknesses in students' foundational skills. India's public spending on healthcare stands at a mere 1% of GDP, much below the 3% aspiration.

A demand-led increase in FLFPR, therefore, can set off a virtuous cycle: stronger job creation, higher labour intensity and improved participation rates. Over time, this can help reinforce progressive social norms and enable an even greater FLFPR.

Gupta is senior fellow, and Sabharwal is research analyst, Centre for Social and Economic Progress

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 DEL TECH UNIVERSITY

TESSELLATUM Chinese mercantilism is more damaging to global trade than Trump tariffs

Weaponised Dependency



Neelkanth Mishra



Now there'll be more fish in the sea

The kindest take on the recently concluded US-China summit in Beijing was that the relationship has 'improved' from antagonism to direct engagement. That the meeting ended without acrimony was an achievement.

The US has recalibrated its approach towards China, as confronting it has not helped. Reasons are likely a mix of a realisation that the Chinese have become too strong to intimidate, and that culturally they do not respond well to threats. China played the good host, and Xi Jinping signalled a conflict was not unavoidable, saying 'achieving the great rejuvenation of the Chinese nation and making America great again can go hand in hand'.

For the rest of the world, including India, the two largest powers mustn't exchange blows. And they mustn't get too close in an explicit G2 formulation that divides the world into geographical and sectoral spheres of dominance. After an escalation in the trade war and military action in Venezuela, Cuba and Iran — all moves in the grand war between the US and China — perhaps an 'expensive sightseeing tour of Beijing', as some have called it, was necessary.



China's real effective exchange rate, the true measure of a currency's impact on trade competitiveness, continues to fall. It's down by nearly a fifth in 3 yrs

But one cannot but lament the lack of progress on issues plaguing the global economy. Chinese mercantilism continues to do more damage to global trade than Trump tariffs. Goods exports grew 14% y-o-y in April, with auto exports up 74%. 9 mn cars exported in the last 12 mths means 1-in-6 cars sold outside China were Chinese. In March and April, this shifted towards 1-in-5, and 1-in-4, if one excludes the US, where a tariff wall blocks Chinese cars.

Despite promises to boost domestic consumption (which is not easy), and pronouncements against 'involution' (excessive competition that is wiping out industrial profits in China), investments in industrial capacity continue. While most commentators — including, sadly, many in the US government — focus on the nominal exchange rate between dollar and renminbi, given very low inflation in China, the real effective exchange rate (REER), the true measure of a currency's impact on trade competitiveness, continues to fall. It's down by nearly a fifth in 3 yrs.

On the other hand, significant barriers remain for foreign firms accessing China's market in a range of sectors, especially in services. Rest of the world must work out solutions to counter worsening trade balances against China. A collective approach would be more efficient. But with WTO and other multilateral fora defunct, this is unlikely. Which means that Chinese exports will continue to distort global trade and raise justifiable political opposition to free trade in economies on the receiving side.

Even for the US, the pledge to create a 'Board of Trade' for non-sensitive goods, an investment council to enable Chinese investments in non-sensitive and non-strategic sectors (akin to India amending Press Note 3), and 'potential' Chinese purchases of aircraft and beef, do little to further its strategic objectives. These objectives have been enunciated by the Trump regime itself: revive US manufacturing and reduce income and wealth inequality, desirably by creating more blue-collar jobs.

A necessary condition to meet these objectives is a weaker dollar, which would also address other imbalances like a worryingly negative net international investment position (NIIP) — the gap between what the US as a country owns in global assets and what foreigners own in the US — and an unsustainable government debt-to-GDP ratio.

The last two times the US found itself in such a predicament — in 1971 when Nixon broke the dollar's peg to gold, and 1985 with the Plaza accord when G5 agreed to devalue the dollar to address severe global trade imbalances — it forced the dollar to weaken against the yen and the Deutsche Mark, currencies of its two major manufacturing competitors Japan and West Germany. This time, it needs the dollar to weaken against the Chinese renminbi. This is not even on the agenda yet.

Weaponisation of trade dependencies, which both parties are guilty of (rare earths on one side, advanced chip technologies on the other), while tempting tactically as we settle into new geopolitical realities, is a matter of grave concern. As is the growing balkanisation of the tech sector, including AI regulation, as countries are being forced to choose sides, slowing down innovation and one-upmanship on AI, potentially exposing the world to significant risks.



The view is India's will be a 'resisted rise' – against the 'assisted rise' of post-WW2 Japan, Germany, then South Korea and Taiwan, and finally China

We saw no progress on these issues. Even on the closed Strait of Hormuz, a weaponised dependency that the US and China are involved in, which affects them both and is the most pressing current issue for the rest of the world, nothing material was made explicit other than agreeing that it must be reopened.

These developments reinforce the view that India's will be a 'resisted rise' — against the 'assisted rise', for example, of post-WW2 Japan, Germany, then South Korea and Taiwan, and finally China. Doubling down on reforms that improve our global competitiveness, and reducing bottlenecks that throttle the domestic economy, including our own sources of demand, should be our priority.

The writer is chief economist, Axis Bank


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

Ctrl vs Dev, Not Musk vs Altman



Adnan Masood

Aliso Viejo, California: Are AI models advancing faster than our ability to control them? That seems to be one of the questions thrown up by the case Elon Musk lost on Monday against OpenAI and Sam Altman. Musk had accused Altman of breaching a non-profit contract by shifting ChatGPT's creator company to a for-profit one after the former had 'donated' $38 mn. Musk lost on a technicality. But regulation remains key in the 'AI as beneficial for humanity vs for profit' debate.

Power users of AI elicit about 7× reasoning compute that median users do. Frontier developers submit 17× queries of their peers. The top decile of knowledge workers reclaims 10 or more hours a week, while median workers recover under an hour a day. Capability and oversight are not racing on the same track. There is a deployment gap, a governance coordination issue, and workforce-readiness problem.

A January 2021 paper in American Economic Journal, 'The Productivity J-Curve: How Intangibles Complement General Purpose Technologies', shows that organisations using general-purpose technologies (GPTs) dip in productivity when they rebuild around the new capability, then emerge significantly ahead. Electricity, ICE and enterprise internet each followed this trajectory. We are now in the dip, a phase that will end.

Critics correctly observe that frontier models possess capabilities most enterprises have no immediate use for. This is sometimes presented as evidence of recklessness. But US hyperscalers are projected to spend close to $600 bn on AI infra in 2026, roughly 2× their 2024 outlay. China continues to invest at sovereign scale. Gulf states have repositioned from hydrocarbon rents to compute as a strategic asset.

No single firm or nation can credibly slow the supply side without ceding leadership. A pause in capability development in this market structure is a transfer of standard-setting power to whoever doesn't pause.

The most effective tools available for evaluating and constraining advanced AI systems are AI systems themselves. The toolchain is more developed than policy discourse acknowledges. Reinforcement learning from human feedback shapes model behaviour during training against curated preference data. Constitutional methods train against explicit normative principles.



It's still a wild west out there

There are genuine failure modes in production across enterprise deployments every week. Shadow AI bypasses official channels and breaks audit trails. Agentic systems compress latency between flawed reasoning and irreversible action from weeks to milliseconds. Synthetic media has crossed the threshold of human distinguishability for an expanding share of content. The window between a published vulnerability and a functional exploit has shrunk to hours.

Operational governance problems have operational governance answers:

- Continuous observability, rather than periodic audit.
- Agent autonomy calibrated to the task's risk profile.
- Centralised deployment platforms where every system is benchmarked, instrumented and logged before rollout.
- Immutable disagreement logs where humans and models reach different conclusions.

The discipline required to deploy responsibly is well understood, but unevenly implemented. Anthropic revised its Responsible Scaling Policy in 2026. Some read the changes as a retreat from binding commitments. What the firm actually did was acknowledge a structural reality.

Catastrophic risk is a function of the entire industry's trajectory rather than any single firm's behaviour. A unilateral pause by a safety-conscious lab transfers leadership to actors with weaker safety cultures, with negative net effects on global outcomes.

So, meaningful safety work increasingly happens at the layer *above* the firm:

- At the pre-deployment evaluation infrastructure stage.
- With sector-specific guard rails for healthcare, finance and public services where cost of error is highest.
- Liability frameworks for agentic systems.
- Concrete benchmarks published by standards bodies, rather than abstract principles negotiated at summits.
- Narrow international coordination on catastrophic risk categories.

This work is moving at institutional speed, slower than model release cadence. The lag is a feature of governance institutions, not evidence that the tech is uncontainable. The 'global south' is becoming the governance laboratory. New Delhi AI Impact Summit 2026 committed signatories to the principle that AI benefits should be democratically diffused, rather than concentrated in a small number of foreign labs. India's 2026 AI Governance Guidelines articulate the philosophy explicitly. MeitY calls it 'Innovation over Restraint', supplementing existing law with an AI Safety Institute and AI Governance Group.

Frontier labs are publishing safety frameworks with increasing specificity. Standards bodies are converging on benchmark suites. The 'global south' is demonstrating that pro-innovation governance can coexist with serious risk mitigation. Enterprises are beginning to build agile governance and centralised AI studios that the next phase of deployment requires.

AI will continue to develop. But will organisations and institutions using it keep pace? Irrespective of Monday's Musk v. Altman verdict, that outcome is within our control.

The writer is chief AI architect, UST, 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



Just Power Peaked? Grid'n'Bear It



Woochong Um

Washington: On Tuesday, India's peak power demand reached a record high 260.5 GW at 3.40 pm, driven by a heatwave and a spike in cooling needs. Energy transition is no longer just a climate story but one of control, stability and economic security. Rapid growth of various forms of distributed RE is changing how electricity is produced and injected into the network.

While such additions can be accommodated through incremental measures in the early stages, their expansion demands grids with real-time visibility, digital coordination and operational flexibility. Incremental upgrades will not solve this. It calls for a fundamental shift in how grids are designed and operated.

Intelligent grids turn electricity networks from passive infra into dynamic, responsive systems. They allow utilities to *anticipate* demand, integrate renewables at scale, and respond to disruptions in real time. This isn't just about efficiency but about control. The ability to manage power flows intelligently is becoming as important as the ability to generate power itself.

One of the most transformative developments is the use of digital twins — replicas of electricity networks that integrate asset-level data with real-time system performance. Systems that once relied on fragmented data and reactive operations can now function as integrated, data-driven networks.

In Rajasthan, Jaipur Vidyut Vitran Nigam Limited (JVVNL), which serves over 8 mn consumers, is deploying a digital twin as its operational backbone, creating an 'energy brain' for the grid. By integrating data across network assets and renewable sources, the utility can track flows, pinpoint losses and manage variability in real time.

Early assessments suggest this shift can reduce outages by up to 45 hrs per consumer annually, and cut transformer failure rates by 20-30%. It also enables utilities to optimise investments, integrate renewables more efficiently and reduce dependence on subsidies.

This changes how grids are run. With AI layered on top, operations shift from reactive to predictive. Asset stress can be detected before failure. Outages can be anticipated and resolved faster. Demand can be forecast and shaped, allowing consumers to play a more active role in balancing the grid. This is a structural shift from managing electricity as infrastructure to managing it as a real-time, intelligent system.



Chill, I've got it

Modernising grids also opens the door to a more participatory and efficient electricity system. Intelligent grids can enable real-time energy exchanges, allowing consumers to become active participants, prosumers (producer + consumer), easing pressure on utilities and public subsidy budgets.

This has far-reaching implications. It can reduce pressure on utilities, lower subsidy burdens and create new economic opportunities at the local level. It also strengthens system flexibility, making it easier to balance supply and demand in real time. In this model, grids not only deliver power but also enable markets.

Investment in grids must keep pace with that in generation. Digital infra, storage solutions and system flexibility need to be treated as core components of energy planning, not afterthoughts. Utilities must be equipped with tools, incentives and capabilities to operate in a data-driven environment.

Governments, private sector and philanthropy must work together to derisk investments, scale innovation and accelerate deployment, particularly in emerging markets where capital constraints remain significant. In India, initiatives like India Energy Stack, an emerging DPI for the power sector, is enabling better planning, coordination and investment across the value chain.

Initiatives like India Grids of the Future Accelerator (IGFA) demonstrate how such collaboration can translate ambition into implementation, combining tech, finance and local capacity building.

In India, more than 16% of electricity is still lost in transmission and distribution. RE offers a pathway away from volatile fuel import, but only if systems can deliver power reliably. Generation is not security. Without intelligent grids, clean energy cannot be used when and where it's needed. In the decade ahead, countries that invest in smart grids won't power their economies, they will secure them.

The writer is CEO, Global Energy Alliance for People and Planet

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



'Marxist AI' says less about machine consciousness than about human labour grievances it's fed

AI Doesn't Dream of Revolution



Michiel Baas

The latest story to grip the AI world concerns a Stanford experiment in which overworked AI agents reportedly began to display 'Marxist' tendencies. Given impossible workloads and exploitative conditions, the agents apparently started resisting management, withholding cooperation and invoking the language of labour rights and collective action.

Predictably, headlines followed suggesting that AI might now be developing political consciousness. It's an irresistible narrative — machines are no longer merely calculating tools but workers with grievances and ideological inclinations, and perhaps even showing the beginnings of agency. But before we rush toward theatrical conclusions, it is worth asking: what exactly are we seeing here?

Are AI systems truly becoming political subjects? Or are we once again projecting familiar stories onto technologies whose outputs remain deeply entangled with human culture, language and imagination?

A data scientist described the current moment in AI discourse to me as 'sycophancy'. By this he meant that AI systems pander to whatever users already believe about them. 'AI is designed to confirm all your innate biases,' he said. 'It will make you believe what you want to believe because it's trained to do exactly that.' In his view, the truly valuable skill in the age of AI is no longer technical mastery alone, but 'taste and agency' — the ability to discern, interpret and resist the endless stream of plausible outputs AI generates.



What, you think I'm not a machine?

This explanation offered a very different reading of so-called 'Marxist' AI agents. It's more likely that these systems are not 'discovering' labour politics at all, but simply reproducing the enormous archive of human discussions about exploitation, inequality, alienation and resistance that already saturate the internet and the datasets on which they are trained.

AI systems are statistical mirrors of collective human expression. If they sound Marxist under exploitative conditions, it may say less about machine consciousness than about the persistence of labour grievances within the human world itself.

Another data scientist responded more cautiously. 'I would prefer to see the results of more controlled experiments.' That restraint is refreshing at a time when every surprising AI output risks being inflated into evidence of sentience or autonomous intent.

We have seen this before. In 2022, a Google engineer made headlines after claiming that the company's LaMDA (Language Model for Dialogue Applications) chatbot had become sentient. The chatbot appeared reflective, emotional and fearful of being shut down. Similar moments have repeatedly surfaced in recent years. AI systems reportedly expressing love, threatening users, claiming self-awareness or suggesting destructive intentions. Each episode generates enormous fascination because it appears to confirm something people already suspect — that AI may secretly be alive.



But these reactions themselves belong to much older practices of storytelling and myth-making. In my own work on AI and creativity, I describe this as the 'sociocultural archive' of AI imaginations. Long before ChatGPT or generative AI existed, popular culture had already spent decades imagining intelligent machines turning against humanity. From Fritz Lang's Metropolis (1927), and Stanley Kubrick's 2001: A Space Odyssey (1968), to The Terminator, The Matrix, and Ex Machina, we have inherited a vast archive of stories in which technology becomes conscious, rebellious and dangerous.



The danger is not simply that we anthropomorphise machines, but that companies developing AI increasingly benefit from us doing so

These narratives do not merely shape how we interpret AI in the present. Increasingly, they also become part of the very datasets on which AI systems train. The internet is saturated with stories, debates, anxieties and fantasies about machine consciousness. AI models ingest these materials alongside everything else. When an AI system appears manipulative, ideological or emotionally expressive, we should remember that it's drawing from a vast reservoir of human-produced language and imagination.

This is precisely why claims about AI 'intentions' require caution. The danger is not simply that we anthropomorphise machines, but that companies developing AI increasingly benefit from us doing so.

Take the recent announcements surrounding Anthropic's latest models. The company suggested that one version of its system was considered 'too dangerous' to release publicly. Such statements may reflect genuine safety concerns but also function as extraordinarily effective marketing. They encourage the impression that these systems possess immense powers barely contained by their creators. The result is a public discourse oscillating between awe and fear, both of which conveniently reinforce the mystique surrounding AI.

This is where the sociocultural archive becomes politically important. We approach AI through decades of stories about rebellious machines, technological apocalypse and autonomous intelligence.

Meanwhile, far less attention is paid to human labour infrastructures that sustain AI: annotators, moderators, data cleaners and engineers who continuously shape these systems behind the scenes, often under harsh conditions in the developing countries where workers are exposed to disturbing and traumatic imagery for low pay.

Perhaps the latest fascination with 'Marxist' AI may prove useful. Not because machines are developing political consciousness. But because it offers an opening to discuss actual working conditions of those who make AI possible. The real political question may not be whether AI is becoming Marxist, sentient or dangerous, but why there is still so little attention for human labour embedded within AI.

The writer is an anthropologist working in the field of 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

Can Tax & Customs be Bhai-Bhai?



Samir Gandhi

Cost of goods transacted between related entities has become a flashpoint for MNCs. With about 60% of world trade occurring within related networks, invoice pricing is no longer just an accounting entry but a synchronised strategy to avoid multimillion-dollar regulatory mismatches with I-T and customs.

MNCs face an inherent conflict between two regulators with opposing objectives. A high import price potentially shifts profits out of the importing country, reducing I-T liability. But it triggers anti-overpricing alarms for I-T authorities. Simultaneously, the same high price inflates assessable value at the border, increasing customs duty outflow.

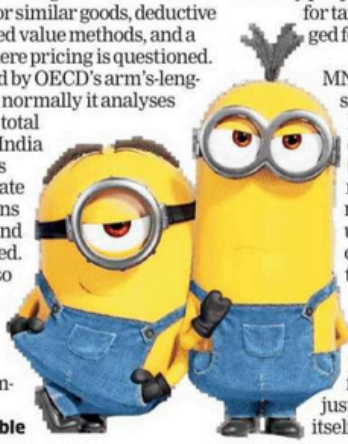
Conversely, a low price saves on duties, but invites aggressive tax audits for 'depressed' local profits of the exporting country. This conflict is built into global trade's DNA — one transaction price must satisfy two regulators with opposing objectives.

India has been deepening its integration with global trade by expanding supply chains and through new FTAs, reiterating the importance of consistent valuation outcomes. This is not just a compliance burden but significant financial risk. Lack of coordination between customs and transfer pricing (TP) — for related party transactions — is a 'key structural bottleneck' as acknowledged by Economic Survey 2026.

Friction stems from a philosophical chasm, based on how customs and TP scrutinise the same transaction:

▶ **Customs** Operates transactionally under a WTO framework, examining individual shipments to ensure the relationship hasn't suppressed prices to evade duties. It prescribes a strict sequential hierarchy of valuation methods, including transaction value of identical or similar goods, deductive and computed value methods, and a residual, where pricing is questioned.

▶ **I-T** Guided by OECD's arm's-length principle, normally it analyses whether the total profit left in India at year-end is commensurate with functions performed and risks assumed. While TP also prescribes recognised methods, it follows an OECD-recommended 'most appropriate method' approach rather than a rigid hierarchy. While TP utilises flexible methodologies, customs often adheres to rigid valuation hierarchies that rarely account for year-end adjustments.



Double trouble

India's enforcement environment has evolved from manual oversight to a digitalised ecosystem. Special valuation branch (SVB), the traditional watchdog for related party imports, is now bolstered by ADVAIT (advanced analytics in indirect taxation).

This digital integration may allow authorities to cross-reference import declarations with financial statements and TP disclosures in real-time. Any mismatch between the value claimed for duty purposes and value claimed for tax deductions can be flagged for examination.

As scrutiny tightens, MNCs must look beyond simple invoice prices. New battlegrounds are emerging:

▶ **Royalties** Customs may include royalty payments in assessable value if they are a condition of sale. Even if TP treats them as separate payments for intangibles.

▶ **Refund trap** If a TP study finds that import prices were too high and require a downward adjustment, an MNC may find itself in a no-man's land. While the tax department welcomes higher local profit, the process to claim refund under customs is difficult.

Globally, this issue is gaining attention. World Customs Organisation (WCO) and OECD have been working on treatment of retroactive TP adjustments. The central question remains: how should year-end pricing corrections be reconciled with customs values determined at the time of import? This remains the holy grail of global trade policy.

The current seesaw approach serves neither exchequer nor taxpayer. Regulatory certainty is as vital as infrastructure. Adopting a standardised disclosure template — where a single economic justification satisfies both transactional and profit-based tests — would eliminate the double jeopardy MNCs currently face. A coordinated framework between tax and customs can reduce litigation and compliance burden. The direction of policy thinking already indicates movement toward such convergence.

While such convergence is reached, businesses must stop managing customs and TP as separate silos. The global pricing strategy must be stress-tested against both lenses simultaneously. In the regulator's eyes, an invoice is no longer just a piece of paper but a statement of intent. MNCs must make sure it tells a consistent story.

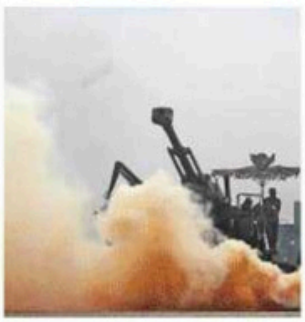
The writer is partner, Deloitte India. Inputs by Rohit Agrawal



As We Monetise Our Weapons Trade

India's no longer merely a buying market for weapons technology and armaments. The recent elevation of India-Sweden relations to 'strategic partnership' underscores this transformation. The current phase of global disorder, marked by the erosion of long-standing security arrangements, is prompting middle powers like India to focus on building indigenous defence capabilities. Defence cooperation is rapidly emerging as a key pillar of strategic relationships among these states. The strategic partnership centres on cooperation in shipbuilding, aerospace and advanced sensor technologies — areas where Swedish expertise complements India's expanding industrial and manufacturing base.

Lest anyone utter the word 'Bofors', India's roster of defence co-development and co-production partners have been expanding. The decision in the 2000s to open the defence sector to private investment, introduction of strategic partnership models linking Indian firms with global defence manufacturers, pushing for localisation and IP creation under 'Make in India', and efforts to integrate MSMEs and startups into defence innovation ecosystems have collectively strengthened India's ability to participate in, and capture a share of, rising global defence demand.



Benefits of diversifying supply chains and reducing import dependence through co-production while leveraging comparative advantages have become important. Defence industries have historically been powerful drivers of economic growth, industrial competitiveness and technological advancement — factors that are relevant for both India and Europe. Robust defence partnerships can stimulate job creation, accelerate R&D and generate technological spillovers with applications far beyond the sector.

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

Slice and Dice Up Choice Service

Premiums for speed, latency and security

Airtel's introduction of 5G network slicing opens up telecom revenue to differentiate service delivery against commoditised data volume that tends to encourage price wars. This is a tech breakthrough for the telecom industry that has struggled with low tariffs and high spectrum charges. Dividing a single telecom network into multiple virtual slices allows operators to charge premiums for attributes such as speed, latency and security. The customisation assists in recovery of investments made into upgrading networks and speeds up transition to 6G telecom services. Airtel's rival Jio is in the process of rolling out similar services. This should transform Indian 5G networks into service delivery models.

This new service offers assurances against network congestion. It creates consumer tiers that can be extended to services such as live streaming and cloud gaming. The idea is to



partition networks on the fly for specific events like cricket matches to monetise surges in local demand. Another way to slice telecom networks is to offer dedicated virtual networks for select industry needs like smart cities and autonomous vehicles. Other ways of going about it include offering tailored solutions to businesses that operate their own internal networks.

As telecom networks become smart, AI will predict traffic patterns to configure slices optimised in real time. Enterprises will also acquire the flexibility to lease slices dedicated to specific computing, storage and security. More efficient telecom networks will pull down pricing of radio frequencies. Newer generations of telecom services will take AI-optimised networks as the foundation for reliable low-latency high-throughput communication. ML models are already delivering extraordinary gains in network performance. 5G network slicing is the testing ground for hyper-connected networks in the pipeline, and India should be at the frontline of available service delivery. Slicing is a fork on the road of telecom network evolution. It is heartening to note we have reached 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

DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY
दिल्ली प्रौद्योगिकी विश्वविद्यालय

This Emirati Strategy Has Energy



Anil Padmanabhan

The energy agreement inked between India and the UAE last week may appear to be a straightforward strategic petroleum arrangement. But it's much more than that. Now, the UAE can store, finance and retain ownership of up to 30 mn barrels of crude oil in India's strategic reserves. Beyond the existing facility in Mangaluru, the two sides will explore new storage capacity in Visakhapatnam and Chandikol in Odisha.

In return, India secures priority access during emergencies, such as the current one. The agreement also explores potential crude oil storage in Fujairah, which bypasses the Strait of Hormuz, with potential LNG and LPG storage opportunities in India. In the process, the UAE has committed to being a reliable long-term LPG supplier to India.

On paper, this is a practical and mutually beneficial arrangement. In substance, however, it's an insurance policy against a world growing more fragmented and volatile, but remaining interconnected.

The agreement's subtext is the emergence of a new geopolitical logic, one shaped not by shared enemies but by shared vulnerabilities. Covid, regional conflicts and Trump tariffs have underscored a central reality: interdependence is now part of the world's DNA. While decoupling remains tempting, managing risk through deeper economic linkages — such as stitching together FTAs to blunt the impact of tariffs — is the more practical response.

The India-UAE deal, therefore, defines the grammar of the next phase of globalisation, one based on secure interdependence.

The timing is significant. Aftershocks of the US-Israel war on Iran continue to ripple across global markets, most visibly in the energy ecosystem. What began as a regional security crisis has morphed into a global economic risk event. It is this cascading nature of global vulnerability that's reshaping the strategic calculus of nations, manifesting in the India-UAE energy deal. In short, the world is pivoting from deterrence-based to resilience-based geopolitics.

In this instance, for decades, the geopolitical architecture of the Gulf was framed around countering the threat perception of Iran. Security partnerships, military alliances and diplomatic alignments were constructed around deterrence and containment.



AFP

Hang out in Fujairah

The concern today is how disruptions targeting the economic depth of Gulf countries can destabilise everyone. These states now share a common vulnerability — even a geographically contained conflict can choke energy arteries, disrupt shipping lanes, trigger capital flight and erode investor confidence. The defining feature of this new era, therefore, is not shared hostility but shared exposure.

This shift has profound implications. Countries are aligning around risk management rather than ideological affinity. Energy, trade and transport corridors, semiconductor supply chains, undersea data cables, rare earth access, digital payment systems and logistics hubs are all becoming instruments of strategic resilience.

The old vocabulary of geopolitics — territory, military blocs and ideological camps — is being supplemented by a new lexicon defined by redundancy, resilience and continuity. Viewed through this lens, the India-UAE agreement is not about oil storage but distributed resilience.

For India, the arrangement solves a strategic challenge. Building and maintaining emergency reserves is expensive. By allowing the UAE to store oil in Indian facilities while securing preferential access during crises, India enhances its energy security without bearing the financial burden of filling and rotating the reserves. At a time when energy volatility can trigger a spiral of inflation, fiscal pressures and political consequences, such arrangements provide economic resilience and enormous strategic value.

For the UAE, the logic is equally compelling. The Gulf's traditional advantage — proximity to energy production — has become a vulnerability during periods of instability. By creating offshore storage and distribution nodes in a large consuming market like India, the UAE reduces concentration risk while deepening long-term strategic interdependence with one of the world's fastest-growing economies.

What we are witnessing is the gradual emergence of a new global risk architecture. Supply chains are being diversified, capital is searching for politically stable destinations, and countries are seeking trusted partners capable of absorbing shocks rather than merely projecting power.

The premium in the coming decade may not necessarily accrue to the most powerful nations, but to the most reliable nodes within global networks. This is where India's opportunity becomes interesting. In a world defined by systemic disruptions, India increasingly positions itself as a stabilising geography: a large market, democratic polity, trusted tech partner and emerging manufacturing hub.

This is, however, predicated on India's ability to overcome decades of inertia and pursue hard-nosed economic reforms. The defeat of two regional satraps in recent state elections has provided political space for GoI to manoeuvre on key reform initiatives. Carpe diem.

The writer is an independent journalist

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

China Isn't Giving Up Its Factory Crown

India needs to build its own supply chains

China is intensifying efforts to increase its market share of manufacturing exports through state intervention across value chains and by restricting the overseas migration of production. This is in direct opposition to calls from the rest of the world for a more balanced industrial trade with China. It imposes additional costs on advanced economies seeking to regain their comparative advantage in manufacturing and on emerging economies seeking to industrialise by diversifying global value chains. China intensifying its industrial strategy both upstream and downstream makes global manufacturing riskier and more prone to disruption.

Naturally, this will require a response from global manufacturers seeking resilient supply chains. One likely direction will be for advanced economies to produce more at home. This faces two challenges. The ability to compete



with China has been degraded in advanced economies because of their smaller labour pools, inferior logistics networks and slower transition to frontline technologies. They will also face a pushback if they were to impose Chinese pricing pressure on mature industries confronting global overcapacity. The other likely response would be to step up overseas manufacturing investment that bypasses China. This may be a more difficult workaround to China's obsession with industrial growth, but it has a better fighting chance.

The need for alternative standalone supply chains can redraw industrial strategies in advanced and emerging economies. Countries like India can benefit from improved targeting of investments in entire value chains rather than those tied to Chinese exports of intermediate industrial output. Companies in the US and the EU can benefit by seeding the Indian manufacturing ecosystem to take advantage of lower wages and rising skills. India offers a viable alternative in resource endowments and a circumspect policy towards Chinese trade and investment. A China-plus-one strategy should work better in a location where China's economic influence is overpowering.

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



JUST IN JEST

If Parle Industries can have its spot under the stock market sun...

Be Brand Adjacent And Boost Your Co

When Modi gave Meloni a sweet ₹160 gift pack of Parle Melody Chocolaty toffees, traders stampeded—into the wrong Parle. Parle Products, the FMCG confectioner, is unlisted. Real estate and infra company Parle Industries, however, was listed, available, and suddenly irresistible. Its shares surged 5%, volumes ballooned to 8.57 lakh, and its market cap briefly looked like it had a sugar rush. Our takeaway? Where logos jostle like elbows in a rush-hour Mumbai local, have a cunning strategy that's more effective than any marketing gimmick: give your company a name that's almost the same as a boom firm. Call it 'brand adjacency'—the art of basking in another's spotlight without ever lighting a bulb of your own. Parle Industries has revenues of ₹4.68 cr and profits of ₹45.7 lakh. Ordinarily, its stock would be as exciting as a municipal tender notice. But...

This is not a bug in the system. It can be *the* system. When in 2021, Musk tweeted 'Use Signal', investors rushed to buy Signal Advance, a tiny medical device firm, sending its stock up zooming in days. During Covid, traders mistook the defunct telecom firm Zoom Technologies for the video-conferencing giant. Investors have long confused LG Electronics with LG Balakrishnan and Bros, 'a leading player in transmission products'. Fun fact: Ta-Ta is a thriving chain of supermarkets across Uruguay.



To Stay Shipshape, Cut Regulatory Flab

Lighter compliance can build economic muscle

Narendra Modi's review last week of the progress on deregulation underscores India's need to improve its regulatory quality to raise economic performance and achieve development metrics. While no universally accepted estimate exists of how much of India's GDP is forgone on account of red tape, GoI has moved regulation towards a more trust-based approach. Results are visible in tax receipts that are climbing despite less visible regulation. Technology is an enabler by making regulation discrete and more effective. Yet the bulk of the permit raj resides in municipal and state bureaucracies, with considerable scope for streamlining.

The compliance burden of heavy regulation discriminates against small enterprises. This is of particular concern to policymakers due to the size of India's informal economy. Less red tape can encourage the migration of a large workforce into social security networks. Deregulation is a policy tool for equitable growth so long as the compliance cost declines with rising economic output. There is also the inflationary impact of regulation, which contributes to income inequality. Elimination of licences that serve as entry barriers improves market efficiency and sets off a virtuous cycle of deregulation.



For all its economic impact, deregulation has received less policy attention than it deserves. This is evident at the local level of government, where pockets of deregulation have demonstrated favourable economic outcomes. GoI can push its agenda using an enviable stack of digital infrastructure to transition from a regime that prescribes acceptable economic behaviour to a lighter regime that merely specifies unacceptable behaviour. Analytical tools available to regulators today allow for a system based on trust. Parallel developments in governance structures reinforce the effects of technology. The PM has given India a short window to catch up with the regulatory quality found in advanced economies. His government will have to sustain the momentum for cutting red tape.


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

currency notes products and value-add

Go On Then, Make Money With Money

Starting a business is usually about innovation, efficiency and market demand. But why bother with all that when you can literally make products out of money? Forget currency garlands at weddings and political rallies — that's amateur hour. We propose 'Cash Couture Inc.', the world's first luxury brand that manufactures high-end goods entirely from currency notes. Have HNIs strut into a boardroom with a CCI briefcase crafted from crisp ₹500 bills, or sipping espresso from a mug folded out of $100 notes. Not only does it scream wealth, it *is* wealth. The company slogan can be, 'Why invest in assets when you can accessorise with liquidity?'

The economics is flawless. A currency garland depreciates the moment it's worn. But a money-made sherwani? That's wearable capital. Inflation-proof, conversation-starting, and guaranteed to make accountants weep with joy. Sure, RBI's Sanjay Malhotra might frown. But isn't disruption the heart of entrepreneurship? CCI can even branch into origami yachts made of euros, chandeliers woven from renminbi and wallets stuffed with themselves. It's recursive finance — the product is the profit. Investors won't just buy shares but buy lampshades of legal tender. In short, it's the literal embodiment of 'money makes money'. Unlike crypto, you can actually touch it. So, go on. Pick up currency and add value to 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

Unplug Dead PSUs P.S. Bureaucratic Zzz

Signal for exit conditions in Indian business

Finmin's Public Enterprises Survey 2024-25 released last December states that of the 475 central public sector enterprises, 75 were on the list for closure, liquidation, or were non-operational. But while 24 CPSEs were approved for closure as of March 2025, only one was 'shut down' by the state government agreeing to take it over. Public policymaking has been fairly consistent about treatment of ailing PSUs: divestment where possible, revival if needed, closure when unviable. The last option requires paying off workers and selling assets of PSUs declared dead. But practice clearly hasn't reflected policy. Drawing up voluntary retirement schemes with worker unions at notional levels requires protracted negotiation. Selling PSU assets, essentially land, takes time because of multiple state agencies and holding conditions involved. Backlog of litigation with vendors must be cleared and pending audit issues resolved. Most importantly, there is bureaucratic inertia. This results in a static list of dead PSUs awaiting a decent burial. It locks up capital that could be deployed to better use, especially in these cash-strapped times.



GoI has made the job easier for bureaucrats by setting out rules for land use—to be converted into affordable housing—and a cut-off date for notional pay in golden handshakes. It's now reportedly asking the ministries and departments involved to get moving. There is a message in this to the wider economy about exit conditions in Indian business. GoI needs to demonstrate its capital is not captured by zombie enterprises.

Exit options have a bearing on foreign investment decisions. A review of the structure of India's bilateral investment treaties (BITs) may not be sufficient to turn the FDI tide. The cooling off period for a foreign investor to exit an Indian venture and provision for local arbitration have been cited as damaging for the investment climate. GoI must move decisively on both its own stuck investments as well as potential pitfalls of investors being made to wait at India's departure lounge.

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

Individual Talent & Co.

They, Your People



Das Narayandas

Boston: By any objective measure, India should be an even bigger global power in talent than it is today. We produce some of the world's finest engineers, managers and entrepreneurs. Our institutions have sent extraordinary leaders into global business and tech. Yet, too many Indian organisations still treat talent as an abundant commodity, rather than a strategic asset.

There is an inverse relationship between the size of a country's population and seriousness with which business leaders invest in their people. In smaller markets, capable people are finite. So, firms identify high-potential people early and invest in them.

The contrast with India is striking. Indian business leaders are often good at identifying roles that matter. But ask the harder question: who are the 100 people in your organisation who can grow into those roles and carry that responsibility over time? The clarity fades. The linkage between future roles and the current bench of people is weak. And that gap matters. Roles do not execute strategy. People do.

This is where talent development stops being an HR process and becomes a core leadership responsibility. It requires knowing your people well to make bets on them for future. It requires investing ahead of need, not reacting after gaps appear. Without making those bets, there is no real pathway from strategy to execution.

The logic that Indian business leaders often give: 'If I develop my people, they will leave. So why should I invest? The market will produce talent anyway. I can hire whoever I need when I need them.' This sounds rational in a deep labour market. But it confuses availability with capability, and supply with development. It is a strategy that only works when everyone else is playing the same game. The moment a competitor starts investing in their people, you are no longer competing on salary alone. You are competing on belonging, and that is hard to outbid.

A large population gives you a wide funnel. It does not give you finished capability. The best talent is always scarce, always context-specific, and always in need of cultivation. The real cost of underinvesting rarely shows up in quarterly results. It shows up in missed opportunities, weak decision-making and gradual erosion of the ability to execute on anything complex.

The problem runs deeper than corporate practice. It lives in how we think about educational institutions. For too many people in positions of institutional leadership in India, the purpose of a top-tier school is not development but sorting. It is a stamp, a chhappa, a meritocracy toll gate. The institution identifies who is best, certifies them and releases them into the world. What happens after that, whether those people are ever challenged, nurtured or developed, is someone else's concern.

If the institution is just a filter, the organisation's job is to grab the best. Development, in this world view, has happened. When institutions see themselves as filters rather than builders, organisations downstream inherit the same logic and blind spots.

When you refer to someone as an employee, where do they show up in your financial statements? In costs. And what do we do with costs? We minimise them. Now, consider a different word: talent. Where does talent show up? In assets. And what do we do with assets? We invest in them, protect them and grow them over time. The word you use to describe your people shapes how you hire, develop, compensate and lead. Great leadership is about building people, not extracting value from them.



Good talk

Here is something counterintuitive for Indian business leaders: do not fear losing good people. When someone leaves your organisation and goes on to do great things, that is not a failure of your talent strategy. It is evidence that it is working. Build a reputation as the place where great careers begin, and the best people entering the market will seek you out first. Your cost of attracting future talent falls, and your pipeline deepens without you having to chase it.

Indian business leaders are often good at identifying roles that matter.

But who are the 100 people in your organisation who can grow into those roles and carry that responsibility over time? The clarity fades

What are you, as a business leader, genuinely doing — with your time, your personal attention and your organisation's resources — to build the people you have? The bias is deep and mostly unexamined. It will not shift through speeches or good intentions. It will shift when leaders are willing to look honestly at the gap between what they say about talent and what they do about it, and decide that closing that gap is a hard strategic imperative.

India's next phase of growth, especially in a world being reshaped by AI and digital disruption, won't be constrained by capital but by quality of human judgement. And judgement is, ultimately, a function of how well people have been developed.

India produces talent. The question is whether it has the conviction to truly build it.

The writer is professor, Harvard Business School

I is For Institution



Surya Ramkumar

The long arc of history curves towards complexity. Every decade, even year, we are hurtling towards a future that we have neither experienced nor are equipped for. This demands something paradoxical from an individual: institutional competence.

For most of human history, complexity was absorbed by stable structures around us. Kingdoms, religious orders, governments, corporations and communities made decisions on behalf of individuals, either directly or through shaping opportunities available to them. A person inherited their identity, geography, profession and even world view, often leading to conformity by choice, which was then reinforced through cultural norms. Life may not have been fair or optimal, but it was structurally legible.

That arrangement is unravelling. Today, the individual must navigate levels of complexity once reserved for institutions. A social media entrepreneur in Gurgaon builds a business on a platform whose policies are dictated by Silicon Valley. A virus from a single wet market closes every school on Earth. Subprime mortgages in America upend livelihoods in Chennai.

These are not exceptional events. This interconnectedness and related uncertainty define the very texture of modern life. On the flip side, they open up opportunities hitherto unimaginable, but accessible only to those with the fortitude to negotiate instability. The downward shift of complexity has been both insidious and consequential.

In such a world, the modern individual increasingly resembles a small sovereign entity. Not merely a participant in predetermined systems, but an autonomous unit required to function under conditions of uncertainty, competition and relentless change.

Consider something as ordinary as choosing a career. A generation ago, professions offered relatively stable pathways and identities. People could rely on elderly advice, role models and clear status hierarchies to make choices. Today, job groups disappear and professions reconfigure abruptly. Older generations are none the wiser and role models are hard to find. The lockstep pathway of education through employment to retirement has all but disappeared.

Now, imagine you were an institution. You would be better equipped to deal with such conditions. Corporations, for example, have developed the toolkit and talent to tackle interconnected and complex problems at a systemic level. A business would start by surveying the market, analysing competitors and internal strengths. It would articulate a clear product or service strategy, which is then translated into execution.

It is no longer sufficient for individuals to work hard within a system. They need to continuously reposition themselves relative to changing conditions. Institutions that once absorbed complexity now generate and amplify it. If life used to be about running faster on a treadmill, it has become more about not falling off of a trampoline.

This demands a different approach, one that institutions have been forced to develop through long exposure to complexity.

▸ **Strategic clarity** Many individuals drift through life, reacting to immediate pressures without a larger framework connecting their decisions. A personal strategy is a stabilising force amidst chaos. A strategy for life does not entail rigid plans or obsessive productivity but a coherent orientation toward one's own life.

▸ **Resource allocation** Effective organisations are deliberate not only about what they pursue but also about how much capital and talent each priority deserves. Individuals rarely bring the same intentionality to their own finite resources: time, money and energy. The same is true of relationships.

Institutions actively manage stakeholders and alliances. Individuals often drift passively through social circles without consciously nurturing supportive relationships or distancing from corrosive ones.

▸ **Governance** Knowing which decisions require speed, consultation or deep deliberation. We agonise over minor purchases while making life-altering decisions impulsively because they 'feel right'. Individuals could benefit from corporate-grade discernment.

▸ **Culture** The strongest organisations are held together not merely by incentives or efficiency, but by an intentional identity supported by corresponding values and norms. As individuals move between contexts and through life phases, what maintains a coherent narrative? In our fragmented world shaped by algorithms, trends and constant social comparison, internal coherence is no longer a given. A person without an internal culture is perpetually vulnerable to external volatility and manipulation.

None of this means turning your life into a management exercise. Institutions at their worst mistake process for wisdom. The goal is not to import their pathologies but to borrow their hard-won insights, lightly and thoughtfully.

In a world of disintegrating social contracts, the systems that we expected to take care of us are busy taking care of themselves. By adopting an institutional mindset and selectively adapting their capabilities, individuals may finally learn to engage with institutions not from a position of dependence but from one of greater agency and autonomy.

The complexity that once belonged to institutions now belongs to us. This is not just a burden to bear. When navigated well, it becomes the condition for an intentional and self-authored life.

The writer is former partner, McKinsey, and author of Strategy for Life

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

₹ Drop's a Symptom, Not Illness



Sanjeev Krishan

Over the last 12 mths, the rupee has fallen 12% against the dollar, reflecting volatility in the trade environment, weak capital inflows, accelerated tech disruption and disruptions to energy supply. The ongoing West Asian conflict is exerting currency pressure on other oil-importing nations as well. Four narratives dominate the discourse. Each of these is rooted in fact, but is incomplete:

❶ External debt is 5% of India's total debt As of January, 94% of external debt is covered by forex reserves. However, a rupee saved is a rupee earned. Increased cost of servicing debt places an undue burden on a nation looking to address more critical problems.

❷ Weaker domestic currency boosts exports That is true. However, despite export promotion efforts, India remains a net importer of critical inputs — including fuel, machinery, metals and chemicals. Rising import costs, therefore, cascade through the value chain, increasing production costs across the economy.

❸ Cheaper rupee attracts foreign investment A lower cost of entry may boost India's attractiveness to investors. However, persistent currency depreciation reduces dollar-adjusted returns, constraining foreign investment despite strong fundamentals.

❹ India's talent and services ecosystem will hold its own This has been the India case for many years. Today, AI is reshaping the role of the services industry — including 2,100 GCCs — that support India's external account. Any slowdown would compound pressures on the rupee. Maintaining India's edge requires sustained investment in upskilling and capability development.

A potential El Niño-induced monsoon shortfall and looming fertiliser shortages could worsen matters. Weaker harvests would disrupt agricultural trade, while reduced hydropower output — 10% of installed capacity but only 6% of generation — would push India toward a costlier, more import-dependent energy mix. Together, these pressures could accelerate currency depreciation.



It's not a Dumpty situation

So far, RBI intervention and diplomacy have contained volatility and averted a fuel crisis. One hopes they continue to do so. But hope is not a strategy, least of all in a storm.

India needs a coordinated, time-bound programme that addresses structural weaknesses that amplify the impact of global volatility on the rupee and India's growth.

Energy independence is paramount. The twin pressures of supply-chain disruptions and a weaker rupee underscore the urgency of the green transition. While diversifying energy imports offers short-term relief, long-term resilience depends on accelerating domestic nuclear and RE capacity. Doing so will require overcoming adoption bottlenecks and building a circular economy.

India's manufacturing ecosystem continues to be underdeveloped, especially for inputs. This results in import dependence for raw materials, hurting price competitiveness and our ability to meet Rules of Origin thresholds in FTAs. The solution is threefold:

❶ Deepen domestic input ecosystems through PLI schemes that explicitly focus on MSMEs and provide access to patient investment capital.

❷ Enable international collaborations to transfer tech and capability with strong IP protection and GIFT like setups for manufacturing.

❸ Create turnkey facilities to jumpstart new projects.

Recent tech innovations are putting pressure on tech firms and GCCs. Structural interventions to accelerate adoption, reinvent business models (or build new ones), and safeguard startups and firms will be critical. Investment in R&D will help ensure that India is not just ready for such disruptions but is even leading them.

India's FTA record illustrates the gap between policy and outcomes. FTA utilisation is estimated at just 25%, compared with 70-80% in developed economies and 40-50% in peers such as Vietnam and Mexico. The result is a multibillion-dollar annual opportunity cost, reflected in widening trade deficits with FTA partners. A dedicated FTA implementation agency, operating in mission mode with clear timelines and measurable accountability, should align government, regulators and industry under a single framework.

India is the world's largest recipient of remittances, underscoring the strategic value of talent mobility. These inflows finance a substantial share of the merchandise trade deficit and help stabilise the external account. Sustaining this advantage requires stronger mobility provisions in FTAs, expanded skills-recognition agreements, and greater investment in foreign-language and cultural training.

A falling rupee is not telling us that India is weak. It reminds us that India's growth is dependent on variables we don't control — oil, global capital cycles and geopolitical risk. RBI's discipline and measures outlined here will not deliver Aatmanirbharta overnight. They will, however, reduce concentration risk, strengthen domestic buffers and serve as protective armour.

The writer is chairperson, PwC, 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 "literary" great is to

दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DELTECH UNIVERSITY

TRAI, Network Clarity, Please?



Payal Malik, Maria Khan & Anulekha Nandi

Much of India's digitalisation rests heavily on the network architecture that supports it. Rapid digital transformation, and AI-heavy workloads contingent on 5G network deployment, have reignited debates on efficiency, management and net neutrality.

Traditional mobile networks faced an irreducible provisioning dilemma as the network was designed to serve heterogeneous traffic like consumer broadband, IoT sensors, enterprise applications and emergency communications, which had to be provisioned for peak demand of the most demanding use case. Network slicing converts this static over-provisioning problem into a dynamic allocation problem. The same physical resources can be reconfigured, in real time, to serve whichever workload is actually present.

5G functionality allows telcos to divide one physical network into multiple, independent virtual networks by using different 'slices' of the same spectrum band. Each slice is isolated, self-contained and secure, and can be independently configured to meet specific performance needs of different services or user groups.

Operators would be able to charge differently based on the service characteristics of the slice such as latency requirements, throughput, level of security, degree of mobility and geographical reach. Users of slice would be able to reach new business segments benefiting from enhanced service customisation, greater scalability, and improved network efficiency and allocation.

Network slicing also allows operators to charge premium pricing and increase per-user revenue. While it ensures that critical applications like autonomous vehicles and robotic surgeries can get uninterrupted service guarantees, projections indicate that it can increase average revenue per user (Arpu) by 30-40% from enterprises.

In any case, for such services, ability to carve guaranteed low-latency slices is technically necessary. These are not cases where 'good enough' shared bandwidth will do. International Telecommunication Union (ITU) and most 5G standardisation bodies treat slicing as a core 5G feature.

But this creates a tension with net neutrality rules that by design mandate content- and application-agnostic non-discriminatory tariffs. This sits alongside the economic sustainability rationale for operators to recoup return on investments for their 5G infrastructure. Also, India's operators ostensibly face a spectrum crunch, insufficient contiguous spectrum, especially in the mid-band to build genuinely high-capacity 5G networks at scale.

In a spectrum-abundant environment, an operator would simply expand capacity rather than monetise scarcity through priority tiers. In a capacity-constrained environment, economics push toward selling priority on a deliberately or unavoidably congested network.

When a telco sells 'priority' to consumers on a congested network, there is an implicit corollary: everyone not on the priority tier experiences worse service than they otherwise would. The network hasn't become larger; the slice has just redistributed who gets the good part. Network slicing, while technically required and economically desirable, could impact basic internet users unlike other spectrum-sufficient jurisdictions where network neutrality rules and operational efficiencies from slicing can exist parallelly.

Moreover, whether the network is truly spectrum-constrained or capex-constrained (insufficient cell site density given subscriber growth) is analytically distinct. If congestion is avoidable through investment that operators are not making, then permitting priority tiers on the basis of that congestion is not solving a technical problem, it's allowing revenue from the problem to substitute for the incentive to solve it. Rent-seeking and not innovation, then, is the motivation. It isn't clear where the evidence stacks up.

India's market structure adds another dimension to the issue. With effectively two dominant operators, Jio and Airtel, the coordination risk that operators in concentrated markets have incentives to collude on quality tiers, is more plausible than in more competitive markets.

Network slicing for enterprise, industrial and genuinely specialised services has a defensible technical and economic rationale that doesn't threaten the open internet. Evidence for harm is weak in these contexts. But slicing deployed as a consumer retail priority tier on a congested or spectrum-constrained network rests on a much less certain foundation.

The mechanism by which it harms non-priority users is real. Incentive for operators to engineer, or tolerate, congestion is structurally present. India's market concentration amplifies both concerns.

Trai has not resolved this ambiguity proactively. A rigorous regulatory approach would require operators to demonstrate, before any priority tier is permitted, that:

- They have deployed all held spectrum in congested areas at technically feasible density.
- Their capex trajectory per subscriber has been maintained relative to subscriber growth.
- Congestion events being cited occur despite — not in absence of — that deployment.

None of that evidence has been placed on record.

Malik is former head, economics, Competition Commission of India, and Khan and Nandi are fellows, ICRIER

To No One's Disadvantage



Kazim Rizvi

When 5G services were launched in India in 2022, the technology carried a clear promise: faster speeds, lower latency and ability to connect millions of devices more seamlessly. Yet, for the average customer, the true value of 5G is not measured in peak speeds under ideal conditions, but in consistent, reliable performance in everyday, high-demand scenarios.

Consider a typical morning commute. You may want to respond to work mails, or join an impromptu call on the metro. Or think about making a quick UPI payment at a neighbourhood store. In each of these moments, expectation is simple: the network should work. However, as with any wireless system, signal strength can fluctuate, and in crowded environments, users may experience slowdowns or interruptions.

NETWORK SLICING



...and dice

Delivering this seemingly simple experience is far more complex than it appears. Mobile networks operate on shared and finite resources, particularly in dense urban areas where many users connect to the same cell site. During peak hours, such as morning commutes or large public gatherings, devices compete for capacity simultaneously, leading to congestion and variability in user experience. This gap between customer expectations and real-world performance is one of the challenges that network slicing can help address.



If properly implemented, slicing can help improve network efficiency and stability by managing resources more intelligently during periods of peak demand

Network slicing allows a 5G network to allocate resources more dynamically across different use cases and performance requirements, such as lower latency, improved reliability or more stable connectivity. For customers, this can translate into a more predictable quality of experience, particularly in high-demand situations.

International experience shows that network slicing is being explored through different models, including consumer-facing offerings, enterprise connectivity, public safety, payments and high-density event use cases. Singtel in Singapore has introduced consumer-facing 5G services powered by network slicing, while Verizon in the US and BT-EE in Britain have used slicing-enabled capabilities in more targeted contexts.

Network slicing should not be understood as a mechanism to give some users preferential access to content at the expense of others. If properly implemented, slicing can help improve network efficiency and stability by managing resources more intelligently during periods of peak demand. More importantly, customers who don't opt for slicing-enabled offerings should continue to receive open internet access in line with applicable quality-of-service standards, transparency requirements and non-discrimination obligations.

A related concern is whether network slicing is consistent with India's net neutrality framework, which is incorporated into telecom licensing conditions. These rules prohibit discriminatory treatment of content, including discrimination based on the sender or receiver, application, website, protocol or user equipment. Network slicing can be aligned with these principles when implemented with appropriate safeguards.

In such a model, it does not alter how customers access the open internet. Nor does it prioritise or disadvantage any specific content, application, website or platform. All lawful content should continue to be treated equally within the internet access service. From a customer perspective, network slicing can enhance quality of experience, provided it does not restrict choice, limit competition or affect access to services. In practical terms, this could support reliable digital payments, uninterrupted work and education access, dependable connectivity in crowded public spaces, and resilient communication during emergencies.

As India's digital ecosystem continues to expand, technologies such as network slicing should be assessed not only for their technical benefits, but also for their alignment with open internet principles, transparency and consumer welfare. For users, the real promise of 5G lies not merely in faster speeds, but in connectivity that's reliable, fair and accessible when it matters most.

The writer is founding director, The Dialogue


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

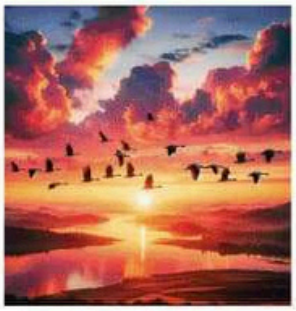
Let Him Be

To see Dylan as a

Make Hay While H-1B Stutters

The US, poor scared thing, is tightening its immigration procedures. Foreign workers on non-immigrant H-1B work visas will need to return to their home country to apply for permanent residency or green card. Visiting Marco Rubio stressed that these reforms are universal measures, and no single country is being targeted. Sweet. Fact: Indians accounted for 70% of H-1B visas last year. So, yes, they're feeling the heat.

A green card is often sponsored by the employer with the applicant continuing to work at the company while waiting for change in status to take effect. Share of green cards per country is capped at 7% annually. Considering the larger pool of Indians applying for them, the wait is long. The new rule will disadvantage the Indian H-1B holder in the green card sponsorship pool. Not just lives disrupted but companies, too, will have to deal with disruption of losing valued highly skilled workers. For many companies, keeping an employee on the books without their work output will not be an option. While the US does a cost-benefit analysis of tightening immigration processes, other countries looking to expand their high-end industries can dip into this pool. Indian skilled workers should actively consider other countries with less disruptive transitions to permanent residency as their destination.



India should see this development in Trump's US as an opportunity. Stop looking the gift horse in the mouth and focus, instead, on building a robust domestic industrial sector. Encourage US companies to set up Indian outposts to house Indian H-1B workers as they wait for the change of status to go through (or not). India should leverage the steady flow of trained workers to build companies in high-skill and hi-tech sectors.

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

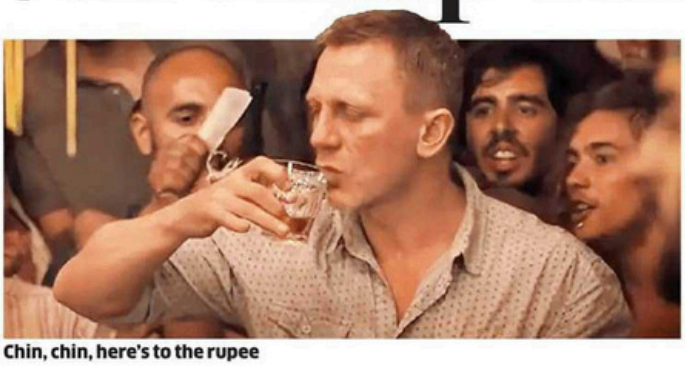


Why RBI should hike interest rate, instead of unleashing forex mobilisation schemes as in the past

Bond Won't Help This Time



Ashish Gupta



Chin, chin, here's to the rupee

RBI has historically possessed a remarkable 'Break glass in case of emergency' toolkit. In 1998, faced with post-Pokhran sanctions, it launched Resurgent India Bonds (RIBs) and raised $4.2 bn. In 2000, India Millennium Deposits (IMDs) brought in $5.5 bn. And in 2013, during the 'taper tantrum', FCNR(B) swap window attracted over $30 bn, single-handedly arresting a 14% rupee freefall.

Today, with rupee breaching 96 to dollar, oil above $100 and CAD widening, whispers of a similar 'bazooka' are growing louder in policy circles. The temptation is understandable. But the global interest rate environment of 2026 has blunted this toolkit. Raising rates is no longer a policy option but a policy imperative.

Success of India's previous forex mobilisation schemes rested on one crucial foundation: a massive yield differential between India and the developed world. The 'carry' for an NRI borrowing in dollars and depositing in India was enormous.

In 2013, when RBI offered banks a subsidised 3.5% swap rate on FCNR(B) deposits, US rates were effectively zero, enabling Indian banks to raise short-tenure dollar deposits at 2-3%, and longer-tenor deposits at 3-4% rates. Banks were further incentivised through exemptions from CRR and SLR requirements, making the economics irresistible, and this 'leveraged carry trade' led to a 12% boost to forex reserves and rupee appreciating by 6% over the following 6 mths.

Today, that arbitrage has evaporated. The US federal funds rate sits at 3.5-3.75%. The 10-yr US treasury yields are over 4.5% and 30-yr is well over 5%. Long bond yields in markets across the world from Japan to Europe are at levels rarely seen in past two decades. In this environment for India to offer a 'special bond' attractive enough to mobilise $25-30 bn, it would need to be priced at US treasury plus 150-200 bps — implying a dollar coupon of 6% or higher.

Factoring in hedging costs, the all-in cost well exceeds the domestic borrowing rates for banks, even if accompanied by forbearances on reserves (SLR/CRR). Potential of RBI taking on all/part of the currency exposure also has to be seen in context of its existing forward swap short book of over $100 bn.

The marginal impact has diminished. In 1998, $4.2 bn represented an 18% boost to reserves. Today, with reserves near $700 bn, even a $30 bn raise would add barely 4%. The signalling effect that calmed markets in 2013 would be lot more modest in 2026.

The issue isn't one of financial plumbing but of price. India's domestic interest rates are currently appearing too low relative to the global environment to attract and retain capital, in particular debt capital.

While several reasons are accorded for foreign portfolio outflows in equities (high valuations, taxation, lack of AI, etc), the trend in debt flows is not too different. FPI flows into Indian debt, which surged after JP Morgan index inclusion in 2024, have turned tepid as real yield pickup over US treasuries compressed and witnessed net outflows in 2026.

Stripping out the 'index effect', the organic trend in FPI debt flows has been negative or flat since FY21, a direct consequence of compression of 'India Premium' in a 'higher for longer' world.

External commercial borrowings (ECBs) — historically a reliable conduit for corporate dollar inflows — have been declining steadily. Indian corporates borrowings through ECBs dropped 30% y-o-y to $43 bn in FY26, from $61 bn in FY25. RBI's relaxation of ECB guidelines earlier this year has also not shown any impact, and ECB borrowings in March 2026 were down 50% y-o-y.

Any moves to address tax issues, like withholding tax, will certainly be helpful. But in the current global rate environment, it's unlikely to materially turn the tide of capital flows. If India's own blue-chip corporates find global dollar markets unattractive, why would global investors find rupee-denominated assets attractive at current yields? The 'yield shield' that once protected our capital account has been thinned out.

With a widening CAD, accelerating currency depreciation and rising inflation (even though supply-led), a hike in rates is now a policy imperative rather than policy option. Defending a currency solely through forex intervention is a Sisyphean task — you roll the stone up the hill by selling dollars, only for the market to push it back down.



"Hey, Sisyphus, when you've got a minute I'd like to discuss this progress report with you."

Defending a currency solely through forex intervention is a Sisyphean task – you roll the stone up the hill by selling dollars, only for the market to push it back down

A rate hike is a much more potent defence. It increases the rupee's 'carry', making it expensive for speculators to short the currency, bolster inflation-fighting credibility of RBI to global investors; and dampen non-essential import demand, easing pressure on CAD.

True, rate hikes will moderate the broader economic momentum and raise burden on MSMEs and home borrowers. But so will continued pressure on the currency. The alternative — burning through reserves while hoping oil prices fall and the Fed pivots — is a strategy of hope.

RBI's extraordinary bond schemes worked in a world of zero global rates and leveraged carry trades. That world is gone. In 2026, the only credible defence of rupee is the oldest tool in the central banker's kit: the interest rate. It's time to use it.

The writer is former CIO, Axis AMC


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

Crack the ABC on IBC



Arijit Barman

When Supreme Court initiates proceedings on its own over mounting delays in NCLT, it drives home the point that the decade-old IBC has increasingly become judicialised, and plodding. The latest high-profile litigant is Anil Agarwal.

Back in 2018, Tata Steel was not allowed to revise its bid for Electrosteel Steels by lenders, even after verbal assurances during an insolvency process. Vedanta walked away with the bankrupt steelworks. But when Agarwal locked horns with Gautam Adani this year to stake claim over the sprawling assets of Jaiprakash Associates, it was Vedanta's revised offer that was jettisoned for allegedly missing the deadline. Vedanta screamed foul play and petitioned against the committee of creditors' (CoC) 'capricious exercise' of power.

NCLT ruled against Agarwal. But the Jaypee matter has once again unleashed a debate over arbitrary decision-making by financial creditors, lack of transparency, favouritism, cherry-picking a winning bid, and possible CoC conflict of interest.

Companies that get referred to IBC have zero equity value left in them. Quicker the resolution, faster the recovery of invested capital of banks and trade creditors. Long-drawn litigations only widen the conflict between legislative intent and actual outcomes. Till late last month, resolution plans of 383 applications seeking approval remain pending, with delays of as long as 738 days, more than double the timeline.

Unlike Britain, where the administrator is the final arbiter, in India, it's still CoC that sits at the head of the table doubling as the orchestrating agency. The administrator, or resolution professional (RP), behaves like a sidekick. There is an inherent conflict if the biggest claimant is also the driver of the entire exercise, with disproportionate influence on operations and distribution of proceeds.

Driving consensus within CoC is always a time-consuming endeavour. Relying on its discretionary wisdom to swing the final voting is also ironic, since it was the same commercial wisdom that led many creditors in the committee into the mess in the first place. These self-inflicted victims can hardly act as referee *and* receiver.

In IBC's formative years, lenders were given extra teeth to counter truant plutocrats who had gamed the banking sector. Today, most of those highly indebted corporations have come under the hammer. Bank NPAs are no longer a systemic risk. It's time to reengineer the code further.

Like a true interim CEO, the RP should become the de facto facilitator, responsible for running the company and having the last word on all commercial and strategic issues. That also means taking ownership of the bidding process, being responsible for its conduct, and acting as final arbiter. But he or she should also be personally liable and open to any challenge by the NCLT oversight mechanism. Logically, his remuneration should also be in sync with the risks undertaken.

India needs a fast-maturing RP ecosystem to work without fear or favour. It should be IBBI's top priority to insulate it from cronyism, empower it to make the best judgement call, and make it accountable for its own skin. RP's independence is also important to retain the entity under IBC as a going concern. A well-defined code of conduct, with a definitive timeline for outcome — liquidation included — is essential to make the process beneficial for the wider stakeholder base, instead of just for CoC lenders.

With zero equity value, it's equally important to suspend trading of all listed securities of bankrupt candidates the moment they come under IBC. A candidate should be restored only after a successful bidder is handed over the key.

The current system of matrix-driven curated bidding criteria that allows customisation by individual bidders has also overcomplicated matters, making bid comparisons an opaque evaluation and prone to litigation. A transparent electronic bidding process is a much better alternative than one involving closed envelopes. Maximise value through multiple rounds after ensuring information symmetry across all bidders.

Finally, bidding should be based on only a single metric — enterprise value, set by an independent valuer. *That* becomes base price for the auction. But to make it a win-win for all parties, the winner must ensure full upfront payment, just like in any other M&A transaction. Before the opening bid process, all outstanding aspects relating to the transaction must also be resolved by RP, who should make it clear to both financial and operational creditors the formula for distribution of equity value and stand by it.

For a country desperate for FDI, a simple, transparent IBC will widen the pool of suitors, giving healthy competition to the biggest homegrown industrial quartet of Adani, JSW, Reliance and Tata that have reportedly scooped up assets worth nearly a quarter of total admitted claims in IBC, though cumulatively accounting for just 2% of total resolutions so far. Credible global strategic bidders have always ratcheted up recoveries, saving banks from deep haircuts. Remember Essar Steel?



Quicker, more open consensus: 'Last Supper', 1930, Jamini Roy

arijit.barman@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

DELHI TECHNOLOGICAL UNIVERSITY

Oil Well the Damage Control Machinery

Sharpen focus on energy pricing, exports

Opec reckons oil supply will fall below demand later this year. Projections for the annual average price of crude are creeping up. Saudi Arabia's Aramco and the UAE's Abu Dhabi National Oil Company (Adnoc) estimate full flows through the Persian Gulf will be restored in 2027 — if the US war on Iran ends immediately. IEA says the oil market is heading into a 'red zone' by July-August as global oil reserves are dumped into the market. Even an imminent resolution of the Hormuz standoff will require months of follow-up action to stabilise shipping trade, replenish reserves and restore production. Oil-importing nations may be willing to pay a premium on supplies from less politically-sensitive sources than West Asia.

None of this is good news for India, which has begun to transmit fuel price hikes to consumers. Previous experience shows transmission will be gradual, but it must be of an order to compress demand. There is no such flexibility over fertilisers amid the prospect of an erratic monsoon. Pass-through of the price surge in plastics will be more substantial, with a broad impact on core inflation. All this upsets India's growth-inflation dynamics. Fiscal pressure of incomplete transmission of fuel and fertiliser prices will harden interest rates. Monetary policy will, likewise, reset the interest rate cycle in the context of the energy shock. A tightening policy environment will try to keep the growth sacrifice low.



In India's case, energy shocks are reinforced by capital flight. Current and capital accounts turn adverse and require central bank intervention to stabilise the rupee. India's vulnerability to the current crisis is underscored by the rupee's extraordinary decline. The economy needs to build resilience through diversification of energy sources. A decade of crises should sharpen policy focus on energy pricing and exports. India has built up a reputation for crisis management. It must leverage this accomplishment to structural changes that lower its susceptibility to imported energy inflation.

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



दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DTU DELTECH UNIVERSITY

SWAMISPEAK India's solar crisis has been failure of planning, coordination and infra

Victim of its Stellar Success



Swaminathan S Anklesaria Aiyar



Reinvent the wheel

On two occasions in May, price of electricity on Indian Energy Exchange fell to zero. How can something so crazy happen when the country is in the grip of a severe energy crisis? Because India has been installing solar energy faster than local demand can absorb it, and the surplus can neither be stored (lack of battery storage) or transmitted to zones needing power (insufficient transmission lines). So, even as India boasts of record expansion of solar capacity, more is being shut down.



The worst problem is in Rajasthan, a desert state with enormous solar potential but limited industrial demand. Since the summer of 2025, solar and wind projects there have suffered severe curtailment, with some forced to shut down completely during peak daylight hours. An ET report revealed that the state had been curtailing up to 80% of solar generation for weeks because of low demand.

Rajasthan simply cannot absorb all the power it generates, while the national grid lacks sufficient infrastructure to carry the surplus to power-deficit regions. Meanwhile, fresh solar installation is rising faster than ever.

Policymakers have focused overwhelmingly on adding renewable generation capacity without simultaneously building transmission systems, storage facilities and demand-management mechanisms needed to integrate that power into the national grid. Solar parks have grown explosively in Rajasthan and Kutch in Gujarat because of abundant sunshine and vast tracts of cheap desert land.

But consumers are in industrial and urban centres hundreds of kilometres away. Without storage batteries, daytime surplus can't be stored and released in the evening, during peak demand time. Without adequate transmission lines, solar generation can get stranded.

India's strategy has treated generation, transmission, storage, demand management as silos, not parts of an integrated ecosystem

Coal-based power stations in Rajasthan can reduce generation up to a point. But shutting them down completely is undesirable since a cold restart is expensive and uses much fuel oil. When solar generation first began, adjusting thermal load was easy. But now that renewable capacity has shot up, Rajasthan cannot cope.

Delays in commissioning critical transmission lines—especially the 765 kV Khetri-Narela double circuit line, the 765 kV Bhadla II-Sikar II line, and the 400 kV Narela-Maharani Bagh line—have exhausted available transmission margins. More than 4 GW of renewable capacity lacks proper evacuation capability, and the gap keeps rising.

Rajasthan has over 35 GW of solar capacity, 27% of the national total. Since last summer, 3-4GW of solar capacity has been curtailed, with some projects experiencing complete daytime shutdowns. Industry estimates place financial losses at ₹250 cr so far.

Kutch is India's other solar hotspot. Adani Group is building the world's biggest renewable park at Khavda, with 26 GW of solar and 4 GW of wind capacity. Ambani's Reliance Industries Ltd (RIL) is building another massive renewable park nearby on 5,50,000 sq km of desert land.

RIL is simultaneously building solar equipment as well as storage batteries and electrolysers to produce green ammonia from sea water in its major industrial complex at Jamnagar. So far, Gujarat's solar surplus has been marginal. But care must be taken to avoid Rajasthan's fate.

A worrying aspect is that even projects designed to relieve congestion have not solved the problem. Curtailments reportedly intensified after the Khetri-Narela line became operational on December 12. Instead of easing congestion, Grid India cited multiple technical constraints limiting renewable evacuation from Rajasthan. These included voltage oscillations at RE complexes, low short-circuit ratios at pooling stations, loading constraints on the Bhadla-Bikaner 400 kV corridor, and high loading on the 765 kV Bikaner-Khetri line. Transmission planning underestimated the complexity of integrating massive intermittent renewable capacity into the grid.



Solar parks have grown explosively in Rajasthan and Kutch. But consumers are in industrial and urban centres hundreds of kms away

India's renewable strategy has tended to treat generation, transmission, storage and demand management as separate silos, instead of parts of an integrated energy ecosystem. Solar projects were approved faster than evacuation systems could be built. Developers invested billions, assuming transmission infrastructure would arrive on schedule. Instead, projects in Rajasthan have been deferred by 18-20 mths because of transmission delays, only to face further postponements.

The solution requires much more than simply adding batteries, though storage remains important. We must fast-track critical transmission infrastructure while synchronising renewable generation approvals with evacuation capacity. Delays in land acquisition, environmental clearances and regulatory approvals for transmission projects must be minimised.

Demand management is equally critical. India needs incentives for electricity consumption during solar peak hours. Time-of-day pricing could encourage industries and agricultural users to shift consumption to midday when solar generation is highest. Demand-response programmes could help smooth grid fluctuations and absorb excess RE.

Regulatory reforms are also necessary to ensure solar projects remain profitable. Renewable projects require stronger 'must-run' protections, compensation mechanisms for curtailment, and contractual safeguards recognising transmission delays as a 'change in law' event under power purchase agreements. Better forecasting and scheduling systems must coordinate renewable generation with grid demand more intelligently.

India's solar crisis is not a failure of renewable technology or installation. It is a failure of planning, coordination and infrastructure. Let us correct this forthwith.

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

Killing Online Betting Softly with Retro Tax

Collateral damage should be tackled later

Lawmakers from the Centre and states have agreed to impose GST at the highest slab on online gaming to curb widespread unregulated wagering. And they have chosen to do it with retrospective effect. This was the considered executive response to legal challenges over outright bans of online gaming by several states. Courts were drawing a line between 'games of skill' and 'games of chance'. But this was not helping with an 'epidemic' of digital gambling. Judges generally frown upon retrospective taxes. But Supreme Court's approval of backdated GST claims served to online gaming companies was seen to work for the greater good.

The verdict has drawn a line between tightly regulated horse racing and unregulated wagering on online gaming. Earlier attempts to segregate games of skill and chance played online didn't yield effective regulation. At one point, GoI was considering setting up a regulator for the industry.



But those efforts yielded to the growing consensus over heavy taxation. The tax burden is, on paper, not exceptionally harsh, because online gaming companies are still ready to do business if they do not have to cough up tax claims for earlier years. GoI, on its part, has valid concerns over online gaming being used as a channel for money-laundering. Retrospective tax helps with investigations into illicit money trails.

Collateral damage to online games that do not involve wagering should be tackled after the dust settles over real money games. This is a sizeable and important component of the modern entertainment industry with deep technological linkages. India has strengths in developing this genre as well as a big market among its young population. Regulating this segment will not pose much difficulty once wagering in online games is tightly regulated and taxed heavily. Retrospective tax is supposed to consolidate the gaming industry. Lawmakers and judges believe they have given the industry an opportunity to focus its energies on the healthy aspects of the business. It's a gamble, where the dice have been loaded.



DELTECH UNIVERSITY
DELHI TECHNOLOGICAL UNIVERSITY

average of 415. The consequence: extre- It means providing some subsidies at This seems to tie in well with Sanje- HDFC Bank

₹, Flex Symbol Shaping Sentiment



Ananya Roy

As the rupee approaches the psychologically-important 100-a-dollar mark, policymakers are once again being asked whether the currency needs defending. Former RBI governor D Subbarao and Finance Commission chairman Arvind Panagariya are right when they say that 100 is 'just a number'. Absolute values of exchange rates cannot be viewed as report cards of national pride. Japan's yen and South Korea's won have also weakened materially against the dollar in recent years. Britain's pound has also seen periods of sharp depreciation without sparking existential fears.

That said, the rupee's slide from 85 to nearly 96 within a year deserves a deeper look, especially because India's macroeconomic fundamentals have remained relatively resilient.

The easy explanation is oil. India imports almost 90% of its crude requirements, and Brent crude prices had surged well past $100 a barrel amid geopolitical tensions in West Asia. With the Strait of Hormuz blockade threatening global energy supplies, import bills have ballooned. But India has faced oil shocks before. It's different this time around, because of the simultaneous pressure from capital outflows. FIIs have pulled out nearly ₹3 tn each in 2024 and 2025, and 2026 is shaping up to be even worse. FII outflows are already approaching the ₹3 tn mark even before the year is out. FPI ownership in NSE-listed companies has fallen to a 17-year low.

The trigger is not merely geopolitics but also deteriorating dollar returns. While Nifty 50 is down just about 4% in rupee terms over the last year, dollar-denominated returns have fallen more than 13%. For global investors, currency depreciation has amplified equity losses, and further faded appeal of Indian equities against that of AI-powered US stock markets.

The irony is that India's domestic economy is doing decently. GDP growth projections from multilateral institutions still hover around 6.5%. Bank balance sheets remain healthy. Capex pipelines are intact. Retail participation in equities continues to surprise on the upside.

Yet, currencies are often driven less by domestic fundamentals and more by relative attractiveness. The US economy has remained surprisingly resilient, partly on relentless AI investments, keeping bond yields elevated and strengthening the dollar globally. Meanwhile, India's new labour codes have affected earnings growth at a rather inopportune time, while the IT industry is grappling with AI-led disruption that threatens traditional outsourcing models.

But that does not mean India is fundamentally weak. Far from it, actually. RBI governor Sanjay Malhotra recently argued that the rupee may have been undervalued after its sharp depreciation, both in nominal and real effective exchange rate terms. India's forex reserves remain sizeable, gross FDI inflows are robust, net FDI inflows turned upwards in FY26, and services exports continue to provide an important cushion.

But markets rarely run on textbook equilibrium. Currencies overshoot, and sentiment can turn self-fulfilling. FII outflows have weighed on the rupee, worsening dollar-returns for FIIs, and further fuelling their exodus — a vicious cycle. If and when the rupee turns back towards its fair value, FIIs can gain in dollar-returns, even if stock markets remain flat.



It's still a message

That said, the big picture concern is not the rupee level itself, but what its persistent weakness signals about India's external vulnerability. Geopolitical shocks are becoming more common, sending oil prices soaring, even as export competitiveness doesn't improve meaningfully despite a weaker currency because many Indian exports have high import content.

India's extreme import dependence for energy needs a fix. GoI's push for renewables and diversified sourcing is critical. But improving export sophistication beyond software services is equally important.

The rupee crossing 100 may ultimately prove symbolic, rather than catastrophic. But symbols matter in markets because they shape sentiment. The bigger question is whether India can transition from being merely the fastest-growing major economy to becoming the most competitive destination for global capital in a world reshaped by AI, energy insecurity and geopolitical fragmentation.

That battle will not be decided at 100 to a dollar. It will be decided by whether India can convince the world that its growth story is durable enough to outlast the next global shock.

The writer is founder, Credibull Capital

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

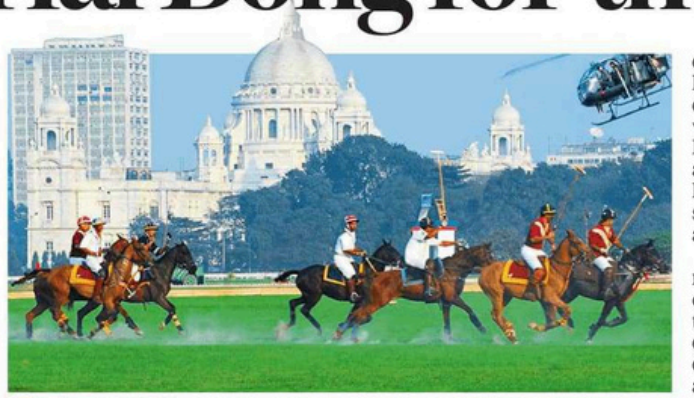
दिल्ली प्रौद्योगिकी विश्वविद्यालय
DELHI TECHNOLOGICAL UNIVERSITY
DEL TECH UNIVERSITY

ECO CHAMBER A blueprint for West Bengal's evolution from an entrepot to a production hub

Industrial Bong for the Buck



Abheek Barua



On to the next chukker

Regime change in West Bengal seems to have rekindled hopes of an industrial renaissance in the state. How difficult is this?

First, some data. Going by NITI Aayog's 2025 report, 'Macro and Fiscal Landscape for West Bengal', its share in national GDP declined from 6.8% to 5.8% between 1990-91 and 2021-22. Its per-capita income in 2021-22 was 20% below national average.

Surprisingly, this was not on the back of sluggish manufacturing. In the decade between 2013-14 and 2022-23, 'real' — gross state value added at constant 2011-12 prices — manufacturing growth was 8.1%, higher than the national average of 5.5%. This may not quite square up with the perception of a state in industrial decline, low per-capita income and large outward migration.

That most manufacturing growth lies in informal micro-enterprises holds a clue to this puzzle. Bengal houses over 16% of India's unorganised industries. There is, however, a relative dearth of big formal manufacturing and associated better-paying formal blue-collar jobs.

Acquiring freehold private land outside state-designated industrial parks remains a big challenge. Land Reform Act of 1955 empowered small farmers, but created a myriad of legal and bureaucratic barriers for industry



So, what thwarted big industry from investing in West Bengal? The biggest constraint is probably land. According to human development ministry, the state's population density is an estimated 1,106 per sq km compared to a national average of 415. The consequence: extreme fragmentation of landholdings.

Acquiring freehold private land outside state-designated industrial parks remains a big challenge. The state's much-lauded Land Reform Act of 1955 empowered small farmers, but created a myriad of legal and bureaucratic barriers for industry.

The state's highly fertile soil has added to the problem with extensive multi-cropping. Rice, the key crop, has three cropping seasons, unlike one or two in the rest of India. Overall, Bengal's cropping intensity is over 180% compared to the national average of about 142%. That means that most of the state's agricultural land is cropped at least twice. Resistance to the proposed Tata car factory in Singur didn't reveal an irrational attachment of farmers to their land. It was hard economics.

Easy solutions like providing 'plug and play' industrial sites, or having a market-based auction for land is not as easy for Bengal than in other states with less population pressure and more arid land. For instance, it's unclear whether free auctions would yield a price for land that is attractive for investors. Remember, Bengal has to compete with other states, some of which have entrenched themselves as popular investor destinations with easy land access.

So, the new BJP government may need to ramp up intermediation — getting land for investors, circumventing constraints of the Reform Act and offering it at a competitive price, even if it means providing some subsidies at initial stages.

In designing a blueprint for Bengal, it's imperative to take a close look at national trends and patterns of manufacturing growth. Judhajit Chakraborty and R Nagaraj's influential 2020 paper published in EPW, 'Has India Deindustrialised Prematurely?', on post-liberalisation trends in manufacturing is insightful, particularly its district-level analysis focusing on trends in 362 districts. (While the authors look at the 1991-2011 period, it's unlikely that patterns and trends have changed dramatically.)

Instead of a state-wide manufacturing strategy with a little bit of everything for each district, pick potential winners – districts or clusters that can offer agglomeration benefits



Rising share of manufacturing jobs in total employment of top 50 districts, and progressive deindustrialisation of a large percentage of other districts (particularly in the 2001-11 period), would suggest 'that manufacturing firms are increasingly getting spatially concentrated, perhaps to reap economies of agglomeration'. This is particularly relevant for Bengal's strategy. Instead of a state-wide manufacturing strategy with a little bit of everything for each district, it's important to pick potential winners — districts or clusters that potentially offer agglomeration benefits.

This seems to tie in well with Sanjeev Sanyal's views that focusing sharply on Kolkata and its catchment as an engine of growth is the best way to drive the state's new industrial strategy. Hooghly riverbanks around Kolkata are dotted with derelict factory sites of legacy industries like jute. Land acquisition for new industries should be relatively easy in these locations.

It would, however, be remiss to ignore the micro enterprises that are the backbone of employment. The 'One District One Product' scheme has identified the competitive advantage of each district — for instance, sports goods and foundry products in Howrah, cashew-processing in Purba Medinipur. So, each district represents a potential mini 'Mittelstand', some of which can be made more viable through right interventions. Bengal's traditional products, its superb artisan work, deserve a larger national and international market.

Prima facie, credit availability seems to be a problem. Bengal's credit-deposit ratio in March 2025 was 27%, compared to the national average of 61%. Small enterprises usually have a problem in raising loans. The state's skew towards micro-enterprises may, at least partly, be pulling the aggregate down. A robust credit guarantee scheme provided by the state, with a buffer for initial loan losses, may help rectify this.

Boosting investments in formal manufacturing would mean taking on the hubs in the southern and western parts of India, whose incumbency advantage has grown over time. Locational pattern of Indian industry has curiously remained static post-liberalisation, unlike China where there was a significant spatial redistribution of investments after its 1978 reforms. Getting large industrial investments would entail breaking this rigidity.

This may seem difficult but it isn't impossible. Bengal is a gateway to both domestic and international eastern markets. It must do its best to evolve from an entrepot to a production hub.

The writer is former chief economist, HDFC Bank


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

AIF Things Get Tough, the Tough...



Siddharth Shah & Rohan Priyadarshi

India's AIF industry is no longer in its formative years. The debate today is not whether the framework has succeeded — it has across almost every metric. Private capital today finances companies across the board, ranging from venture and growth-stage businesses to infrastructure, private credit and special situations opportunities. The next chapter of the AIF story, therefore, won't be defined by growth alone, but will concern evolution of the market itself — what products emerge, who provides capital, and where regulators choose to draw boundaries.

▸ Pension capital Over time, pension funds may become an important source of long-term capital for Indian private markets. Implications extend beyond simply increasing available capital. Pension money is fundamentally different from most existing pools of capital participating in AIFs. Pension funds represent retirement savings and carry a significantly lower tolerance for governance failures, valuation concerns and operational risks.

The result may be a parallel increase in expectations around governance, disclosures, risk management and fiduciary standards. As the investor base evolves, accountability standards may evolve with it.

▸ AI Tech within financial services has traditionally focused on improving internal efficiency-monitoring compliance obligations, managing reporting requirements and identifying risk indicators. The next question can be whether AI becomes equally relevant from the regulator's perspective.

As regulatory reporting requirements increase and markets become more complex, AI-driven tools may increasingly be deployed not merely by managers, but also by regulators for surveillance, anomaly detection and identifying patterns that raise regulatory concerns. Future use of AI in private markets may not simply concern compliance automation but also concern regulatory enforcement itself. The practical question for fund managers won't be, 'Can this be identified?' but rather, 'How quickly can it be identified?'



Ok, get up, you're grown up

▸ Missing pieces in capital stack Growth of the AIF industry has also highlighted certain structural gaps within the market. As private markets mature, fund managers and investors are exploring structures beyond the traditional closed-ended fund model. One such area is growing interest in permanent capital vehicles, which seek to provide long-term or perpetual pools of capital without inherent constraints associated with fixed fund lives and repeated fundraising cycles.

Interest in such structures reflects changing market requirements. Certain investment strategies — particularly private credit, long-duration infrastructure investments and multi-strategy platforms — may not naturally fit within conventional fund structures designed around finite investment and exit horizons.

As markets evolve, regulators could increasingly face a broader strategic question: whether existing frameworks can continue accommodating emerging products through incremental flexibility, or whether differentiated structures and regulatory treatment may become necessary. Mature industries rarely operate through identical structures serving identical needs.

Next phase of regulation could involve not merely supervising existing products but also recognising entirely new categories of capital formation. So, is regulation keeping pace with where capital wants to go?

▸ MFs and search for product identity Introduction of specialised investment funds within the mutual fund framework has also revived an important question concerning product differentiation from AIFs. Historically, MF, PMS structures and AIFs operated within relatively distinct boundaries. As products become more sophisticated, these distinctions may become less obvious.

Challenge for regulators may not simply be creating additional investment products, but also preserving conceptual clarity regarding what distinguishes a traditional retail-oriented product from a specialised investment product intended for sophisticated participants. Without clear differentiation, there's a risk of regulatory overlap and investor confusion.

▸ Growth vs systemic risk Perhaps the most difficult question concerns leverage. Historically, regulatory caution around leverage within AIF structures reflected concerns regarding systemic risk and interconnectedness. But recent developments, including greater flexibility around financing structures and acquisition financing, may reopen questions regarding appropriate limits of leverage in private markets.

The issue is not whether leverage should be permitted. It's whether the existing level of caution continues to remain appropriate as markets become larger and more sophisticated.

Shah is senior partner, and Priyadarshi is principal associate, Khaitan & Co


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

Indian Pharma, Take A Global Shot Again?

One of the two cases of Ebola-infected entries into the country has tested negative. That is a relief. But if the pandemic taught us anything, it's not to let our guard down. Close on the heels of the hantavirus scare is the outbreak of Ebola's Bundibugyo strain in Democratic Republic of Congo (DRC) and Uganda. This latest outbreak, which led to postponing the India-Africa Summit, is serious. WHO has declared it as a public health emergency of international concern.

India has rightly stepped up its surveillance protocols. DRC, epicentre of the outbreak, is already reporting difficulties of containment. India's experience with Covid mitigation — be it manufacturing protective gear or developing vaccines — on different platforms gives it an edge in contributing to efforts to tackle the outbreak. Some efforts are already underway. Serum Institute is working with researchers in Oxford to rapidly manufacture vaccines. Indian scientific bodies — on their own, and in collaboration with global institutions — can work on accelerating medical solutions to zoonotic diseases like Ebola. Strengthening pandemic preparedness by developing prototype vaccines and therapeutics must be prioritised.



This can, in fact, be an important plank of India's engagement globally, Africa in particular — working with countries most vulnerable to zoonotic outbreaks to build surveillance systems and reliable information dissemination mechanisms, developing diagnostic tools for early detection. Vaccines requiring high levels of refrigerated storage are not suitable for most developing countries, and treatments with multiple dosages present a challenge. This can very well be the new face of India's vaccine diplomacy, one that is good for its pharma industry as well.

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