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Survey predicts upbeat India, troubled world

- The Economic Survey 2025-26 that was tabled in Parliament puts FY27 growth range at 6.8%-7.2%
- For FY26, it raises the medium-term domestic growth outlook for the country from 6.5% to 7%
- Outlook for global economy relatively grim, and this could pose risks to India, the survey adds

T.C.A. Sharad Raghavan
NEW DELHI

The Economic Survey 2025-26 on Thursday painted a relatively rosy picture of India's domestic growth outlook, raising the country's medium-term forecast to 7% from the earlier estimate of 6.5%.

However, it simultaneously outlined a relatively grim outlook for the global economy, estimating a 10%-20% chance of a crisis worse than the global financial crisis of 2008 unfolding in 2026.

Even its best-case scenario is a continuation of conditions as they were in 2025, but "increasingly less secure and more fragile".

The Survey, authored by Chief Economic Adviser V. Anantha Nageswaran and tabled in Parliament by Union Finance Minister Nirmala Sitharaman, went on to say that each of its three probabilistic scenarios for the globe could pose risks to India.

Risk analysis

The Economic Survey outlined three scenarios for the world economy that could unfold in 2026

Spelling out strategy: Chief Economic Adviser V. Anantha Nageswaran addressing the media in New Delhi on Thursday. SUSHIL KUMAR VERMA

SCENARIO 1 The best-case
Probability: 40%–45%
- Described as **"business as in 2025,"** where global conditions remain integrated but become less secure
- Existing frictions do not lead to a total collapse, but create **volatility**
- Minor shocks will **require governments to intervene** to stabilise market expectations
- High levels of **policy uncertainty** will persist

SCENARIO 2 Multipolar breakdown
Probability: 40%–45%
- **Systemic breakdown** is no longer just a "tail risk"
- Strategic rivalry prevails and the **Russia-Ukraine conflict** remains unresolved
- Trade becomes explicitly coercive, leading to a **proliferation of sanctions** and counter-measures
- **Supply chains are realigned** under political pressure

SCENARIO 3 The worst-case
Probability: 10%–20%
- A major **correction in AI-infrastructure** investments occur
- The correction triggers intense **risk aversion**
- If this coincides with geopolitical escalation, it could **weaken capital flows** and contract global liquidity
- The macroeconomic fallout could be **worse than the 2008 global financial crisis**

Growth upgrade

For India, the key drivers of a higher medium-term growth outlook are the growth of capital, improved labour participation, and greater efficiency in the deployment of these two factors of production.

For the current financial year 2025-26, the Survey highlighted the government's estimate of 7.4% growth, adding that its 'nowcast' estimate for growth in Q3 (October-December 2025) stood at 7%. For 2026-27, the Survey estimates a growth rate range of 6.8%-7.2%.

The Survey noted that, in the 2022-23 edition, it had estimated India's medium-term growth to be 6.5%, which could rise to 7%-8% only if sustained reforms were conducted.

"Over the past three years, reform momentum has strengthened across several areas relevant for medium-term growth," it said. "Manufacturing-oriented initiatives, such as the production-linked incentive schemes, FDI liberalisation, and logistics reforms, have supported capacity creation."

These measures, it added, were further bolstered by sustained public investment in physical and digital infrastructure, the simplification of tax laws, measures targeted at the MSMEs that have sought to ease credit constraints.

"These reforms have coincided with stronger corporate and financial sector balance sheets, rising formalisation of employment, and continued improvements in tax administration," the Survey added. "Together, these developments make a persuasive case that India's potential growth has risen to around 7% over the medium term."

The Survey outlined three scenarios for the world that could unfold in 2026. The worst of these, the macroeconomic consequences of which "could be worse than those of the 2008 global financial crisis", was assigned a probability of 10%-20%.

Under the worst-case scenario, systemic financial, technological, and geopolitical stresses would amplify each other rather than taking place independently.

A key emerging risk, the Survey said, was the level of highly-leveraged investments in artificial investment (AI).

It said these investments have exposed business models that are dependent on "optimistic" execution timelines, narrow customer concentration, and long-duration capital commitments.

"A correction in this segment would not end technological adoption, but it could tighten financial conditions, trigger risk aversion and spill over into broader capital markets," the Survey said.

Without naming any particular countries, the Survey said that if these developments also coincided with "geopolitical escalation or trade disruption", the result could be a sharper contraction in global liquidity, a jarring weakening of capital flows, and a "shift toward defensive economic responses across regions".

"While this remains a lower-probability scenario, its consequences would be significantly asymmetric," the Survey said. The macroeconomic consequences could be worse than those of the 2008 global financial crisis, it said.

The Survey gave its best-case scenario a 40%-45% chance of occurring. Under this scenario, conditions from 2025 would persist in 2026, albeit in a more fragile state.

In its third scenario, also assigned a probability of 40%-45%, the Survey said the probability of a "disorderly multipolar breakdown" rose significantly. "Under this outcome, strategic rivalry intensifies, the Russia-Ukraine conflict remains unresolved in a destabilising form, and collective security arrangements unravel," the Survey predicted.

Risks to India

The Survey said that in all three scenarios, India was relatively better off than most other countries but added that it still faced risks.

"The three scenarios pose a common risk for India: disruption of capital flows and the consequent impact on the rupee," the Survey said. "Only the degree and the duration will vary."

It added that this impact might not be confined to a year, and could be more enduring.

"In response, India needs to generate sufficient investor interest and export earnings in foreign currency to cover its rising import bill, as, regardless of the success of indigenisation efforts, rising imports will invariably accompany rising incomes," the Survey said.

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KEY HIGHLIGHTS

What is the core message of the Survey?

- India's medium-term potential growth has improved to ~7%.
- Global economy faces high uncertainty, including a low-probability but high-impact crisis risk in 2026.
- India is relatively resilient but not immune to global shocks, especially via capital flows.

Why was India's growth outlook upgraded?

Structural Reasons (Supply-side)

- Capital formation increased due to:
  - High public capital expenditure.
  - Infrastructure creation (physical + digital).
- Labour participation improved due to:
  - Formalisation of employment.
  - Better labour market integration.
- Efficiency gains (TFP) due to:
  - Logistics reforms.
  - Tax simplification.
  - Digital governance.

Growth projections

- FY 2025–26 GDP growth: 7.4%
- Q3 FY 2025–26 nowcast: ~7%
- FY 2026–27 growth range: 6.8% – 7.2%
- Medium-term potential growth: ~7%

Global scenarios for 2026

(a) Worst-case scenario (10–20% probability)

- Crisis worse than 2008.
- Amplification of shocks, not isolated shocks:
  - Financial instability
  - Over-leveraged AI investments
  - Geopolitical escalation
- Outcomes:
  - Global liquidity contraction
  - Capital flight
  - Risk aversion

(b) Best-case scenario (40–45%)

- 2025-like conditions continue.
- Global system becomes more fragile.

(c) Disorderly multipolar breakdown (40–45%)

- Strategic rivalry intensifies.
- Ongoing Russia-Ukraine conflict.
- Weak global governance and security institutions.

Why AI is an economic risk

- AI investments are:
  - Highly leveraged
  - Based on optimistic revenue expectations
- Risk:
  - Asset price corrections
  - Financial market instability
- Important distinction:
  - Technology adoption continues
  - Financial stress increases

Risks to India

- Capital flow volatility
- Pressure on rupee
- External sector vulnerability
- Impact may be prolonged, not temporary.

Structural insight highlighted by Survey

- Rising incomes → Rising imports
- Even with:
  - Indigenisation
  - Make in India
- Therefore:
  - Export competitiveness and foreign exchange earnings are critical.

Static Concept Linkages

- Potential GDP
- Total Factor Productivity (TFP)
- Balance of Payments sustainability
- Capital account volatility
- Import-income elasticity
- Crowd-in effect of public investment

Way Forward

- Strengthen domestic capital markets.
- Diversify export base.
- Maintain adequate forex reserves.
- Improve macro-prudential regulation.
- Sustain infrastructure investment with fiscal discipline.

SC keeps in abeyance 2026 UGC campus equity rules, terms move 'too sweeping'

Krishnadas Rajagopal
NEW DELHI

Amid widespread protests, the Supreme Court on Thursday kept in abeyance the University Grants Commission (Promotion of Equity in Higher Education Institutions) Regulations, 2026, which allegedly recognises only caste-based discrimination committed against Scheduled Castes, Scheduled Tribes, and Other Backward Communities within educational campuses while failing to protect upper castes or general category students.

"The 2026 Regulations have sweeping consequences which will divide the society," Chief Justice of India Surya Kant, heading a Bench comprising Justice Joymalya Bagchi, observed.

The Supreme court agreed that the 2026 Regulations required a closer examination.

It said, for the time being, the University Grants Commission (Promotion of Equity in Higher Education Institutions) Regulations, 2012 would continue to be in force.

Senior advocate Indira Jaising and advocate Prasanna S. intervened against the stay order. Keeping the regulations in abeyance was akin to "calling a fully

> The 2026 Regulations have sweeping consequences which will divide the society... are we going for a regressive policy now?
>
> SURYA KANT
> Chief Justice of India

abled person as disabled," they said. "After whatever we have gained in the past 75 years towards forging a casteless society, are we going for a regressive policy now," the Chief Justice asked.

Notice issued

The court also issued notice to the Union government and the UGC on the petitions specifically challenging Regulation 3(c) of the 2026 Regulations, which defined 'caste-based discrimination' "only on the basis of caste or tribe against the members of the Scheduled Castes, Scheduled Tribes and Other Backward Classes."

"Ragging is one of the biggest problems in educational campuses. If a general category fresher resists ragging by a Scheduled Caste senior, there is a chance that the latter could file a complaint under the 2026 Regulations while the former has no remedy. It could mushroom into a police case. The fresher could be charged, put behind bars and his future would come to an end possibly on the very first day of college," the petitioners' lawyer submitted.

The Regulations, Ms. Jaising said, addressed a real and present problem of discrimination against students from Dalit and historically oppressed castes within higher education institutions, while Mr. Prasanna said discrimination was not solely based on caste.

Justice Bagchi said that rather than focussing exclusively on caste, the regulations should speak of an all-inclusive discrimination. "We should not go to the stage of segregated schools and hostels. The unity of India must be reflected in its educational institutions," Justice Bagchi noted.

Chief Justice Kant asked, "how will people behave outside the campus, if this is done inside the campus?"

LEADERS WELCOME STAY
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KEY HIGHLIGHTS

Context of the News

- The Supreme Court of India kept the UGC (Promotion of Equity in Higher Education Institutions) Regulations, 2026 in abeyance.
- The Court ordered continuation of UGC Regulations, 2012 until further examination.
- Petitions challenged Regulation 3(c), which defines caste-based discrimination only against SCs, STs and OBCs.
- Court observed possible social divisiveness, risk of exclusion, and need for closer scrutiny.
- Notices issued to the Union Government and the University Grants Commission.

Key Points

- Regulation 3(c) restricts legal recognition of caste-based discrimination to constitutionally recognised backward classes.
- Petitioners argued:
  - Violation of Article 14 (equality before law).
  - Absence of remedy for general category students.
  - Potential misuse in campus disputes (e.g., ragging).
- Court observations:
  - Discrimination should be addressed in an inclusive manner.
  - Educational campuses must reflect unity and social integration.
- Issue involves balance between affirmative action and equal protection of law.

Static Linkages

- Article 14 – Equality before law; reasonable classification.
- Article 15(1) – Non-discrimination.
- Articles 15(4), 15(5) – Special provisions for backward classes.
- Article 21 – Right to dignity.
- UGC Act, 1956 – Regulatory powers in higher education.
- NEP 2020 – Equity, inclusion, non-discrimination.
- Doctrine of substantive equality (Indian constitutional jurisprudence).

Critical Analysis

Arguments Supporting 2026 Regulations

- Addresses historical and structural discrimination.
- Reinforces constitutional mandate of affirmative action.
- Recognises vulnerability of marginalised groups in campuses.

Concerns Raised

- Narrow definition may violate universality of equality.
- Risk of selective protection and legal imbalance.
- Potential chilling effect on campus harmony.
- Over-criminalisation of academic disputes.

Way Forward

- Adopt behaviour-based, identity-neutral definition of discrimination.
- Ensure procedural safeguards against misuse.
- Strengthen institutional grievance redressal mechanisms.
- Align regulations with NEP 2020 and constitutional morality.
- Promote sensitisation and inclusiveness over penal measures.

Survey calls for relaxing FRBM for Centre, but says States' finances worsening

T.C.A. Sharad Raghavan
NEW DELHI

The Economic Survey 2025-26 has argued in favour of a delay in strict fiscal targets for the Centre, such as those that had been set under the Fiscal Responsibility and Budget Management (FRBM) Act, saying the government currently needs flexibility to fine-tune fiscal policy "in response to a volatile and unpredictable geopolitical and geoeconomic environment".

The Survey noted that the Centre had stuck to its commitments to reduce its fiscal deficit, but also cautioned States about worsening finances brought on by lower revenues and higher expenditure, including on cash transfers.

The Survey said that after spiking to 9.2% of the GDP during the pandemic year of 2020-21, the Centre's fiscal deficit was on target to be 4.4% at the end of the current financial year, in line with Union Finance Minister Nirmala Sitharaman's commitment to halve the 2020-21 fiscal deficit in five years.

"It is noteworthy that the government was determined to and succeeded in bringing down the fiscal deficit ratio as promised, despite it not being a legislative target, even while improving the quality of fiscal expenditure with a concurrent emphasis on capital expenditure," the Survey said.

Balancing act

The Economic Survey (2025-26) says the government must have flexibility to fine-tune fiscal policy in response to emerging needs

- After spiking to **9.2% of GDP** during the pandemic year of 2020-21, the Centre's fiscal deficit is on target to be **4.4%** at the end of the current financial year, the Survey says, adding that it is noteworthy that the government has succeeded in bringing down the fiscal deficit ratio
- However, the Survey also says that it is important to retain the trust among financial markets and credit-rating agencies by working towards the **3% target** as envisaged in the Fiscal Responsibility and Budget Management (FRBM) Act, 2003

Fiscal flexibility

The FRBM Act's fiscal deficit target of 3% of GDP by March 2020 has been repeatedly deferred by the government, and the Survey acknowledged that there is a "perception" that this target and framework must be reinstated. However, it also went on to argue that this might not be the best approach.

"While it appears *prima facie* appropriate, in the highly uncertain current global environment, it is important to retain greater policy freedom and commit to targets that the government can deliver on," the Survey said.

"Since the FRBM Act was first enacted in 2003, the 3% target has been achieved only once."

This, it said, eroded India's fiscal credibility. Since then, it has taken five years of "sustained commitment to fiscal prudence" following the COVID-19 pandemic for this trust to be restored among financial markets and credit-rating agencies.

"It is important to retain that trust," the Survey emphasised.

Revenue deficit

While praising the Centre for its fiscal prudence, the Survey however cautioned State governments against worsening finances.

The number of States in revenue surplus reduced from 19 in 2018-19 to 11 in 2024-25, leading to an overall increase in the collective revenue deficit of States to 0.7% from 0.1% of GDP over this time period.

KEY HIGHLIGHTS

Context of the News

- Economic Survey 2025-26 recommends delaying rigid fiscal deficit targets under the FRBM framework.
- Rationale: Need for policy flexibility amid global geopolitical and geoeconomic uncertainty.
- Survey acknowledges:
  - Successful fiscal consolidation by the Centre.
  - Worsening fiscal position of State governments.

Key Points

- Centre's fiscal deficit:
  - 9.2% of GDP (2020-21) due to COVID-19.
  - Projected to decline to 4.4% of GDP in the current financial year.
  - Achieved in line with commitment to halve pandemic-year deficit in five years.
- Fiscal consolidation:
  - Achieved despite absence of a legislatively binding target.
  - Simultaneous emphasis on capital expenditure, improving expenditure quality.
- FRBM targets:
  - Original target: 3% fiscal deficit to GDP by 2020.
  - Target repeatedly deferred.
  - Achieved only once since enactment in 2003.
- Fiscal credibility:
  - Repeated target slippages weakened credibility earlier.
  - Post-COVID fiscal prudence restored market and rating-agency confidence.
- State finances:
  - Revenue-surplus States declined from 19 (2018-19) to 11 (2024-25).
  - Aggregate revenue deficit of States increased from 0.1% to 0.7% of GDP.
  - Driven by:
    - Lower revenue mobilisation.
    - Higher committed expenditure, including cash transfers.

Static Linkages

- Fiscal deficit:
  - Excess of total expenditure over non-debt receipts.
- Revenue deficit:
  - Borrowing used for consumption, not asset creation.
- FRBM Act, 2003:
  - Objective: Fiscal discipline, macroeconomic stability, inter-generational equity.
- Capital expenditure:
  - Higher growth and employment multiplier than revenue expenditure.
- Federal fiscal structure:
  - States' fiscal stress affects overall macroeconomic stability.

Critical Analysis

Arguments in favour of flexibility

- Enables counter-cyclical fiscal policy during global shocks.
- Prevents growth sacrifice due to premature austerity.
- Supports infrastructure-led growth through higher capital spending.

Concerns

- Persistent deviation from statutory targets risks long-term fiscal discipline.
- Rising State revenue deficits may:
  - Increase debt burden.
  - Crowd out private investment.
- Populist cash transfers can weaken State fiscal sustainability.

Way Forward

- Adopt debt-to-GDP ratio as primary fiscal anchor.
- Use cyclically adjusted fiscal deficit instead of rigid targets.
- Strengthen State Fiscal Responsibility legislations.
- Rationalise subsidies and cash transfers through better targeting.
- Establish an independent fiscal council for monitoring and transparency.

Economic Survey highlights uneven distribution of secondary schools

The report notes the need to 'internationalise' higher education and build State capacity in the sector; main reason for children dropping out continues to be the need to supplement household income, and domestic and care responsibilities

Abhinay Lakshman
NEW DELHI

A key issue in achieving the target set by the National Education Policy (NEP), 2020 to increase expected years of schooling in India to 15 from the current 13 was the "uneven distribution of schools", said the Economic Survey for 2025-26, released on Thursday ahead of the Budget.

Only about 17% schools provide secondary education in rural areas, it showed, and about 38% schools provide secondary education for urban areas.

The Survey showed that this corresponded with other sources of data that said the largest number of out-of-school children were of secondary school age (between 14 and 18 years), and the need to supplement household income, and domestic and care responsibilities continued to be the leading reasons for school dropouts.

"Building State capacity in higher education, fostering academia-industry collaboration, and expanding global engagement can further enhance the education system's responsiveness to the changing needs of the economy," the report said in its chapter discussing education. The report also touched upon the newly introduced Viksit Bharat Shiksha Adhishthan Bill, 2025 intended to "replace fragmented, overlapping regulations", and focused on policy interventions needed for the "internationalisation" of higher education.

The report shows that only about 17% schools in rural areas, and about 38% in urban areas provide secondary education. FILE PHOTO

"Notable gains in school enrolments and higher education sector, and improvement in innovation index also reflect how PM Modi's 'reform express' is fulfilling aspirations, driving transformations and ensuring inclusive growth," Union Education Minister Dharmendra Pradhan said on Thursday, commenting on the outlook on education in the Economic Survey.

Mr. Pradhan also shared a snapshot of the Survey's section on education, which highlights that India now has 23 Indian Institutes of Technology (IITs), 21 Indian Institutes of Management, and 20 All India Institutes of Medical Sciences, along with establishing two international IIT campuses (in Zanzibar and Abu Dhabi).

While India had improved enrolment at early levels of school education, the "secondary age-specific net enrolment (NER) remains low at 52.2%, highlighting the need to retain students beyond Grade VIII," the Survey said.

"To fully convert its vast human resource base into high quality human capital, India needs to raise its EYS (Expected Years of Schooling) to 15 years set by NEP's 5+3+3+4 schooling structure for ages 3-18.2," the Survey added.

Citing data from the Periodic Labour Force Survey of 2023-24, the Survey notes that nearly two crore adolescents aged between 14 and 18 were out of school.

"The single largest reason for adolescent dropout is the need to supplement household income, accounting for 44% of dropouts," it added. While over 67% boys cite the need to supplement household income as a reason for dropping out of school, 55% girls reported domestic and care responsibilities as the "major constraint", the Survey said.

"High dropout rates, driven by economic pressures, make integrating school-based vocational and skills education an urgent priority," the Survey noted, adding that current data from the Periodic Labour Force Survey 2023-24 showed that only 0.97% of adolescents aged between 14 and 18 had received institutional skilling, with 91.94% having received none.

A major thrust of the Survey's section on higher education is the need to "internationalise" the sector, along with developing State capacities for higher education, considering that over 81% of higher education enrolments were in State institutions.

KEY HIGHLIGHTS

Context of the News

- The Economic Survey 2025–26 highlighted structural constraints in achieving the Expected Years of Schooling (EYS) target of 15 years envisaged under the National Education Policy.
- The Survey identifies uneven availability of secondary schools, especially in rural areas, as a critical impediment.
- It flags adolescent dropouts (14–18 years) as the weakest segment in India's education pipeline.

Key Points

- Expected Years of Schooling (EYS):
  - Current level: 13 years
  - NEP target: 15 years (ages 3–18 under 5+3+3+4 structure)
- Availability of secondary schools:
  - Rural India: ~17% schools offer secondary education
  - Urban India: ~38%
- Secondary Net Enrolment Ratio (NER):
  - 52.2%, indicating high dropout after Grade VIII
- Out-of-school adolescents (14–18 years):
  - Nearly 2 crore (PLFS 2023–24)
- Primary reasons for dropout:
  - Supplementing household income: 44% overall
  - Boys: 67% cite economic work
  - Girls: 55% cite domestic and care responsibilities
- Vocational education gap:
  - Only 0.97% adolescents received institutional skilling
  - 91.94% received no skilling support
- Higher education landscape:
  - Over 81% enrolment in State institutions
  - Emphasis on State capacity building
- Institutional expansion:
  - 23 IITs, 21 IIMs, 20 AIIMS
  - International IIT campuses in Zanzibar and Abu Dhabi
- Policy focus on internationalisation of higher education and regulatory rationalisation through Viksit Bharat Shiksha Adhishthan Bill, 2025.

Static Linkages

- Article 21A: Guarantees free and compulsory education for ages 6–14 only.
- Education in Concurrent List: Requires coordinated Centre–State action.
- Human Capital Theory: Education as a driver of productivity and growth.
- Demographic Dividend: Quality secondary education critical for labour force readiness.
- Gendered social norms: Domestic responsibilities affecting female education outcomes.

Critical Analysis

Strengths

- Data-driven identification of secondary education bottleneck.
- Recognition of economic compulsion as a key dropout driver.
- Emphasis on vocational integration within schooling.
- Focus on international competitiveness of higher education.

Challenges

- Infrastructure deficit in rural secondary education.
- Weak linkage between schooling and employability.
- Gendered burden of unpaid care work.
- Risk of internationalisation benefiting only elite institutions.
- Fiscal and administrative capacity constraints at State level.

Way Forward

- Expand secondary school infrastructure in rural and aspirational districts.
- Integrate vocational education and apprenticeships from Grade IX.
- Strengthen conditional cash transfers and scholarships for adolescents.
- Flexible schooling models for working children.
- Enhance State funding and governance capacity in higher education.
- Convergence of NEP 2020, Skill India, Digital Education initiatives.
- Community-level interventions to reduce gendered care burdens.

Survey calls for tackling rising digital addiction, mental health problems

Bindu Shajan Perappadan
NEW DELHI

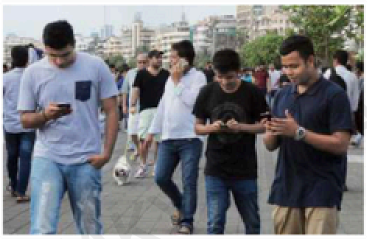
The Economic Survey 2025-26, presented on Thursday, has flagged the rapid rise of digital addiction and screen-related mental health problems as a major healthcare issue, particularly among children and adolescents.

The Survey has recommended structured interventions including cyber-safety education, peer-mentor programmes, mandatory physical activity in schools, parental training on screen-time management, age-appropriate digital access policies, and platform accountability for harmful content.

It also suggests network-level safeguards such as differentiated data plans for educational-versus-recreational use and default blocking of high-risk content categories.

On mental healthcare delivery, the Survey proposed expanding the national Tele-MANAS programme beyond crisis counselling to actively address digital addiction. Integration with school and college systems and training of dedicated counsellors is recommended to normalise help-seeking behaviour and enable early intervention at scale.

The Survey also underlined the importance of technology-enabled public health surveillance and service delivery and stated that sustained investment in preventive care, nutrition, mental health, digital wellness and community-level health systems was essential to protect India's demographic dividend and ensure a healthier, more productive workforce in the coming decades.



It suggests mobile network-level safeguards such as differentiated data plans for educational-versus-recreational use. FILE PHOTO

Decline in MMR

It also noted that since 1990, India had reduced its maternal mortality rate (MMR) by 86%, far exceeding the global average of 48%. "A 78% decline in the under-five mortality rate (U5MR) was achieved, surpassing the global reduction of 61% and a 70% decline in the neonatal mortality rate (NMR) compared to 54% globally during 1990 to 2023. The infant mortality rate (IMR) marked a drop of more than 37% over the past decade, declining from 40 deaths per thousand live births in 2013 to 25 in 2023," it said.

Roma Kumar, clinical psychologist, Sir Ganga Ram Hospital, said the pandemic accelerated screen dependence as isolation pushed individuals toward digital spaces for connection. "Excessive screen time aggravates all lifestyle diseases. Preventive strategies include exercise, stress management, and lifestyle changes from a young age," she said.

Vinay Aggarwal, former national president, Indian Medical Association (IMA), said that India had an inappropriate share of both infectious and non-infectious diseases. "Burdened by the thrifty gene inherited over centuries, the current lifestyle and food choices end up in fatty liver, obesity, and diabetes mellitus," Dr. Aggarwal added.

KEY HIGHLIGHTS

Context of the News

- The Economic Survey 2025–26 flagged digital addiction and screen-induced mental health disorders as an emerging public health challenge, especially among children and adolescents.
- It linked the rise in screen dependence to post-pandemic behavioural changes, increasing lifestyle diseases, and long-term productivity risks.
- The Survey also highlighted India's significant progress in maternal and child health indicators, alongside the need to rebalance healthcare priorities towards preventive and mental healthcare.

Key Points

- Rapid increase in digital addiction, anxiety, depression, sleep disorders, and attention deficits among youth.
- Recommended multi-layered interventions:
  - Cyber-safety education and peer mentoring
  - Mandatory physical activity in schools
  - Parental training on screen-time regulation
  - Age-appropriate digital access norms
  - Platform accountability for harmful content
- Proposed network-level safeguards:
  - Differentiated data plans (educational vs recreational)
  - Default blocking of high-risk digital content
- Expansion of Tele-MANAS from crisis counselling to digital addiction management, integrated with schools and colleges.
- Health outcome achievements (1990–2023):
  - MMR reduced by 86% (global average: 48%)
  - U5MR declined by 78% (global: 61%)
  - NMR reduced by 70% (global: 54%)
  - IMR declined from 40 (2013) to 25 (2023) per 1,000 live births
- Experts highlighted the role of lifestyle diseases, thrifty gene hypothesis, and unhealthy food habits in India's disease burden (as noted by Indian Medical Association leadership).

Static Linkages

- Health as a State subject with Union support under the Seventh Schedule (Constitution of India).
- Preventive healthcare emphasis aligns with Primary Health Care approach (Alma-Ata Declaration).
- Mental health as part of Right to Life (Article 21) – judicial interpretation.
- Demographic Dividend theory: productivity depends on health, skills, and employability of working-age population.
- Epidemiological transition: coexistence of communicable and non-communicable diseases in developing economies.

Critical Analysis

Positives

- Shifts healthcare focus from curative to preventive models.
- Recognises digital well-being as a public policy concern.
- Integration of mental health with education systems reduces stigma.
- Data-driven surveillance improves early intervention capacity.

Concerns / Challenges

- Implementation capacity varies across States.
- Risk of over-regulation impacting digital inclusion.
- Shortage of trained mental health professionals.
- Platform accountability raises issues of free speech and regulation.
- Digital divide may limit access to tele-mental health services.

Way Forward

- National Digital Wellness Framework with clear standards for children.
- Strengthen school-based health programmes under Ayushman Bharat.
- Expand mental health workforce through task-shifting and skilling.
- Incentivise platforms to adopt ethical-by-design algorithms.
- Community-level awareness using ASHAs, teachers, and local bodies.
- Continuous monitoring using anonymised digital public health data.

India-Arab League: bridging cultures, creating opportunities

Ministers and delegates of the 22-member Arab League are gathering in Delhi for the 2nd India-Arab Foreign Ministers' Meeting on January 30-31, 2026. This is a major diplomatic outreach by India at a time when there are multiple conflicts brewing on the horizon in the region and the world is grappling with the rapidly changing global order, set in motion largely due to U.S. President Donald Trump's total disregard for the sovereignty of nations and the rules-based international order.

As the ministers gather in Delhi, war clouds are still hovering over Iran and the massive military build-up by the U.S. continues. In Syria, despite a ceasefire, uncertainty continues and long-term peace is still some distance away. Gaza finally looks towards transitioning to peace even as details of phase two of the ceasefire are still in the works. The recovery of the body of the last Israeli hostage from Gaza on January 26 is a major victory for Israel and may well motivate it to move towards relaxing the restrictions in Gaza.

However, the most surprising development is the emergence of fault lines among two close allies – Saudi Arabia and the UAE – mostly over conflicting interests in Yemen but also over power and influence in the region. We need to watch out for the possibility of rival military alliances. India, too, is closely monitoring the situation, while formulating its own strategy for the region.

Col. Rajeev Agarwal (Retired)

Senior Research Consultant, Chintan Research Foundation

India and the Arab League

The Arab League, officially known as the League of Arab States (LAS), was formed in Cairo on March 22, 1945, initially with seven members. Today, it has 22 member states from North Africa and West Asia. Although India's relations with countries in the Arab League go back centuries, the engagement with the LAS was formalised in March 2002 when a Memorandum of Understanding (MoU) was signed, institutionalising the process of dialogue. The MoU is aimed to "promote and develop the traditional relationship of friendship and cooperation between India and the Arab States" and provides for annual meetings between the External Affairs Minister of India and the Secretary General of the Arab League.

During the visit of Arab League Secretary General, Amr Moussa, to India in December 2008, the Arab-India Cooperation Forum (AICF) was established. And in December 2010, the Indian Ambassador to Egypt was designated as India's Permanent Representative to the Arab League. The first meeting of the AICF was held in January 2016 at Manama, Bahrain. In addition, there is the India-LAS Partnership and Investment Summit, a biennial flagship economic event. During the current visit of foreign ministers, a new initiative called the India and Arab Countries Chambers of Commerce, Industry and Agriculture is scheduled to be inaugurated.

As India grows into a major power, the Arab League region forms a critical part of its global matrix. For the Arab League countries too, India is a strong and reliable partner

Key pillars of engagement

The India-LAS partnership goes beyond trade and investment. Over the past decade, strategic partnerships and security have emerged as crucial areas of engagement. Oman was the first country with which India signed a strategic partnership in 2008. With the signing of similar agreements with the UAE in 2015, Saudi Arabia in 2019, Egypt in 2023, and Qatar in 2025, the depth and scope of strategic convergence with the region has grown rapidly.

India has also strongly rallied for the region in various multilateral forums such as BRICS and SCO. Even among the strategic vision of countries, there are significant convergences, whether it is the Saudi Vision 2030, the UAE Centennial 2071, the Kuwait Vision 2035, the Oman Vision 2040, or India's Viksit Bharat in 2047. In fact, in the Saudi Vision 2030, India is one of the eight strategic partners.

Trade and investments continue to be the bedrock of the relationship and have stood the test of time, including the COVID-19 pandemic. Most of India's external trade passes through the Suez Canal, the Red Sea, and the Gulf of Aden. Bilateral trade between India and the Arab League currently stands at over $240 billion. India has signed the Comprehensive Economic Partnership Agreement with the UAE and Oman. As a result, bilateral trade with the UAE has already crossed $115 billion and has now been reset at $200 billion by 2030. Major investment commitments in India have been made by the UAE ($75 billion), Saudi Arabia ($100 billion) and Qatar ($10 billion), mostly in the fast-growing infrastructure sector. The cumulative FDI in India from the region has crossed $2.5 billion. As trade ties grow, connectivity becomes an important factor to ensure speed, efficiency and collective prosperity. The India-Middle East-Europe Economic Corridor, launched at the G20 Leaders' Summit in New Delhi in September 2023, therefore, gains significance and is likely to be discussed at the meeting.

With Prime Minister Narendra Modi pushing for development of digital public infrastructure for speed and transparency of transactions, Fintech is emerging as yet another area of mutual convergence. The RuPay card was launched in the UAE in August 2019. From July 2023, the Indian rupee is being accepted as legal currency at Dubai airports. Also, India and the UAE have operationalised the rupee-dirham settlement system. India's Unified Payments Interface is already accepted for financial transactions in Bahrain, Saudi Arabia, Qatar, and the UAE and is likely to grow further in the LAS countries soon.

Energy is a critical pillar of the partnership. The region caters to about 60% of India's crude oil imports, 70% of natural gas, and more than 50% of fertilizers and related products. Iraq, Saudi Arabia, and the UAE are the top three exporters of crude oil. The UAE has also signed an agreement with India to store strategic oil reserves in the country, operationalised with an initial investment of $400 million. With Qatar, the $78 billion Liquified Natural Gas (LNG) deal signed in February 2024, with assured import of 7.5 million tonnes of LNG a year for another 20 years, adds a critical link to India's energy security. In addition, in July 2023, ADNOC (Abu Dhabi National Oil Company) and Indian Oil signed a LNG contract for 1.2 million metric tonnes per annum over a period of 14 years.

Living under the threat of conflicts and terror, security and defence are growing as important pillars in the partnership. Defence partnership agreements have been signed with multiple countries in the LAS including Oman, the UAE, Saudi Arabia, Egypt, and Qatar and are growing. India's maritime security initiatives such as Security and Growth for All in the Region (SAGAR) aim to promote joint collaboration in the Indian Ocean Region, particularly against sea piracy and maritime security threats. India's agreement with Oman over the Duqm port is a strategic deal that offers a critical advantage to the Indian Navy in its operations in the region while also allowing it to keep a discreet watch on the activity of China's People's Liberation Army Navy. The threat of war in Iran and the future of the Gaza peace process are common areas of security concerns in the region and are likely to figure as a key agenda during the meetings.

Most of the LAS countries are in total sync in India's fight against cross-border terror and have condemned the Uri, Pathankot, Pulwama, and Pahalgam terror attacks in India. Joint production of defence equipment and export of key weapon platforms such as the Tejas fighter aircraft, BrahMos and Aakash missiles, and artillery guns are also emerging as important attractions for LAS countries. Cyber, space and drone are future areas of cooperation.

Looking ahead

As India grows into a major economic, political, and military power, the Arab League region forms a critical part of its global matrix. For LAS countries too, India is a strong and reliable partner. The countries of the two regions may be separated by the Arabian Sea but are joined by history, destiny, trust, and growing brotherhood. The meeting of the foreign ministers of LAS in Delhi offers the perfect opportunity to forge closer ties and seek new avenues of engagement.

KEY HIGHLIGHTS

Context of the News

- The 2nd India–Arab Foreign Ministers' Meeting is being held in New Delhi (January 30–31, 2026).
- Delegations from all 22 member states of the Arab League are participating.
- The meeting is taking place amid:
  - Escalating tensions involving Iran and U.S. military build-up.
  - Fragile ceasefires in Gaza and Syria.
  - Emerging strategic differences among key Arab powers (Saudi Arabia–UAE).
- India's outreach reflects its growing role in West Asian geopolitics, energy security, trade, and maritime stability.

Key Points

- Institutional Engagement
  - India–Arab League MoU signed in 2002 to institutionalise dialogue.
  - Arab–India Cooperation Forum (AICF) established in 2008.
  - Indian Ambassador to Egypt designated as Permanent Representative to Arab League (2010).
- Strategic Partnerships
  - Strategic partnership agreements with Oman, UAE, Saudi Arabia, Egypt, and Qatar.
- Trade & Investment
  - India–Arab League trade exceeds $240 billion.
  - CEPA signed with UAE and Oman.
  - Major investment pledges in Indian infrastructure and manufacturing.
- Connectivity
  - Importance of maritime routes: Suez Canal, Red Sea, Gulf of Aden.
  - India–Middle East–Europe Economic Corridor (IMEC) enhances supply chain resilience.
- Energy Security
  - West Asia supplies:
    - ~60% of India's crude oil
    - ~70% of natural gas
    - 50% of fertilisers
  - Long-term LNG agreements with Qatar and ADNOC.
- Digital & Fintech
  - RuPay card and UPI operational in multiple Arab states.
  - Rupee–Dirham settlement mechanism operational.
- Defence & Security
  - Defence cooperation agreements with several Arab countries.
  - Maritime cooperation under SAGAR framework.
  - Strategic access to Duqm Port (Oman).
- Counter-terrorism
  - Arab League countries support India on cross-border terrorism.
  - Condemnation of major terror attacks in India.

Static Linkages

- Regional organisations as instruments of collective diplomacy.
- Strategic importance of West Asia–North Africa (WANA) in global geopolitics.
- Maritime chokepoints and sea lane security.
- Evolution of India's foreign policy: Non-Alignment → Strategic Autonomy → Multi-alignment.
- Energy diplomacy as a component of national security.

Critical Analysis

Strengths

- Enhances India's strategic presence in West Asia.
- Secures long-term energy supplies.
- Expands defence exports and joint production.
- Strengthens India's role as a balancing power amid great power rivalry.

Challenges

- Intra-Arab rivalries complicate India's diplomatic balancing.
- Regional instability threatens energy and trade routes.
- Continued dependence on fossil fuels.
- Fragile peace processes increase security risks for diaspora and shipping.

Way Forward

- Maintain issue-based engagement without alignment in regional rivalries.
- Link energy partnerships with renewables and green hydrogen.
- Strengthen maritime domain awareness and naval cooperation.
- Fast-track operationalisation of IMEC.
- Expand defence co-development under Atmanirbhar Bharat.
- Use digital public infrastructure as a diplomatic tool.

Is India prepared for the end of globalisation?

Earlier this month, U.S. President Donald Trump remarked that India reduced Russian oil imports to make him happy, and issued a further warning that more tariffs could be imposed if India displeases him. This was an accurate representation of how Mr. Trump approaches bilateral negotiations. What is broken is not just global trade, but the political system that governs it. What is taking its place is a return to mercantilism – a view of trade as an instrument of state power, where surpluses are strength and deficits are weakness.

Globalisation is usually described as the expansion of free trade of goods and services. That is an incomplete description. Globalisation is a political system that defined how governments ran markets and societies, and how they engaged with each other and with networked global institutions that they had established. It came to be associated with liberalism, democracy, and global cooperation. That system is now over.

Suvojit Chattopadhyay

Governance and public policy professional with over two decades of experience across South Asia and East Africa

Without stronger state capability, greater social cohesion, and a social contract committed to sharing growth more evenly, India risks remaining a country that lays claim to being a Vishwaguru without the institutional foundations and economic means to achieve it

A new order

The world economy was global long before it was liberal. Early globalisation was built on force. Wealth accumulation in the industrialised north was on the backs of domestic resource exploitation and overseas resource extraction. Trade was lopsided, not free.

Towards the middle of the 20th century, as the rest of the world found its voice and war had ravaged the industrialised countries, it was time for a new order. Sovereignty spread faster than democracy. Global institutions were birthed to offer a normative framework to manage international affairs. Even when unilateral power was exercised, it was couched as a pursuit of democracy, regional stability, or humanitarian compassion. The legitimacy of the system depended on that restraint. That restraint has now been abandoned openly.

This global system, with a normative multilateral core, rested on several political assumptions - open markets, free movement of capital but not people, cross-border enforcement of contracts, negotiations over management of shared resources. For a while, these assumptions seemed to hold as many countries experienced economic growth and declines in poverty.

Unintended consequences

There were, however, two unintended consequences. First, returns to capital far outstripped increases in wages. As the integration of global markets and supply chains deepened, economic pressures intensified. Manufacturing declined in some regions and surged in others. Migration from poor to rich countries increased. It was a matter of time before populist politics would take shape to respond to these imbalances.

Second, the geopolitical foundations of the post-colonial era were shaken by the rise of China. China provided the starkest example of a country that broke through into the global economy and accumulated wealth and power without complying with the multilateral order. China benefited enormously from access to global markets, supply chains, and technology, but retained firm state control over capital, labour and information. China's trade surplus reflects the relentless pursuit of a model of excess capacity and external demand, which has stunted the industrial ambitions of poorer countries, including India. Over time, China accumulated enough power to emerge as an alternative model for both economic growth and consolidation of domestic political power.

Together, these developments changed how major economies came to view globalisation. Global cooperation came to be viewed as an opportunity cost, or at best as a distraction, as populist politics turned societies inward-looking. Their response is essentially an assertion of sovereignty at the expense of liberal values, such as the politicisation of migration and the promotion of industrial policy to buy self-sufficiency. This is why globalisation, as it was practised, is now dead.

The crutch of global cooperation has already been taken away from the developing world. International aid is now conditional on the national interests of donor countries. With multilateral institutions failing, the ability of developing countries to negotiate jointly on matters such as climate change or illicit financial flows is weakening rapidly. Domestically, restless youth now demand much more of their governments. Political elites need to recognise this moment and act decisively, even if they initially do so to further their self-interest.

India's role

What is India's role going to be in this emerging global order? India is simultaneously too large to ignore and too poor to matter. Over the last 15 years, we have squandered the opportunity to convert our demographic advantage into productive capacity. The social pyramid has become more sharply stratified, with an overwhelmingly poor and powerless base supporting a narrow apex.

India can still become a serious player in a few selected domains – digital public infrastructure being the most prominent, but also with potential in renewable energy, the services sector, and democratic decentralisation. But it is hard to see how those possibilities can be realised under the current political economy. Even the limited economic growth we have seen has not been accompanied by a credible commitment to expanding the base through sustained public investment in health and education. In a mercantilist world order, low state capacity will only result in long-term irrelevance.

Without stronger state capability, greater social cohesion, and a social contract committed to sharing growth more evenly, India risks remaining a country that lays claim to being a Vishwaguru without the institutional foundations and economic means to achieve it. Rhetoric alone will not be enough.

KEY HIGHLIGHTS

Context of the News

- Recent statements by Donald Trump indicated a transactional and coercive approach to trade, including tariff threats linked to India's foreign policy choices.
- The episode reflects a structural shift in the global economic order away from rule-based multilateralism.
- Global trade is increasingly shaped by power politics rather than liberal economic norms.

Key Points

- Return of Mercantilism
  - Trade viewed as an instrument of state power.
  - Export surpluses considered strength; import dependence seen as weakness.
- End of Liberal Globalisation
  - Decline of WTO-led dispute settlement.
  - Erosion of trust in multilateral institutions.
- Rise of Populist Economics
  - Protectionism driven by wage stagnation and deindustrialisation in developed countries.
- China Factor
  - Integration into global markets without political liberalisation.
  - Persistent trade surpluses via excess capacity and state control.
- Impact on Developing Countries
  - Reduced policy space.
  - Conditional aid aligned with donor national interests.
  - Weak collective bargaining on climate finance and global commons.

Static Linkages

- Mercantilism: Pre-classical trade theory prioritising state power.
- Comparative Advantage: Classical theory underlying liberal trade.
- Post-WWII Global Order
  - Bretton Woods Institutions (IMF, World Bank).
  - GATT → WTO framework.
- State Capacity and Development
  - Link between public investment in health, education and productivity (NCERT, Class XI & XII).
- Global Governance
  - Sovereignty vs multilateral norms debate.

Critical Analysis

Positive Dimensions

- Strategic autonomy allows selective partnerships.
- Opportunity to shape norms in areas like digital public infrastructure.

Concerns

- Rule-based trade erosion disadvantages middle powers.
- Mercantilism increases risk of tariff wars and inflation.
- China's excess capacity constrains industrialisation of late-comer economies.
- India's low state capacity limits competitiveness in a protectionist world.

Indian Constraints

- Underinvestment in health and education.
- High inequality and weak social mobility.
- Incomplete demographic dividend utilisation.

Way Forward

- Strengthen State Capacity
  - Higher public spending on health and education (Economic Survey, NITI Aayog).
- Targeted Industrial Policy
  - Focus on renewables, digital public infrastructure, services.
- Human Capital Development
  - Skill formation aligned with labour-intensive sectors.
- Coalition-based Multilateralism
  - Issue-based leadership with Global South.
- Inclusive Growth
  - Broaden economic base through decentralisation and social investment.

Devolution, not debt

Cesses and surcharges levied by Centre must be in divisible pool

While the Union Budget is keenly tracked by States to assess their share in overall Central tax devolution, it is becoming increasingly clear that this revenue stream no longer plays the stabilising role it once did in State finances. The evidence lies in the rapid expansion of State Development Loans (SDLs), which have emerged as a key financing instrument for States' day-to-day spending needs. In 2024-25 (Revised Estimates), SDLs amounted to about 35% of Tamil Nadu's total revenue receipts and nearly 26% of Maharashtra's – levels that would have been considered fiscally exceptional a decade ago. This shift gathered pace after 2020-21, when the COVID-19 pandemic delivered a severe economic shock and Central devolution proved inadequate. This dependence on borrowing has not reversed since. Instead, States are increasingly relying on SDLs; borrowings by profit-making State PSUs and Special Purpose Vehicles are done to finance even routine revenue expenditure. This has happened despite the 15th Finance Commission fixing States' share at 41% of the divisible pool, as the effective flow of resources has been eroded by the growing use of cesses and surcharges, which lie outside the divisible pool. The problem is acute for industrialised States with a large indirect tax base. Since the introduction of GST in 2017, a substantial share of these revenues is collected by the Centre and redistributed through a formula that often weakens the fiscal link between tax effort and reward. Consequently, welfare commitments – pensions for the elderly and retired employees and mass health insurance schemes for the poor – are increasingly being funded through domestic borrowing. This limits the availability of funds for public capital expenditure and private investment, which is essential to sustain growth.

A comparison of borrowing patterns over the past five years across Punjab, Uttar Pradesh, Tamil Nadu, Maharashtra and West Bengal underlines this trend. West Bengal, which is structurally dependent on Central devolution – averaging about 47.7% of its revenue receipts over the last five years – continued to borrow heavily from the domestic market. SDLs constituted roughly 35% of the State's revenues on average during this period, even as nominal tax devolution rose. This points to a steady erosion of States' fiscal autonomy, with potentially serious macroeconomic consequences as debt-to-GSDP ratios rise while assured revenue streams weaken. If debt, rather than devolution, becomes the primary shock absorber in India's federal system, fiscal sustainability itself comes under strain. India needs higher effective devolution, and a reworking of horizontal devolution criteria to give greater weight to tax effort and efficiency. Cesses and surcharges must be brought into the divisible pool.

KEY HIGHLIGHTS

Context of the News

- Recent fiscal trends indicate a declining stabilising role of Central tax devolution in State finances.
- States are increasingly financing routine revenue expenditure through market borrowings, especially State Development Loans (SDLs).
- This trend accelerated after COVID-19 (2020-21) when Central transfers were insufficient to absorb fiscal shocks.
- Despite the 15th Finance Commission recommending 41% share of States in the divisible pool, effective resource flow has weakened due to rising cesses and surcharges.

Key Points

- Rising Dependence on SDLs
  - 2024-25 (Revised Estimates):
    - Tamil Nadu: SDLs ≈ 35% of revenue receipts
    - Maharashtra: SDLs ≈ 26% of revenue receipts
- Structural Shift Post-GST
  - Indirect tax collection centralised.
  - Weakening of tax effort–revenue reward linkage, especially for industrialised States.
- Borrowing for Welfare Spending
  - Pensions, health insurance, and social security increasingly funded via debt.
  - State PSUs and SPVs used for off-budget borrowings.
- West Bengal Example
  - Central devolution ≈ 47.7% of revenue receipts (5-year average).
  - SDLs ≈ 35% of revenues despite rising nominal transfers.
- Macro-Fiscal Risk
  - Rising debt-to-GSDP ratios.
  - Reduced fiscal space for public capital expenditure and private investment.

Static Linkages

- Fiscal Federalism – Vertical and horizontal devolution.
- Article 270 – Distribution of taxes between Union and States.
- Article 271 – Power of Union to levy cesses and surcharges.
- FRBM Acts – Fiscal discipline and debt sustainability.
- GST Framework – Destination-based consumption tax.
- Crowding Out Effect – Public borrowing reducing investment.

Critical Analysis

Key Issues

- Replacement of devolution with borrowing weakens cooperative federalism.
- Heavy reliance on SDLs for revenue expenditure raises inter-generational equity concerns.
- Expansion of cesses and surcharges reduces States' constitutional revenue entitlements.
- GST design dilutes incentives for States with higher tax effort.
- Increased debt servicing limits capital expenditure.

Stakeholder Impact

- States: Reduced fiscal autonomy, higher debt burden.
- Centre: Greater fiscal discretion via non-shareable taxes.
- Economy: Risk to long-term growth and macro-stability.

Way Forward

- Include cesses and surcharges within the divisible pool.
- Increase effective devolution, not just nominal percentages.
- Revisit horizontal devolution criteria to reward tax effort and efficiency.
- Strengthen fiscal transparency by limiting off-budget borrowings.
- Ensure borrowings are directed primarily towards capital expenditure.
- Enhance States' own tax revenue mobilisation and expenditure efficiency.

Quick pill

Removal of some pharma regulations should not come at the cost of quality

The government's move to scrap the traditional, mandatory test licences required to manufacture small quantities of drugs for research is an effort to remove the sometimes-crippling regulatory hurdles in the pharmaceutical sector. This decision aligns with the national goal of facilitating ease of doing business. The central element of these amendments to the New Drugs and Clinical Trials Rules, 2019, is replacing the mandatory licence requirement for non-commercial manufacture of drugs with a prior-intimation mechanism. Developers can now manufacture small quantities of drugs for research, testing, and analysis after intimating the Central Drugs Standard Control Organisation via its SUGAM Portal, online. Once a 'notice of intent' is acknowledged online, a company is free to go ahead with drug synthesis, strictly for research. In a post-COVID world, where speed of delivery for end use has gained virtue, the government anticipates that removal of this licencing factor will fast-track the timeline of drug development by at least three months. Specific low-risk bioavailability and bioequivalence studies can also commence after an online intimation on the portal. In addition, even for categories in which a licence is still required, such as for high-risk psychotropic or narcotic drugs, the statutory processing time will be reduced from 90 days to 45. All manufacturers are required to meticulously document and file processes as per rules.

The abolishment of a 'licence raj' is always good news. The dismantling of hurdles in pharma research and development bodes well for a country that is aspiring to position itself as the pharmacy of the world. The paperless, prior intimation mechanism will no doubt reduce the time spent twiddling thumbs, waiting for a physical copy of the licence. And time saved is, naturally, money and lives saved. Reducing the time a drug takes from the lab to the bedside for practical use can save countless lives and reduce morbidity in many more. However, the government would do well to circumvent the danger of a drop in quality control by initiating a mechanism, after intimation, to ensure that all good manufacturing practices are strictly adhered to. No drug, however speedily produced, is worth the blister it is packaged in if it comes with quality lapses. Poor pharmaceutical oversight, as recent cough syrup-related deaths showed, can be fatal.

KEY HIGHLIGHTS

Context of the News

- Government amended the New Drugs and Clinical Trials Rules, 2019.
- Mandatory test licence for non-commercial manufacture of small drug quantities for R&D has been removed.
- A prior-intimation mechanism through the Central Drugs Standard Control Organisation (CDSCO) SUGAM Portal has been introduced.
- Objective: reduce regulatory delays and promote pharmaceutical research and innovation.

Key Points

- Licence requirement replaced by online notice of intent for research-only drug manufacture.
- Manufacturing can begin after online acknowledgment on the SUGAM Portal.
- Expected reduction in drug development timeline by ~3 months (government estimate).
- Certain low-risk bioavailability and bioequivalence studies allowed via prior intimation.
- Licence requirement continues for high-risk psychotropic and narcotic drugs.
- Statutory processing time for such licences reduced from 90 days to 45 days.
- Mandatory documentation and compliance with Good Manufacturing Practices (GMP) retained.

Static Linkages

- Drugs and Cosmetics Act, 1940
- Regulatory governance in public health
- Concept of Licence Raj and economic reforms
- Risk-based regulation
- Good Manufacturing Practices (GMP)
- Ease of Doing Business framework

Critical Analysis

Advantages

- Reduces bureaucratic bottlenecks in pharmaceutical R&D.
- Encourages innovation and faster drug development.
- Supports India's role as a global pharmaceutical supplier.
- Aligns with post-COVID need for rapid healthcare solutions.

Concerns

- Risk of weakened quality control without prior licensing.
- Increased burden on post-manufacture inspections.
- Past sub-standard drug incidents highlight enforcement gaps.
- Capacity constraints of drug regulatory authorities.

Way Forward

- Strengthen post-intimation inspections and audits.
- Integrate digital GMP compliance tracking with SUGAM Portal.
- Enhance manpower and technical capacity of regulators.
- Adopt risk-based monitoring rather than blanket controls.
- Ensure accountability through penalties for violations.

Financial sector regulators must walk the tightrope: Economic Survey

They must balance between openness to global capital flows and need to insulate domestic economy from external shocks, says Survey; shorter leash for emerging or fragile segments and greater latitude for mature markets recommended

Lalatendu Mishra
MUMBAI

In today's era dominated by global uncertainties, India's financial sector regulators must walk the tightrope to balance growth with stability, according to the Economic Survey 2025-26 which was tabled in Parliament on Thursday.

"They must strike a balance between openness to global capital flows and the need to insulate the domestic economy from volatile external shocks," the Survey pointed out.

Moreover, given India's heterogeneous financial landscape, where sophisticated metropolitan markets coexist alongside underserved rural segments, the Survey recommended that regulators must exercise differentiated supervision: a shorter leash for emerging or fragile segments prone to excessive risk-taking and greater latitude for mature markets.

"In this context, so far, India's financial sector regulators have managed the balancing act deftly," the Survey stated.

As per the Economic Survey, India's monetary and financial sectors exhibited robust performance in FY26 (April-December 2025), underpinned by strategic policy actions and structural resilience across financial intermediation channels.

"A significant improvement has been observed in the asset quality of scheduled commercial banks (SCBs), as evidenced by their GNPA ratio standing at 2.2% in September 2025 and net NPA ratio at 0.5% in September 2025, having reached a multi-decadal low level and record low level, respectively," the Survey noted.

As of December 31, 2025, the year-on-year growth in outstanding credit by Scheduled Commercial Banks increased to 14.5% compared with 11.2% in December 2024, the Survey pointed out.

Stating that during FY26 (till December 2025), 2.35 crore of demat accounts were added, pushing the total count beyond 21.6 crore, it said the 12-crore mark milestone of unique investors was crossed in September 2025, with nearly a fourth of them being women.

The mutual fund industry also expanded, with 5.9 crore unique investors as of the end of December 2025, of which 3.5 crore (as of November 2025) were from non-tier-I and tier-II cities, underscoring the diffusion of financial participation beyond traditional urban centres.

The Survey noted that SEBI had demonstrated a parallel commitment to regulatory modernisation and investor protection.

Pat on the back: SEBI has demonstrated a parallel commitment to regulatory modernisation and investor protection. REUTERS

CEA recommends rationalising tax on debt-assets

Development of debt instruments like corporate bonds as investment avenues will reduce capital costs, mobilise savings efficiently and offer reliable income generating products, CEA V. Anantha Nageswaran wrote.

KEY HIGHLIGHTS

Context of the News

- Economic Survey 2025–26 tabled in Parliament assessed India's financial sector amid global uncertainty.
- Highlighted the role of financial sector regulators in balancing growth, stability, and inclusion.
- Emphasised differentiated regulation due to India's diverse financial ecosystem.

Key Points

- Regulatory Approach
  - Balance between global capital flow openness and protection from external shocks.
  - Adoption of differentiated supervision:
    - Stricter oversight for fragile/emerging segments.
    - Greater regulatory flexibility for mature markets.
- Banking Sector Performance
  - GNPA ratio: 2.2% (Sept 2025) – multi-decadal low.
  - Net NPA ratio: 0.5% (Sept 2025) – record low.
  - SCB credit growth: 14.5% (Dec 2025) vs 11.2% (Dec 2024).
- Capital Markets
  - 2.35 crore demat accounts added in FY26 (till Dec 2025).
  - Total demat accounts: 21.6 crore+.
  - 12 crore unique investors crossed in Sept 2025.
  - Nearly 25% women participation.
- Mutual Funds
  - 5.9 crore unique investors (Dec 2025).
  - 3.5 crore investors from non-Tier I & Tier II cities.
- Regulatory Reforms
  - Focus on investor protection, market transparency, and regulatory modernisation.

Static Linkages

- Financial stability as a precondition for sustainable growth.
- Role of prudential and macro-prudential regulation.
- Capital account management in emerging economies.
- Financial inclusion and inclusive growth.
- Risk of contagion from global financial cycles.

Critical Analysis

Strengths

- Improved asset quality strengthens banking resilience.
- Broader retail participation deepens domestic capital markets.
- Differentiated regulation reduces systemic risk.
- Lower dependence on volatile foreign capital.

Challenges

- Retail investor vulnerability to market volatility.
- Global spillovers from monetary tightening and geopolitical risks.
- Regulatory arbitrage across financial institutions.
- Uneven financial literacy and access in rural areas.

Way Forward

- Strengthen macro-prudential oversight and stress testing.
- Enhance financial literacy and investor awareness.
- Improve inter-regulatory coordination.
- Develop counter-cyclical regulatory tools.
- Balance innovation with consumer protection.

'Ethanol blending has impact on food security'

The Hindu Bureau
NEW DELHI

The implications of ethanol-blending programme and expansion area under maize replacing other crops on food security are non-trivial, the Economic Survey, tabled in Parliament on Thursday, has found. Citing international experience, the Survey has cautioned that an increase in the cultivation of maize could result in further import of edible oil and an increase in food prices.

Noting that shifts in cultivation patterns are particularly visible in States such as Maharashtra and Karnataka, where maize increasingly competes directly with pulses, oilseeds, soyabean, millets and cotton for land, water and labour, the Survey said the expected reduction in paddy acreage, however, has not materialised. "From a food security perspective, the implications are non-trivial. Pulses and oilseeds are structurally important to India's consumption basket and nutritional outcomes, yet they are shifting lower down the priority order for the nation's cultivators," the Survey said.

Huge gains: As of August 2025, ethanol blending saved India over ₹1.44 lakh crore in foreign exchange. GETTY IMAGES /ISTOCK

Risk of imbalance

Over time, the Survey warned, this imbalance will risk "entrenching India's dependence" on edible oil imports and "exposing domestic food prices to greater volatility" during supply shocks. "This highlights an emerging tension between Aatmanirbharta (self-reliance) in energy and Aatmanirbharta in food."

The blending programme had delivered "tangible gains" in crude oil substitution, reduced foreign exchange outflows, reduced emissions and increased payments to farmers. "As of August 2025, ethanol blending has saved India more than ₹1.44 lakh crore in foreign exchange and facilitated the substitution of about 245 lakh metric tonne of crude oil."

KEY HIGHLIGHTS

Why this issue has emerged

- India is expanding its ethanol blending programme to reduce crude oil imports and enhance energy security.
- To meet rising ethanol demand, cultivation of maize (a key ethanol feedstock) is increasing.
- Farmers are shifting land from pulses, oilseeds and millets to maize due to:
  - Better price realisation
  - Assured industrial demand
  - Lower market risk

How maize expansion affects food security

Food security rests on availability, affordability and nutrition.

1. Availability Impact
   - Pulses and oilseeds are being displaced by maize.
   - This reduces domestic supply of protein-rich and fat-rich food items.
   - Expected reduction in paddy area has not occurred, limiting adjustment space.
2. Affordability Impact
   - Lower domestic production of oilseeds increases edible oil imports.
   - Higher import dependence exposes prices to:
     - Global price shocks
     - Geopolitical disruptions
   - This can increase food inflation.
3. Nutritional Impact
   - Pulses and edible oils are essential for:
     - Protein intake
     - Fat-soluble vitamins
   - Their neglect worsens nutritional outcomes, especially for vulnerable groups.

Why the Economic Survey flags it as a serious concern

- Pulses and oilseeds are structurally important to India's consumption basket.
- Unlike rice and wheat:
  - They have weaker procurement support.
  - Farmers deprioritise them when better alternatives exist.
- Over time, this may:
  - Entrench edible oil import dependence
  - Increase volatility in domestic food prices
- This creates a policy contradiction:
  - Self-reliance in energy
  - Reduced self-reliance in food

Positive side of ethanol blending

- Substitution of crude oil imports.
- Foreign exchange savings.
- Reduction in greenhouse gas emissions.
- Additional income to farmers.

Core issue in one line

- Market-driven expansion of maize for ethanol, without safeguards for pulses and oilseeds, risks weakening India's food and nutritional security while pursuing energy self-reliance.

Way forward logic

- Shift focus to second-generation biofuels.
- Strengthen procurement and price assurance for pulses and oilseeds.
- Integrate nutrition security into biofuel policy.
- Promote region-specific cropping strategies.
- Balance energy goals with long-term food security.

In Central PSU turnaround stories, there's a lesson for the states

WITH THE Union Budget only a couple of days away, it is important to trace the evolution of public-sector enterprises (PSEs) over the last decade. With the collapse of economic planning, worldwide, PSEs have been in a process of transformation. This has been visible across countries such as China and, most importantly, India in the last decade.

Globally, reforms in PSEs were triggered by the massive influence exerted by the public sector on the economy, requiring better efficiency and delivery of services. Among the many reforms over the years, the listing of enterprises and technology upgrades are prominent; adopting corporate governance standards and taking the lead in low-carbon transitions are more recent developments. As per the OECD, in 2023, the public sector owned over 25 per cent of 2,037 listed companies worldwide, representing 11.6 per cent of total market capitalisation.

The term PSE has wide connotations in India and includes both Central and state PSEs. For our purpose, we will primarily concentrate on Central PSEs (CPSEs).

In the Indian context, the 2020 New PSE Policy for Atmanirbhar Bharat streamlines PSEs by classifying sectors as strategic or non-strategic. In the non-strategic sectors, the government has minimised presence, while in the strategic sectors (defence, energy, space, etc.) it will maintain a bare minimum presence with one to four PSEs, making room for private-sector participation.

During the last decade, CPSEs in India have shown a remarkable turnaround, from policy paralysis and stagnant growth to becoming significant drivers of financial value, higher profitability, and capital expenditure. The listed CPSEs have outpaced broader market indices and the impact of reforms is clearly visible in their finances.

The number of profit-making CPSEs has increased from 157 in FY15 to 227 in FY25, while the number of loss-making CPSEs declined from 77 to 63 during the same period. Consequently, the net profit of profit-making CPSEs stood at Rs 3.09 lakh crore in FY25 as compared to Rs 1.30 lakh crore in FY15, an increase of around 2.4 times. The total paid-up capital of all CPSEs was Rs 6.87 lakh crore as on March 31, 2025, as against Rs 2.13 lakh crore as on March 31, 2015. The net worth of all CPSEs swelled from Rs 9.85 lakh crore in FY15 to Rs 22.33 lakh crore as on March 31, 2025.

The contribution of all CPSEs to the central exchequer stood at Rs 4.94 lakh crore in FY25 as against Rs 2.00 lakh crore in FY15. Additionally, the total market capitalisation of 66 CPSEs traded on stock exchanges of India was Rs 38.57 lakh crore as on March 31, 2025 — three times larger than the capitalisation as on March 31, 2015.

Gross capital formation by non-financial CPSEs has grown

SOUMYA KANTI GHOSH

by 11.9 per cent and has been a mainstay of investment demand in core sectors. It has been a net saving sector, accounting for 10 per cent of national savings, and has financed gross capital formation internally with minimal exposure to the rest of the world.

Among the financial CPSEs, banks have seen phenomenal turnarounds after the twin balance sheet crisis. Following the amalgamation exercise, the financial performance of PSU banks has improved, and the pace of technology adoption has increased. The profitability of banks has been enhanced significantly with net profits rising from Rs 80,913 crore in FY14 to Rs 4 lakh crore in FY25 (PSBs' profit increased to Rs 1.78 lakh crore in FY25 from Rs 37,019 crore in FY14). The return on assets increased to 1.37 per cent in FY25 from -0.22 per cent in FY18, while return on equity jumped to 14.09 per cent from -2.74 per cent during the same period.

Among the central PSEs, around 10 CPSEs are listed in the *Fortune India* 500 as per the latest rankings in 2025-26.

CPSEs will continue to face headwinds and challenges as technology evolves and market dynamics change. Growing use of technology will put the focus on the need for skill upgrades to achieve the desired agility

Another remarkable aspect of the PSE reforms has been their growing contribution to exports. CPSEs have achieved notable success in defence, engineering, and commodities exports with defence exports surging to a record high of Rs 23,622 crore in 2024-25.

In terms of the green transition, the contribution of CPSEs has been notable. Let's take the example of Indian Railways, although not a PSE as per definition. With the successful trial of India's first hydrogen-powered coach at the Integral Coach Factory in July 2025, Indian Railways may achieve rapid decarbonisation in coming years. In the last 10 years, Railways has electrified close to 45,000 km of its broad-gauge network, reducing diesel dependence and cutting emissions sharply. The transition is complemented by large-scale renewable integration with 553 MW of solar, 103 MW of wind and 100 MW of hybrid capacity.

Following the government decision to allow CPSEs to acquire foreign assets, Indian oil PSUs have established a significant presence globally, with a total of 45 assets spread across 21 countries. They have a cumulative investment of about $40.6 billion.

In the coming decades, CPSEs will continue to face headwinds and challenges as technology evolves and market dynamics change. Growing use of technology will put the focus on the need for skill upgrades to achieve the desired agility. R&D spending will also be an area that may need attention.

Furthermore, the positive reform process that has achieved the transformation of CPSEs should move to the state level in the coming years. Greater transparency in PSE operations at the state level can be a catalyst for regional development.

The writer is member, 16th FC; member, PMEAC; and group chief economic advisor, State Bank of India. Views are personal

- PSU banks saw turnaround post twin balance sheet crisis and bank amalgamation.
- PSB net profits rose from ₹37,019 crore (FY14) to ₹1.78 lakh crore (FY25).
- Defence exports by CPSEs reached ₹23,622 crore (2024–25).
- CPSEs are contributing to green transition (railway electrification, renewables, hydrogen).
- Indian oil CPSEs have 45 overseas assets in 21 countries with investments of $40.6 billion.

KEY HIGHLIGHTS

Context of the News

- With the Union Budget approaching, focus has increased on the performance and transformation of Central Public Sector Enterprises (CPSEs) over the last decade.
- India's CPSE reforms align with the global shift away from centralised economic planning.
- The New Public Sector Enterprises Policy, 2020 under Atmanirbhar Bharat redefined the role of CPSEs.
- Recent data from Economic Survey, Department of Public Enterprises (DPE), OECD highlight financial and operational turnaround.

Key Points

- CPSEs are classified into strategic and non-strategic sectors (New PSE Policy, 2020).
- Government to retain minimum presence (1–4 CPSEs) in strategic sectors like defence, energy, space.
- Profit-making CPSEs increased from 157 (FY15) to 227 (FY25).
- Loss-making CPSEs declined from 77 to 63 during the same period.
- Net profit of CPSEs rose from ₹1.30 lakh crore (FY15) to ₹3.09 lakh crore (FY25).
- Net worth of CPSEs increased from ₹9.85 lakh crore to ₹22.33 lakh crore.
- Contribution to Central Exchequer rose from ₹2.00 lakh crore to ₹4.94 lakh crore.
- Market capitalisation of 66 listed CPSEs reached ₹38.57 lakh crore (March 2025).
- CPSEs contribute about 10% of national savings and remain a net saving sector.
- Gross Capital Formation by non-financial CPSEs grew by 11.9%, supporting infrastructure investment.

Static Linkages

- Role of PSUs in planned economic development (Five-Year Plans).
- Disinvestment vs Strategic Disinvestment.
- Twin Balance Sheet Problem (Economic Survey 2016–17).
- Public investment as a driver of capital formation.
- Energy security and green growth.
- Banking sector reforms and financial stability.

Critical Analysis

Advantages

- Improved efficiency, profitability, and market discipline.
- CPSEs acting as counter-cyclical investors.
- Enhanced contribution to exports and strategic sectors.
- Strengthening fiscal resources through dividends and taxes.

Concerns

- Limited R&D spending compared to global peers.
- Skill gaps due to rapid technological change.
- Risk of over-emphasis on valuation over social objectives.
- State-level PSEs remain largely unreformed.

Way Forward

- Strengthen corporate governance aligned with OECD norms.
- Increase R&D and innovation spending.
- Rationalise CPSE portfolio through strategic disinvestment.
- Accelerate digital and skill upgradation.
- Extend reform momentum to state PSEs.
- Balance commercial efficiency with public welfare objectives.

When the law's blind spots leave women vulnerable

ZERO HOUR

BY DEREK O'BRIEN

WHEN COMMUNAL violence broke out in Manipur three years ago, incidents of physical and sexual violence made their way to our news feeds. Manipur witnessed a barbarity whose effects will be suffered even decades later. Earlier this month, a 20-year-old woman who was gang-raped during the ethnic violence succumbed to her injuries. Devastating. The victim's sister's words, spoken at Delhi's Constitution Club, remain with me : "Nobody could give her justice." What does justice look like for women in India? I examine how lacunae in key laws continue to undermine women's consent.

Marital rape exception

Codified in the Indian Penal Code of 1860 and retained in Section 63 of the Bharatiya Nyaya Sanhita, the law continues to exempt non-consensual sexual intercourse by a man with his wife from the definition of rape.

This exception fundamentally negates women's consent within marriage by presuming irrevocable and perpetual sexual access. While women may seek civil remedies under the Protection of Women from Domestic Violence Act, 2005, the denial of criminal redress for rape entrenches a hierarchy in which marital status overrides bodily integrity. The 42nd Law Commission Report in 1971 recommended criminalising marital rape. Yet, the BNS retains it.

Different marital ages

Under the Prohibition of Child Marriage Act, 2006, and allied statutes, the minimum age for marriage is 18 years for women and 21 for men. The differentiation has no scientific basis. If the objective is to prevent early marriage or ensure maturity, the same age should apply to all genders. If the objective is to protect women, lowering their marriage age defeats that purpose. It legitimises age gaps, and reinforces dependency and curtailed education. A law that institutionalises inequality at entry cannot claim to promote dignity, equality, or meaningful consent.

So long as consent remains conditional in law, justice for women will remain conditional in reality

Restitution of conjugal rights

Restitution of Conjugal Rights (RCR) allows one spouse to compel the other to resume cohabitation if they have withdrawn from the marriage without proving "reasonable cause". Codified under Section 9 of the Hindu Marriage Act and Section 22 of the Special Marriage Act, the remedy treats cohabitation in marriage as an enforceable duty rather than one based on consent.

The burden is placed on the withdrawing spouse, most often women, to justify their decision, even where withdrawal is driven by emotional, psychological, or sexual abuse. Given that marital rape is not criminalised, RCR can force women back into situations that compromise bodily integrity and dignity. By prioritising the preservation of marriage over consent, the law conflicts with the rights to life, privacy, bodily autonomy, and equality. Conversely, there are situations where women and girls expressly give consent, yet the law refuses to recognise it.

Criminalisation of consensual underage relationships

Under the POCSO Act, 2012, offences like sexual assault do not require proof of non-consent. This implies that consent becomes irrelevant when a person below age 18 is involved in a sexual act. Large proportions of POCSO prosecutions stem from romantic relationships among adolescents. These cases are often initiated by families seeking to control young women's choices, especially in instances of inter-caste, inter-faith, or socially disapproved relationships. Without distinguishing exploitation from consensual intimacy, the law sacrifices adolescent autonomy without meaningfully strengthening protection against abuse.

Marriage assurance

Section 69 of the Bharatiya Nyaya Sanhita, 2023 criminalises sexual intercourse obtained by a false promise of marriage. This rests on the presumption that women's sexual consent is tied to the expectation of marriage. Consensual non-marital relationships are thereby reframed as sites of deception or victimhood, even when both parties entered the relationship voluntarily. Intentions in relationships evolve, and the absence of clear legal standards invites inconsistent enforcement and potential for misuse. So long as consent remains conditional in law, justice for women will remain conditional in reality, in direct defiance of the Constitution's promise of dignity, equality, and personal liberty.

The writer is MP and leader, All India Trinamool Congress Parliamentary Party.
Research credit: Chahat Mangtani

KEY HIGHLIGHTS

Context of the News

- Continued ethnic violence in Manipur since 2023 has highlighted sexual violence against women during internal conflicts.
- Death of a young survivor in 2026 renewed focus on access to justice and the legal understanding of consent.
- Retention of several contested provisions in the Bharatiya Nyaya Sanhita (BNS), 2023 has brought structural gender justice issues into focus.

Key Points

- Marital rape exception continues under Section 63, BNS, excluding non-consensual intercourse within marriage from rape.
- Restitution of Conjugal Rights (RCR) allows courts to compel cohabitation.
- Minimum age of marriage remains 18 for women and 21 for men.
- POCSO Act, 2012 criminalises all sexual activity below 18 years, irrespective of consent.
- Section 69, BNS criminalises sexual relations based on false promise of marriage.
- Laws show inconsistent treatment of consent across marital, adolescent, and adult relationships.

Static Linkages

- Article 14 – Equality before law
- Article 15 – Prohibition of discrimination on grounds of sex
- Article 21 – Right to life includes dignity, privacy, bodily autonomy
- Directive Principles – Protection of women and children
- 42nd Law Commission Report (1971) – Recommended criminalisation of marital rape
- Justice J.S. Verma Committee (2013) – Opposed marital rape exception
- Substantive equality vs formal equality (NCERT Polity)

Critical Analysis

Concerns

- Marital rape exception undermines bodily autonomy.
- RCR prioritises institution of marriage over consent.
- Differential marriage age institutionalises inequality.
- POCSO ignores adolescent autonomy, leading to misuse.
- "Promise of marriage" offence reflects paternalistic assumptions.
- Gap between constitutional morality and statutory law.

Implications

- Weakens substantive gender equality.
- Limits access to criminal justice for married women.
- Over-criminalisation of consensual relationships.
- Burden on judiciary and law enforcement.

Way Forward

- Criminalise marital rape with safeguards.
- Repeal or reform RCR in line with Article 21.
- Harmonise minimum age of marriage on equality principles.
- Introduce close-in-age exemption under POCSO.
- Clarify Section 69, BNS with objective legal standards.
- Align personal and criminal laws with constitutional morality.

Eco Survey flags the key problems, solutions await

THE BACKDROP against which the Economic Survey 2025-26 has been presented is arguably complicated. On the macroeconomic front, growth has been healthy and inflation has remained muted. Both corporate and bank balance sheets are healthy. GST rates have been rationalised, trade deals have been signed, and a slew of reforms have been announced. Yet, there are questions over household consumption, signs of a broad-based revival in the private investment cycle are few, and merchandise exports are sluggish. Another oddity alongside the strong macroeconomic performance is foreign investors pulling out of the markets and a falling rupee. The paradoxes confronting the country have been flagged by the Economic Survey.

The Survey rightly notes that the economy relies upon capital inflows to maintain a healthy balance of payments. But, "when they run drier, rupee stability becomes a casualty". The rupee is currently hovering around 92 against the US dollar. While a weaker currency does impact export competitiveness, the Survey argues that the currency's valuation "does not accurately reflect India's stellar economic fundamentals". But it influences investors. In the current global environment, when India does not seem to offer a compelling AI story, and money is also pouring into safe-haven assets (such as gold), this warrants closer attention. As the Survey puts it, "India needs to generate sufficient investor interest and export earnings in foreign currency." Another equally critical issue highlighted by the Survey is that of "fiscal populism". In recent years, several state governments have announced unconditional cash transfers — as per ICRA, the combined cash transfers of 11 states added up to Rs 1.5 lakh crore in 2025-26. These schemes have impacted the fiscal space available for more productive forms of expenditure. As per the Survey, committed expenditures — salaries, pensions, interest payments and subsidies — account for 62 per cent of states' revenue receipts. The trade-offs are pretty apparent.

The Survey has projected the Indian economy to grow in the range of 6.8 to 7.2 per cent in 2026-27. This comes after the first advance estimates had pegged growth at 7.4 per cent in 2025-26. Achieving this, and sustaining growth at 7 per cent over the medium term, in an uncertain global environment, will be challenging. The Survey does provide a sense of how the Centre is looking at the economic environment. The question now is whether these issues raised find reflection in the coming Union Budget.

KEY HIGHLIGHTS

Context of the News

- The Economic Survey 2025–26 highlights a paradox in India's macroeconomic situation.
- Despite strong growth, low inflation, and improved balance sheets, concerns persist regarding consumption demand, private investment, exports, capital flows, and fiscal sustainability.
- The Survey's observations assume significance in the backdrop of global economic uncertainty and the forthcoming Union Budget.

Key Points

- Medium-term growth outlook revised to ~7%.
- GDP growth projection for 2026–27: 6.8–7.2%.
- Inflation remains within the tolerance band.
- Corporate and banking sector balance sheets are relatively healthy.
- Signs of broad-based revival in private investment remain limited.
- Household consumption growth shows weakness.
- Merchandise exports remain sluggish.
- Foreign portfolio investors have reduced investments.
- Rupee depreciation to around ₹92 per USD.
- India's Balance of Payments remains dependent on capital inflows.
- Currency valuation does not fully reflect economic fundamentals but affects investor sentiment.
- States' fiscal populism flagged as a major concern.
- As per ICRA, unconditional cash transfers by 11 states ≈ ₹1.5 lakh crore (2025–26).
- Committed expenditure constitutes ~62% of states' revenue receipts, limiting capital expenditure.

Static Linkages

- Components of GDP and demand-side constraints
- Balance of Payments: Current account vs Capital account
- Exchange rate determination under managed float regime
- Fiscal deficit, revenue deficit, and quality of expenditure
- Crowding-out effect of revenue expenditure
- Fiscal federalism and state finances
- Counter-cyclical fiscal policy
- External sector vulnerability of emerging economies

Critical Analysis

Strengths

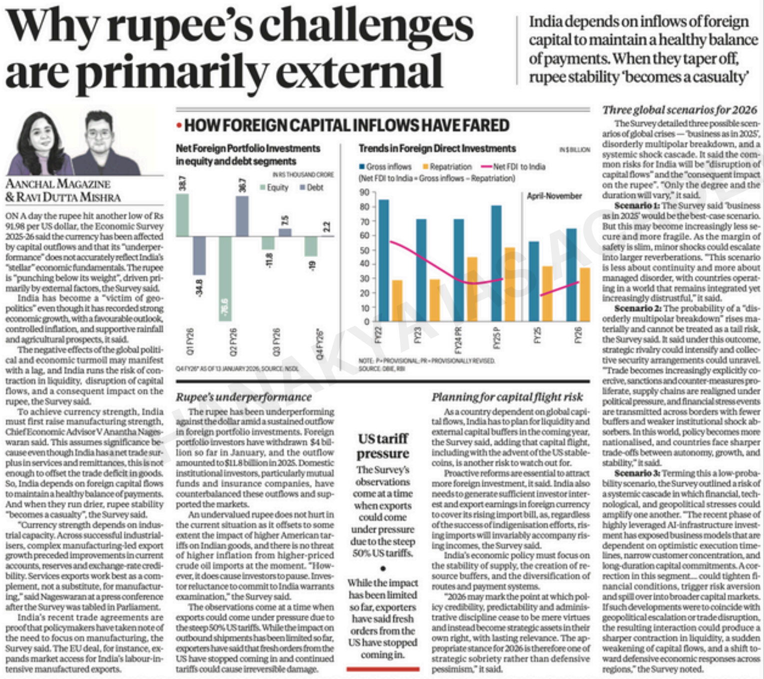
- Strong macroeconomic stability enhances resilience.
- Low inflation provides policy space.
- Healthy banking sector improves credit flow potential.
- Structural reforms support long-term growth prospects.

Concerns

- Weak consumption demand affects aggregate demand.
- Narrow private investment revival constrains medium-term growth.
- Heavy reliance on volatile capital inflows increases external vulnerability.
- Rupee depreciation affects import costs and investor confidence.
- Fiscal populism reduces productive capital expenditure.
- High committed expenditure limits developmental spending by states.

Way Forward

- Strengthen export competitiveness through diversification and logistics reforms.
- Encourage private investment via regulatory certainty and infrastructure push.
- Improve quality of fiscal spending with greater focus on capital expenditure.
- Rationalise cash transfer schemes with targeting and outcome-based assessment.
- Enhance domestic savings and long-term capital formation.
- Reduce dependence on short-term foreign capital inflows.
- Align Union Budget priorities with medium-term growth strategy outlined in the Survey.



Why rupee's challenges are primarily external

India depends on inflows of foreign capital to maintain a healthy balance of payments. When they taper off, rupee stability 'becomes a casualty'

AANCHAL MAGAZINE & RAVI DUTTA MISHRA

ON A day the rupee hit another low of Rs 91.98 per US dollar, the Economic Survey 2025-26 said the currency has been affected by capital outflows and that its "underperformance" does not accurately reflect India's "stellar" economic fundamentals. The rupee is "punching below its weight", driven primarily by external factors, the Survey said.

India has become a "victim of geopolitics" even though it has recorded strong economic growth, with a favourable outlook, controlled inflation, and supportive rainfall and agricultural prospects, it said.

The negative effects of the global political and economic turmoil may manifest with a lag, and India runs the risk of contraction in liquidity, disruption of capital flows, and a consequent impact on the rupee, the Survey said.

To achieve currency strength, India must first raise manufacturing strength, Chief Economic Advisor V Anantha Nageswaran said. This assumes significance because even though India has a net trade surplus in services and remittances, this is not enough to offset the trade deficit in goods. So, India depends on foreign capital flows to maintain a healthy balance of payments. And when they run drier, rupee stability "becomes a casualty", the Survey said.

"Currency strength depends on industrial capacity. Across successful industrialisers, complex manufacturing-led export growth preceded improvements in current accounts, reserves and exchange-rate credibility. Services exports work best as a complement, not a substitute, for manufacturing," said Nageswaran at a press conference after the Survey was tabled in Parliament.

India's recent trade agreements are proof that policymakers have taken note of the need to focus on manufacturing, the Survey said. The EU deal, for instance, expands market access for India's labour-intensive manufactured exports.

• HOW FOREIGN CAPITAL INFLOWS HAVE FARED

Rupee's underperformance

The rupee has been underperforming against the dollar amid a sustained outflow in foreign portfolio investments. Foreign portfolio investors have withdrawn $4 billion so far in January, and the outflow amounted to $11.8 billion in 2025. Domestic institutional investors, particularly mutual funds and insurance companies, have counterbalanced these outflows and supported the markets.

An undervalued rupee does not hurt in the current situation as it offsets to some extent the impact of higher American tariffs on Indian goods, and there is no threat of higher inflation from higher-priced crude oil imports at the moment. "However, it does cause investors to pause. Investor reluctance to commit to India warrants examination," the Survey said.

The observations come at a time when exports could come under pressure due to the steep 50% US tariffs. While the impact on outbound shipments has been limited so far, exporters have said that fresh orders from the US have stopped coming in and continued tariffs could cause irreversible damage.

US tariff pressure

The Survey's observations come at a time when exports could come under pressure due to the steep 50% US tariffs

While the impact has been limited so far, exporters have said fresh orders from the US have stopped coming in.

Planning for capital flight risk

As a country dependent on global capital flows, India has to plan for liquidity and external capital buffers in the coming year, the Survey said, adding that capital flight, including with the advent of the US stablecoins, is another risk to watch out for.

Proactive reforms are essential to attract more foreign investment, it said. India also needs to generate sufficient investor interest and export earnings in foreign currency to cover its rising import bill, as, regardless of the success of indigenisation efforts, rising imports will invariably accompany rising incomes, the Survey said.

India's economic policy must focus on the stability of supply, the creation of resource buffers, and the diversification of routes and payment systems.

"2026 may mark the point at which policy credibility, predictability and administrative discipline cease to be mere virtues and instead become strategic assets in their own right, with lasting relevance. The appropriate stance for 2026 is therefore one of strategic sobriety rather than defensive pessimism," it said.

Three global scenarios for 2026

The Survey detailed three possible scenarios of global crises — 'business as in 2025', disorderly multipolar breakdown, and a systemic shock cascade. It said the common risks for India will be "disruption of capital flows" and the "consequent impact on the rupee". "Only the degree and the duration will vary," it said.

Scenario 1: The Survey said 'business as in 2025' would be the best-case scenario. But this may become increasingly less secure and more fragile. As the margin of safety is slim, minor shocks could escalate into larger reverberations. "This scenario is less about continuity and more about managed disorder, with countries operating in a world that remains integrated yet increasingly distrustful," it said.

Scenario 2: The probability of a "disorderly multipolar breakdown" rises materially and cannot be treated as a tail risk, the Survey said. It said under this outcome, strategic rivalry could intensify and collective security arrangements could unravel. "Trade becomes increasingly explicitly coercive, sanctions and counter-measures proliferate, supply chains are realigned under political pressure, and financial stress events are transmitted across borders with fewer buffers and weaker institutional shock absorbers. In this world, policy becomes more nationalised, and countries face sharper trade-offs between autonomy, growth, and stability," it said.

Scenario 3: Terming this a low-probability scenario, the Survey outlined a risk of a systemic cascade in which financial, technological, and geopolitical stresses could amplify one another. "The recent phase of highly leveraged AI-infrastructure investment has exposed business models that are dependent on optimistic execution timelines, narrow customer concentration, and long-duration capital commitments. A correction in this segment... could tighten financial conditions, trigger risk aversion and spill over into broader capital markets. If such developments were to coincide with geopolitical escalation or trade disruption, the resulting interaction could produce a sharper contraction in liquidity, a sudden weakening of capital flows, and a shift toward defensive economic responses across regions," the Survey noted.

KEY HIGHLIGHTS

Context of the News

- The Economic Survey 2025-26, tabled in Parliament of India, highlighted the sharp underperformance of the Indian rupee, which depreciated to ₹91.98 per US dollar.
- The Survey attributed rupee weakness mainly to external geopolitical and financial factors, not to domestic macroeconomic instability.
- It cautioned against potential capital flow disruptions and liquidity tightening amid rising global uncertainty.

Key Points

- Rupee weakness driven primarily by:
  - Sustained foreign portfolio investment (FPI) outflows,
  - Global geopolitical tensions,
  - Tight global financial conditions.
- Domestic macroeconomic fundamentals remain strong:
  - Stable growth outlook,
  - Controlled inflation,
  - Favourable monsoon and agricultural prospects.
- India runs:
  - Trade deficit in goods,
  - Surplus in services and remittances, which is insufficient to offset goods deficit.
- India depends on foreign capital inflows to maintain a healthy Balance of Payments (BoP).
- When capital inflows weaken, exchange rate stability becomes vulnerable.
- The Survey emphasised:
  - Manufacturing-led export growth as a prerequisite for durable currency strength,
  - Services exports as a complement, not a substitute, for manufacturing.
- A mildly undervalued rupee currently:
  - Offsets the impact of higher US tariffs on Indian exports,
  - Does not pose inflationary risks due to stable crude prices.
- Risks identified:
  - Capital flight,
  - Liquidity contraction,
  - Disruptions from emerging financial instruments like stablecoins.

Static Linkages

- Exchange rate determination (demand–supply of foreign exchange).
- Balance of Payments: Current Account vs Capital Account.
- Role of FDI vs FPI in external stability.
- Manufacturing-led growth model (East Asian experience).
- Foreign exchange reserves and central bank intervention (RBI framework).
- Twin deficits hypothesis.

Critical Analysis

Strengths

- Currency weakness largely due to external shocks, not domestic mismanagement.
- Domestic institutional investors provide partial insulation from volatile foreign flows.
- Policy recognition of manufacturing as a strategic economic pillar is positive.

Challenges

- Persistent merchandise trade deficit.
- Overdependence on volatile portfolio capital.
- Investor hesitation due to global uncertainty and policy risks.
- Rising geopolitical fragmentation affecting global capital mobility.

Way Forward

- Strengthen manufacturing competitiveness and export capacity.
- Shift from FPI-led inflows to stable FDI-driven industrialisation.
- Diversify export markets and products.
- Build larger foreign exchange and liquidity buffers.
- Enhance policy credibility, predictability and administrative efficiency.
- Develop alternative trade and payment mechanisms to reduce external vulnerability.

• UGC EQUITY REGULATIONS 2026

Definitions to action: The differences in 2012 and 2026 UGC rules

Abhinaya Harigovind
New Delhi, January 29

THE SUPREME Court Thursday stayed the 2026 University Grants Commission (UGC) equity regulations notified earlier this month, which addresses discrimination, including caste-based discrimination, in higher education institutions.

The new regulations, which replaces the commission's 2012 equity regulations, sparked protests and calls for their withdrawal among sections of students. These groups claim that the rules could create divisions over caste and result in "harassment" against those in the general category.

The bench comprising Chief Justice of India Surya Kant and Justice Joymalya Bagchi directed that the 2012 regulations remain in force till further orders.

How do the 2026 regulations differ from the 2012 regulations?

• **Definitions:** The 2026 regulations define 'discrimination' (section 3(1)(e)) and 'caste-based discrimination' (section 3(1)(c)) separately. The 2012 version defines 'discrimination'.

Under the new guidelines, caste discrimination is "discrimination only on the basis of caste or tribe against the members of the scheduled castes, scheduled tribes, and other backward classes." This definition was challenged before the Supreme Court for excluding the general category.

Justice Bagchi said: "We are looking into the evolution of the Regulations to create a free and equitable atmosphere in universities... When we see this, we see no reason why Section 3(1)(e) continues to subsist as it did in the 2012 Regulations. How does 3(1)(c) become relevant? Is it a redundancy?...We fail to understand when 3(1)(c) is already ingrained in 3(1)(e), why it was culled out as a separate definition clause?"

Discrimination is separately defined as "any unfair, differential, or biased treatment or any such act against any stakeholder, whether explicit or implicit, on the grounds only of religion, race, caste, gender, place of birth, disability, or any of them", and including "any distinction, exclusion, limitation, or preference which has the purpose or effect of nullifying or impairing equality of treatment in education and, in particular, of imposing conditions on any stakeholder or group of stakeholders which are incompatible with human dignity."

This is similar to the 2012 regulations, but the latter included language and ethnicity in addition to religion, caste, gender, and disability. The 2012 regulations also separately defined 'harassment', 'victimisation', and 'ragging', which are omitted from the new guidelines.

"The constitutional question is... Article 15(4) empowers the state to make special laws for the Scheduled Castes/ Scheduled Tribes. If the 2012 Regulations spoke of a more widespread and all-inclusive discrimination, including discrimination in the nature of ragging, why should there be a regression in a protective or ameliorative legislation?" Justice Bagchi asked.

• **Specific forms of discrimination:** The 2012 regulations listed specific forms of discrimination, harassment, or victimisation. This included breaching the reservation policy in admissions; discrimination in accepting and processing applications for admissions; limiting or denying access to benefits for students; announcing the names of castes, tribes, religion or region of students; labelling students as 'reserved category'; passing derogatory remarks indicating caste, social, regional, racial or religious background as a reason of underperformance in class; earmarking separate seats for students; discrimination in evaluation of exam papers; segregating students in hostels, mess, common rooms; ragging targeting against sections of students.

These specific forms of discrimination have been left out of the 2026 regulations, which task the 'equal opportunity centre' within institutions to prepare and disseminate an illustrative list of acts that shall be construed as discrimination.

The new rules also instruct institutions to ensure that any selection, segregation, or allocation into hostels, classrooms, mentorship groups, or any other academic purposes is transparent, fair, and non-discriminatory. The CJI said Thursday: "Another provision which I am finding is an indication among the measures you are taking, you are speaking of separate hostels. For God's sake, don't do that. We have lived in hostels. Every community has students living together. We have developed inter-caste marriages also. We should move forward to develop a casteless society."

• **Punitive action:** Under the new rules, non-compliant institutions can be debarred from participating in UGC schemes, offering degree and online programmes, or removed from the list of institutions that can receive central grants. The UGC is also required to establish a monitoring mechanism to review progress made in achieving the objectives of the regulations and to constitute a national-level monitoring committee to oversee the implementation.

The old regulations did not provide for any such action.

• **Equal Opportunity Centres:** While the 2012 regulations provided for 'Equal Opportunity Cells' to be set up at institutions to promote equality, they did not specify the composition and functions of these cells, or the procedure to be followed in an instance of discrimination.

The 2026 version mandates 'Equal Opportunity Centres' at institutions, with 'equity committees' which must be represented by OBCs, Persons with Disabilities, SCs, STs, and women.

In contrast, the 2012 rules identify "students belonging to marginalised sections, including SC/ST students", but do not specifically identify OBCs.

The new rules also outline the procedure to be followed when an incident of discrimination is reported, including specific timeframes. Institutions are also required to set up equity helplines and 'equity squads'.

Why 2026 regulations were framed

• The new regulations were formed after a plea in the top court filed by Radhika Vemula and Abeda Salim Tadvi, the mothers of Rohith Vemula and Payal Tadvi.

• The petitioners said that the regulations should focus on discrimination against SC, ST and OBC individuals, and include, given existing UGC guidelines on ragging, sexual harassment and rights of persons with disabilities.

• They also suggested that the regulations include OBCs and that the specific aspects of discrimination, as mentioned in the 2012 regulations, be incorporated.

KEY HIGHLIGHTS

Context of the News

- The Supreme Court of India stayed the UGC (Promotion of Equity in Higher Education Institutions) Regulations, 2026.
- The Court directed that the UGC Equity Regulations, 2012 shall continue till further orders.
- The stay followed challenges alleging dilution, exclusion, and ambiguity in defining discrimination.
- The regulations were framed after petitions related to institutional caste discrimination cases.

Key Points

- Regulatory Authority: University Grants Commission
- Major Change in 2026 Regulations:
  - Separate definition of:
    - "Discrimination"
    - "Caste-based discrimination"
- Issue with New Definition:
  - Caste-based discrimination restricted to SC/ST/OBCs.
  - Alleged exclusion of general category from protection.
- Court's Observation:
  - Redundancy between general discrimination and caste-based discrimination.
  - Questioned regression from broader protection in 2012 regulations.
- Omissions in 2026 Rules:
  - No explicit listing of discriminatory practices.
  - No definitions of harassment, victimisation, ragging.
- New Enforcement Powers:
  - UGC may debar institutions from grants and schemes.
  - National monitoring committee mandated.
- Institutional Mechanism:
  - Mandatory Equal Opportunity Centres.
  - Representation of SC, ST, OBCs, PwDs, women.
  - Time-bound grievance redressal.

Static Linkages

- Article 14 – Equality before law.
- Article 15(1) – Prohibition of discrimination.
- Article 15(4) – Special provisions for SC/ST/OBCs.
- Article 21 – Right to dignity.
- UGC Act, 1956 – Power to frame regulations.
- NCERT Polity – Equality, social justice, affirmative action.
- 2nd ARC – Institutional mechanisms for inclusion.

Critical Analysis

Positives

- Strengthened enforcement through penalties.
- Institutionalisation of grievance redressal.
- Explicit focus on marginalised communities.

Concerns

- Narrow definition may exclude intersectional discrimination.
- Removal of illustrative discriminatory acts reduces clarity.
- Potential dilution of comprehensive equality framework.
- Risk of inconsistent interpretation across institutions.

Constitutional Dimension

- Balance between substantive equality (Article 15(4)) and formal equality (Article 14).
- Regulatory action must advance, not regress, rights protection.

Way Forward

- Harmonise definitions to ensure universal protection against discrimination.
- Restore illustrative list of discriminatory practices.
- Ensure regulations align with Articles 14, 15, and 21.
- Strengthen monitoring with periodic judicial and parliamentary oversight.
- Promote campus integration over segregation.