

DAILY NEWSP APER ANALYSIS

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**CHANAKYA IAS ACADEMY
SECTOR 25 CHANDIGARH**

Zero tariff textiles exports to U.S. possible for India: Goyal

Commerce Minister says India will receive concessions on textiles exports as Dhaka got through its deal with Washington; the agreement is being finalised, will have details in fine print, he adds

T.C.A. Sharad Raghavan
NEW DELHI

India will receive the same benefits on textiles exports under its interim trade agreement with the U.S. as Bangladesh gained through its own deal, Commerce Minister Piyush Goyal said on Thursday.

"Just as Bangladesh has a facility that if raw material is purchased from America, then if you process it and make cloth and export it, then it will be available at zero reciprocal tariff, India also has the same facility and India will also get it," he said.

The Minister pointed out that India's agreement with the U.S. is still being finalised. "When the interim agreement is finalised, then you will get to see this in the fine print," Mr. Goyal told presspersons.

Trade provisions

Under the Bangladesh-U.S. deal inked on Monday, reciprocal tariffs on Bangladesh's exports to the U.S. will be reduced to 19% overall.

Bangladesh has a facility that if raw material is purchased from America... then it (textiles exports) will be available at zero reciprocal tariff. India also has the same facility and India will also get it (trade benefits)

PIYUSH GOYAL
Union Commerce Minister



MEA refuses to deny claims on Russian imports

NEW DELHI

After a U.S. official said that India had cut import of Russian oil, as the U.S. "wanted [India] to," the Ministry of External Affairs has once again refused to deny the claims. » PAGE 8

erall. However, the deal also has a provision saying that if Bangladesh imports cotton from the U.S., then the tariffs on its textile exports will fall to 0%.

The Congress had attacked the Centre regarding this clause, with Leader of the Opposition in the Lok Sabha Rahul Gandhi saying that India, which is expected to see tariffs of 18% on exports to the U.S. under the interim agreement, has already been rendered uncompetitive in textiles even before the agreement is signed. "He (Rahul Gandhi) spread another lie in Parliament that Bangladesh has got more benefits from the

trade deal than India," Mr. Goyal said.

In an interview with *The Hindu* earlier this week, he said that the interim deal is expected to be signed in mid-March.

'Farmers will benefit'

The Commerce Minister added that Indian farmers also stand to benefit from increased exports to the European Union, the United Kingdom, Switzerland, Norway, and Australia due to India's free trade agreements with these countries and groupings.

This latest shift in the contours of the India-U.S. deal is not a new one. The U.S. government on Wed-

nesday amended a fact sheet it had uploaded a few days earlier, by removing references to "pulses", "agricultural products", and "digital service tax". The new version of the fact sheet also said India "intends" to buy \$500 billion worth of American goods as opposed to the earlier phrasing that said India has "committed to buy" this amount.

P. Krishnaprasad, a senior functionary of Samyukt Kisan Morcha, said the organisation will examine the impact of Bangladesh-United States deal on cotton farmers in India.

(With inputs from A.M. Jigeesh)

KEY HIGHLIGHTS

Context

- India is finalizing an interim trade agreement with the United States.
- Bangladesh recently secured a trade arrangement with the U.S. that reduces reciprocal tariffs to 19% overall.
- A key provision in the Bangladesh-U.S. deal allows zero tariff on textile exports if raw cotton is imported from the United States.
- The Government of India has stated that India will receive similar benefits under its interim agreement.
- The issue has implications for India's textile exports and cotton farmers.

Key Dimensions of the Issue

1. Textile Sector Importance in India

- Contributes ~2% to GDP.
- Accounts for ~11% of total exports.
- Employs around 45 million people directly.
- India is among the largest producers and exporters of cotton.

2. Nature of the Clause

- Conditional tariff concession linked to sourcing of raw materials (U.S. cotton).
- Falls under "Rules of Origin" framework in trade agreements.
- Encourages integration into supply chains aligned with the partner country.

3. Trade Policy Implications

- May improve India's competitiveness in the U.S. textile market.
- Could influence domestic cotton demand patterns.

- Reflects a shift towards strategic and sector-specific trade negotiations.

Static Concepts

- Comparative Advantage theory.
- Tariff vs Non-tariff barriers.
- Rules of Origin in FTAs.
- WTO's Most Favoured Nation (MFN) principle and exceptions under Article XXIV of GATT.
- Balance of Payments – impact of imports and exports.
- Agreement on Agriculture (WTO).
- Cropping pattern – cotton cultivation in black soil regions.

Issues and Concerns

- Possible impact on domestic cotton farmers if imports from the U.S. increase.
- Risk of dependency on imported raw materials.
- Trade diversion effects.
- Interim agreement may lack long-term stability.
- Need to ensure WTO compatibility.

Opportunities

- Enhanced access to U.S. market.
- Strengthening India-U.S. strategic partnership.
- Greater integration into Global Value Chains.
- Potential export growth in labour-intensive sector.

Way Forward

- Protect farmer interests through MSP and support mechanisms.
- Promote value-added textile manufacturing under PLI scheme.
- Maintain balanced Rules of Origin to encourage domestic value addition.
- Diversify export destinations to reduce vulnerability.
- Ensure transparent and stakeholder-based trade negotiations.

Retail inflation at 2.75% in new Consumer Price Index with 2024 as the base year

T.C.A. Sharad Raghavan
NEW DELHI

The Ministry of Statistics and Programme Implementation (MoSPI) on Thursday released the Consumer Price Index (CPI) data based on a new series with 2024 as base year, placing retail inflation in January 2026 at 2.75%.

As this is the first data release under the new series, a historical comparison is not yet possible. The new series of the CPI, which updated the base year from 2012, was released in the presence of MoSPI Secretary Saurabh Garg, Chief Economic Adviser V. Anantha Nageswaran, and other officials of the Ministry.

Increase in items
The total number of items covered under the new series has increased to 358 from the 299 items in the older series.

The number of goods covered under the new series has increased to 308 from 259, and the number of services has gone up to 50 from the earlier 40.

The updated CPI series gives new weights to goods and services based on consumption patterns revealed in the Household Consumption Expenditure Survey (HCES) 2023-24.

"The economy has undergone a significant transformation in the last decade," Mr. Nageswaran said in his speech. "Consumption behaviour, market structures, and the composition of household expenditure have evolved and the new CPI structure unsurprisingly reflects these changes."

The new series also collects data from more sources across the country. Data are collected from 1,465 rural markets, up from 1,181. The number of urban markets covered has gone up to 1,255 from 1,114. Notably, the new series also collects data from 12 online marketplaces, a new category that has been included now.

The new series of the

Index overhaul

The 2024 base CPI basket includes 358 items vs. earlier 299, with goods covered rising from 229 to 308 and services from 40 to 50



• A number of rural markets covered rose from 1,181 to 1,465, with 12 online platforms added

• The weightage assigned to the food and beverages category is now 36.75% from earlier 45.86%

• The CPI basket has been expanded from 6 broad groups to 12, offering more granular tracking of goods and services

CPI provides more granular data by dividing the underlying goods and services into 12 broad groups compared to the six groups under the older series.

As a result of this, and also based on the consumption patterns of the HCES 2023-24, the weights assigned to these goods and services have also been revised to better reflect current consumption.

New weights
The weightage assigned to the food and beverages category has been revised down to 36.75% from the earlier 45.86%.

"The lower weightage on the relatively volatile food category may make the headline inflation number less volatile, all other things remaining equal," Mr. Nageswaran said.

Post data on inflation
While releasing the data for January 2026, the Ministry provided the index values based on the new methodology going back to January 2025. However, since earlier index values are not readily available, the year-on-year inflation rate can only be measured for January 2026.

"We are following international practice to give a linking factor, so you can calculate the index as far back as 2012," Mr. Garg explained.

Structural Changes

- Groups increased from 6 to 12 categories.
- New separate groups include:
 - Health
 - Transport
 - Education
 - Information & Communication
 - Restaurants & Accommodation
 - Personal Care

Static Concepts

- CPI is compiled by MoSPI.
- Based on Laspeyres Index Method.
- RBI uses CPI under Flexible Inflation Targeting (FIT).
- Inflation target: 4% ± 2%.
- CPI Types:
 - CPI Rural
 - CPI Urban
 - CPI Combined

Importance

Why Revision Matters?

- Reflects new consumption patterns.
- Captures growth of services and digital economy.
- Makes inflation data more realistic.
- Helps RBI in better monetary policy decisions.

Critical Analysis

Advantages

- Updated and realistic basket.
- Reduced food weight → less volatility.
- Inclusion of online data improves coverage.
- Better policy calibration.

Concerns

- Limited historical comparison initially.
- Reduced food weight may dilute food inflation impact.
- Data reliability from online platforms needs monitoring.

Way Forward

- Regular base revision every 5-7 years.
- Improve rural and digital data quality.
- Increase transparency in methodology.
- Public awareness about inflation calculation.

KEY HIGHLIGHTS

Context

- The Ministry of Statistics and Programme Implementation (MoSPI) released a new Consumer Price Index (CPI) series with 2024 as the base year, replacing 2012.
- Retail inflation (CPI-based) for January 2026: 2.75%.
- Revision based on Household Consumption Expenditure Survey (HCES) 2023-24.
- Linking factor provided for comparison with earlier data.

Key Changes

Increase in Items Covered

- Total items: 358 (earlier 299)
 - Goods: 308
 - Services: 50
- Rural markets: 1,465 (earlier 1,181)
- Urban markets: 1,395 (earlier 1,114)
- 12 online marketplaces included for price collection.

Category	Old Weight	New Weight
Food & Beverages	45.86%	36.75%
Housing (incl. water,	10.07%	17.67%
Clothing & Footwear	6.53%	2.38%
Paan & Tobacco	2.38%	2.99%

DAC clears purchase of 114 Rafales for IAF, and six P-81 aircraft for Navy

Saurabh Trivedi
NEW DELHI

The Defence Acquisition Council, chaired by Defence Minister Rajnath Singh, on Thursday accorded Acceptance of Necessity (AoN) for capital acquisition proposals worth approximately ₹3.6 lakh crore.

The proposals include 114 Rafale fighter jets from France for the Air Force and six P-81 long-range maritime reconnaissance aircraft from the United States for the Navy.

The Defence Ministry said that for the IAF, the AoN was approved for the

procurement of 114 multi-role fighter aircraft (MRFA), combat missiles, and an air-ship-based high-altitude pseudo satellite (AS-HAPS). The Rafale jets are expected to significantly enhance the IAF's air-dominance capability across the full spectrum of conflict and strengthen its long-range offensive and deterrence posture.

Manufacturing in India
A majority of the aircraft will be manufactured in India, providing a boost to domestic defence production.

The Ministry further said that the combat mis-



Air power: Most of the jets will be manufactured in India, providing a boost to domestic industry. K. MURALI KUMAR

siles would enhance the IAF's stand-off ground attack capability with deep-strike precision and high

accuracy. The AS-HAPS platform will be deployed for persistent intelligence, surveil-

lance and reconnaissance (ISR), electronic intelligence (ELINT), telecommunications and remote sensing for military applications.

For the Army, the DAC accorded AoN for the procurement of anti-tank mines (Vibhav) and the overhaul of vehicle platforms of armoured recovery vehicles (ARVs), T-72 tanks and infantry combat vehicles (BMP-II).

The Vibhav mines will serve as an anti-tank obstacle system to delay and disrupt advancing enemy mechanised forces. The overhaul of existing armoured platforms is aimed

at extending their service life and ensuring operational readiness, it added.

The Navy received AoN for six additional P-81 long-range maritime reconnaissance aircraft from the U.S., along with a 4 MW marine gas turbine-based electric power generator. The P-81 aircraft will significantly bolster the Navy's long-range anti-submarine warfare, maritime surveillance and maritime strike capabilities.

Reducing dependence

The induction of the marine gas turbine-based generator under the Make-I category of the Defence

Acquisition Procedure, 2020 is expected to reduce dependence on foreign manufacturers and enhance self-reliance in naval power generation systems.

For the Indian Coast Guard, the AoN was granted for the procurement of electro-optical/infrared (EO/IR) systems for its Dornier aircraft. The systems will enhance maritime surveillance and strengthen coastal security operations.

The approvals mark one of the largest capital acquisition clearances in recent years, underlining the government's thrust on force modernisation.

KEY HIGHLIGHTS

Context

- The Defence Acquisition Council (DAC), chaired by the Defence Minister, granted Acceptance of Necessity (AoN) for capital acquisition proposals worth ₹3.6 lakh crore.
- Major approvals include:
 - 114 Multi-Role Fighter Aircraft (MRFA) for the Indian Air Force (likely Rafale platform).
 - 6 additional P-81 maritime reconnaissance aircraft for the Navy.
 - Combat missiles and Air-Ship Based High-Altitude Pseudo Satellite (AS-HAPS).
 - Vibhav anti-tank mines and overhaul of T-72, BMP-II, ARVs for the Army.
 - 4 MW marine gas turbine generator under Make-I category.
 - EO/IR systems for Coast Guard Dornier aircraft.
- One of the largest defence capital acquisition clearances in recent years.

Key Points for Prelims

- Acceptance of Necessity (AoN):
 - First stage of capital procurement under Defence Acquisition Procedure (DAP), 2020.
 - Validity period generally 6–12 months for further processing.
- Make-I Category (DAP 2020):
 - Government-funded indigenous design & development.
 - Up to 70% funding support.
- MRFA (114 Aircraft):
 - Intended to address declining IAF squadron strength (sanctioned strength: 42 squadrons).
- P-81 Aircraft:
 - Long-range maritime surveillance & Anti-Submarine Warfare (ASW).

- AS-HAPS:
 - Persistent ISR platform operating at high altitude for surveillance and communication.
- Vibhav Mines:
 - Anti-mechanised obstacle system to delay enemy armoured thrust.
- EO/IR Systems:
 - Enhance maritime domain awareness and coastal security.

Static Linkages

- Defence falls under Union List (Seventh Schedule).
- Article 53 – Executive power of the Union vested in the President (Supreme Commander of Armed Forces).
- DAP 2020 objectives:
 - Indigenisation
 - Time-bound procurement
 - Transparency
- India among top global arms importers (SIPRI data).
- Maritime security linked to:
 - 90% of India's trade by volume (Economic Survey).
- Two-front security challenge (Western & Northern borders).
- Role of Integrated Theatre Commands (proposed reforms).

Critical Analysis

Positives

- Strengthens deterrence against China & Pakistan.
- Enhances maritime surveillance in Indian Ocean Region.
- Promotes Atmanirbhar Bharat in defence manufacturing.
- Life extension of legacy platforms ensures cost-effectiveness.
- Boost to private defence industry & MSMEs.

Concerns

- High capital expenditure may strain fiscal space.
- Continued reliance on foreign OEMs.
- Delays and cost overruns historically common.
- Limited technology transfer risks.

Way Forward

- Accelerate indigenous fighter programs (e.g., AMCA).
- Ensure strict timelines under DAP 2020.
- Strengthen DRDO–private sector collaboration.
- Develop domestic aero-engine capability.
- Enhance jointness via Theatre Commands.
- Balance modernisation with fiscal prudence.

SC refuses to give nod for Haryana govt.'s jungle safari project in Aravalis

Top court says it will not allow anyone to touch the hill ranges until the expert committee gives its opinion; refuses to hear the safari plan and says will consider issue along with the main matter

Press Trust of India
NEW DELHI

The Supreme Court on Thursday said it will not allow "anyone to touch the Aravalis", refusing to permit the Haryana government to submit a detailed plan on jungle safari till a definition of "Aravali range" is clarified by experts.

A Bench of Chief Justice Surya Kant and Justices Joymalaya Bagchi and Vipul M. Pancholi said that the issue of jungle safari will be dealt with when it considers the main matter on the Aravali range.

Counsel for Haryana said that they have revised the detailed project report (DPR) of the safari project from 10,000 acres to over 3,300 acres. He said all they want is to be allowed to furnish the DPR to the central empowered committee (CEC) for their examination.

The Bench said, "We are not experts. The experts will decide the definition of Aravali. Till the definition



The safari project aims to set up big cat zones and house hundreds of species of birds and reptiles in the Aravali range. ANI

of the Aravali range is finalised, we will not allow anyone to touch the Aravalis."

CJI Kant said that the Aravali is not only of Haryana or Rajasthan but it is a range which traverses many States. "We will deal with this issue of safari with the main matter," he told the counsel for the Haryana government, who said that the main matter is altogether different and the issue of safari is different.

"Sometimes, the CEC is

fari by the Haryana government.

The zoo safari project aims to set up big cat zones and house hundreds of species of birds, reptiles and butterflies in an area of 10,000 acres in the eco-fragile Aravali range in Gurugram and Nuh districts.

The top court was dealing with a petition jointly filed by five retired Indian Forest Service officers (IFS) and NGO 'People for Aravalis' alleging the project would spell doom for the already damaged Aravali range.

On December 29, amid the outcry over the new definition of Aravalis, the top court kept in abeyance its directions of November 20 last year which accepted a uniform definition of these hills and ranges, saying there is a need to resolve "critical ambiguities" including whether the 100-metre elevation and the 500-metre gap between hills criteria will strip significant portion of the range of environment protection.

also very selective in giving its permission. If we permit this, they will give a very rosy picture that these are the trees, wildlife and forests," the Bench observed.

CJI Kant said that once the expert committee's opinion comes, it will deal with the safari project.

Stalled project

In October last year, the top court stalled the proposed mega 'Aravali Zoo Safari project', touted to be the world's biggest zoo-sa-

Key Issues

- Definitional ambiguity of Aravalli hills may weaken environmental protection.
- Debate between:
 - Conservation priorities
 - Development-driven eco-tourism projects
- Inter-state dimension: Aravalis span multiple states.
- Role of judiciary in enforcing the Precautionary Principle.

Relevant Constitutional & Legal Provisions

- Article 21 – Right to life includes right to a clean environment.
- Article 48A – Directive Principle for environmental protection.
- Article 51A(g) – Fundamental duty to protect natural environment.
- Environment (Protection) Act, 1986 – Power to declare eco-sensitive zones.
- Forest Conservation Act, 1980 – Restricts diversion of forest land.
- Wildlife Protection Act, 1972 – Habitat conservation.

Principles Involved

- Precautionary Principle
- Sustainable Development
- Inter-generational Equity
- Doctrine of Public Trust

Analytical Dimensions

Why Aravalis are ecologically critical?

- Prevent desert expansion.
- Maintain regional climate balance.
- Recharge aquifers.
- Act as biodiversity corridor.

Concerns with Large-Scale Safari Project

- Habitat fragmentation.
- Increased anthropogenic pressure.
- Commercialisation of eco-sensitive zone.
- Risk of weakening legal safeguards via definitional dilution.

Counter-Arguments

- Eco-tourism generates livelihood.
- Controlled tourism can aid conservation awareness.
- State autonomy in development planning.

Way Forward

- Scientific mapping using GIS and remote sensing.
- Notify ecologically sensitive zones clearly.
- Promote low-impact eco-tourism models.
- Strengthen inter-state conservation framework.
- Community participation (Joint Forest Management).
- Landscape-level restoration of degraded Aravalli areas.

KEY HIGHLIGHTS

Context of the News

- The Supreme Court of India refused to allow the Haryana government to proceed with the proposed Aravalli Jungle Safari project until the definition of the "Aravalli range" is finalised by experts.
- The Bench observed that "no one will be allowed to touch the Aravalis" until scientific clarity is achieved.
- Earlier, the Court had stalled the mega zoo-safari project (initially 10,000 acres, later reduced to ~3,300 acres).
- The matter involves ecological concerns raised by retired Indian Forest Service officers and environmental groups.
- The Court has kept in abeyance its earlier acceptance of a uniform definition of Aravalis due to "critical ambiguities."

About the Aravalli Range

- One of the oldest fold mountain systems in the world (Precambrian origin).
- Extends ~800 km from Gujarat through Rajasthan and Haryana to Delhi.
- Ecological functions:
 - Acts as a barrier against desertification from the Thar Desert.
 - Critical groundwater recharge zone for NCR.
 - Supports dry deciduous and scrub forest ecosystems.
- Threats:
 - Mining, urbanisation, infrastructure expansion, deforestation

Vande Mataram, its six stanzas and a settled question

The January 28, 2026 order of the Union Ministry of Home Affairs (MHA), directing that all six stanzas of Vande Mataram be played at official functions, with everyone present required to stand at attention, is not an act of patriotism. It is constitutional vandalism dressed up in national pride. To understand why, we need to go back to 1937, look at what the Constituent Assembly decided, and remember what the Supreme Court of India had said in the landmark case, *Bijoe Emmanuel and Ors. vs State of Kerala and Ors.* (1986).

1937 settlement is not weakness, but wisdom
In October 1937, the Congress Working Committee had met in Calcutta. What happened there was not appeasement, as some now claim. Dr. Rajendra Prasad moved the resolution while Sardar Vallabhbhai Patel seconded it. Mahatma Gandhi was there as a special invitee. The resolution was unanimous. They recognized "the validity of objections raised by Muslim friends to certain parts of the song" and concluded that "the first two stanzas alone, accepted as the national song at national gatherings, are in no sense objectionable".

This was not concision. It was common sense. The later stanzas of Bankim Chandra Chatterjee's poem (*Vande Mataram*) call out, by name, the Hindu goddesses Durga, Lakshmi and Saraswati. One verse literally describes the motherland as "Thou art Durga, daughter of the 10 weapons".

Think about what it means to force a Muslim child to stand at attention while these verses are sung. That is not fostering unity. That is imposing a religious test in a secular republic.

Even Rabindranath Tagore supported keeping it to two stanzas. The whole freedom movement – from the moderate to the radical, from the secular to the devout – agreed that the first two stanzas captured the nation's spirit without hurting anyone's faith. This was not a fringe decision. It was the collective wisdom of the people who fought for India's freedom.

On January 24, 1950, President Rajendra Prasad announced that *Jana Gana Mana* would be the National Anthem, and that *Vande Mataram* would "be honoured equally" with it. But here is what matters: the Constituent Assembly adopted only the two-stanza version as the National Song. Those four other stanzas were not accidentally forgotten. They were deliberately left out because our founders understood something crucial: a secular republic cannot make offers devoted to specific gods and goddesses into official symbols.

In the Constitution, Article 51A(1) tells every citizen "to abide by the National Flag and the National Anthem". If one notices carefully, the National Song is not mentioned. When Parliament added fundamental duties through the 42nd Constitutional Amendment Act of 1976, it specifically listed the Flag and the Anthem. It



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did not include the Song. This was not an oversight. This was a choice. The Prevention of Insults to National Honour Act, 1971, protects the National Anthem, the Flag, the Constitution. It does not cover *Vande Mataram*. There is no legal penalty for not singing it, not standing for it, or not showing it any particular respect. This is not accidental. The constitutional framework deliberately treats the anthem (which is secular and inclusive) differently from the song (which has religious elements that need to be carefully limited).

The case about the right not to sing
In July 1985, *Bijoe, Bimu Mol, and Hindu Emmanuel*, three children in Kerala, were expelled from school. They were Jehovah's Witnesses. Every morning during assembly, they stood respectfully while the National Anthem played. But they did not sing it, because their faith did not allow it. They did not cause trouble. They did not disrupt anyone. Then a State Minister got involved, and they were sent out. While the Kerala High Court said the expulsion was fine, the Supreme Court said absolutely not.

In his judgment, Justice O. Chinnappa Reddy said the expulsion violated their fundamental rights to free speech and freedom of religion. Then he wrote something that should be carved in stone: "Proper respect is shown to the National Anthem by standing up when it is sung. It will not be right to say that disrespect is shown by not joining in the singing".

The Court went further. "It will not be right to say that disrespect is shown by not joining in the singing." Standing respectfully but staying silent does not break any law. The children's right to remain silent, which is itself part of free speech, was constitutionally protected. Justice Reddy quoted an American judge, Justice Robert H. Jackson, from a case, *West Virginia State Board of Education vs Barnette* (1943): "If there is any fixed star in our constitutional constellation, it is that no official, high or petty, can prescribe what shall be orthodox in politics, nationalism, religion, or other matters of opinion or force citizens to confess by word or act their faith therein." That star has not stopped shining.

Now, consider what the MHA order does. It mandates the playing of the complete six-stanza version at civil investitures, presidential events, and flag ceremonies. Everyone must stand at attention. Schools must start the day with community singing of the National Song. And, yes, it includes the four stanzas that the Constituent Assembly deliberately excluded. The stanzas invoking Durga with her weapons, Lakshmi with her blessings and Saraswati with her knowledge. The logic is simple. If the Court said that you cannot force people to sing even the National Anthem (which has constitutional protection under Article 51A and legal protection under a specific Act), then you certainly cannot force them to sing the National Song (which has neither constitutional mention nor legal protection). What is forbidden for the greater

must surely be forbidden for the lesser. But this order does something worse. It is not just asking people to stand. It is making them participate, even passively, in singing explicitly religious verses. Consider the position of a Muslim bureaucrat compelled to stand at attention as "You are Durga, wielder of the ten weapons" echoes through the hall, or a Christian child in a school assembly where Hindu deities are invoked. That is not a formality. That is a wound to conscience. That is exactly what Article 25 of the Constitution protects against. India's founders were not naive. They were building something extraordinary: a constitutional order that could hold together a civilization of staggering diversity. They understood what we seem to have forgotten. Real patriotism does not require everyone to pray the same way. The first two stanzas – "Jugadim, spharim, mukhya shaktim" – celebrate our motherland's rivers, fruits, cool breezes, moonlit nights. They belong to every Indian, regardless of faith. The later stanzas are beautiful devotional poetry, but they are addressed to specific deities of one religious tradition. To mix them together and force everyone to participate in both is to break the republic's founding promise.

What this is really about
Nobody is questioning whether *Vande Mataram* deserves respect. Of course it does. Its first two stanzas are the fire of resistance against colonial rule. People sang them in streets and in jail cells. Hindus and Muslims together, as a battle cry for freedom.

The real question is simpler: Can the government force citizens to participate in religious observance by calling it patriotism? Any honest reading of the Constitution and the Supreme Court's judgments gives you the answer. No. *Bijoe Emmanuel* is not some dusty old precedent. It is alive. It stands for something essential – in a constitutional democracy, the right to disagree, even silently and respectfully, is not treason. It is freedom itself.

The MHA order overturns the 1937 settlement. It ignores what the Constituent Assembly deliberately chose. It disregards Article 51A. It sidesteps the Prevention of Insults to National Honour Act. It violates the principles in *Bijoe Emmanuel*. And it does all this through executive order, without any law being passed, without any constitutional amendment, without any court approval.

If there is any fixed star in our constitutional sky, it is this: The Republic belongs equally to all its citizens. To those who sing and to those who, for reasons of conscience, stand in respectful silence. To put out that star in patriotism's name is to betray the very idea of India that its founders fought to build. The Constitution does not demand that we all worship the same way. It demands that we are all equal citizens. Those are not the same thing, and no amount of forced standing can make them so.

- Article 51A(a):
 - Duty to respect the Constitution, National Flag and National Anthem.
 - Does NOT mention National Song.
- Prevention of Insults to National Honour Act, 1971:
 - Provides statutory protection to:
 - National Flag
 - Constitution
 - National Anthem
 - Does NOT include National Song.
- In *Bijoe Emmanuel v. State of Kerala* (1986):
 - SC upheld right to remain silent during National Anthem.
 - Protected under Articles 19(1)(a) and 25.

Static Linkages

- Article 19(1)(a) – Freedom of speech and expression (includes right to silence).
- Article 25 – Freedom of conscience and religion.
- Article 73 – Extent of Union executive power.
- 42nd Constitutional Amendment Act, 1976 – Added Fundamental Duties.
- Secularism – Basic Structure (*Kesavananda Bharati* case).
- Constitutional Morality – Concept emphasized by B.R. Ambedkar.

Critical Analysis

Constitutional Issues

- National Song has no constitutional or statutory mandate.
- Compulsion may violate:
 - Article 19(1)(a) – Freedom of expression.
 - Article 25 – Freedom of conscience.
- Supreme Court precedent protects right not to sing.

Secularism Debate

- Later stanzas invoke specific deities.
- Indian secularism = equal respect to all religions.
- State endorsement of religious symbolism may raise concerns.

Executive vs Legislature

- Executive order without parliamentary enactment.
- Raises question of constitutional propriety.

Ethical Dimension (GS4)

- Tension between:
 - Civic nationalism
 - Religious symbolism
- Constitutional morality vs majoritarian sentiment.

Way Forward

- Align executive actions with Supreme Court precedents.
- Restrict official version to first two stanzas (historical practice).
- Ensure participation is voluntary.
- Promote inclusive civic nationalism.
- Encourage constitutional literacy in schools.

KEY HIGHLIGHTS

Context of the News

- On 28 January 2026, the Union Ministry of Home Affairs (MHA) reportedly directed that all six stanzas of *Vande Mataram* be played at official functions.
- The order includes the four later stanzas invoking Hindu deities such as Durga, Lakshmi and Saraswati.
- Historically:
 - In 1937, the Congress Working Committee restricted official use to the first two stanzas.
 - On 24 January 1950, President Rajendra Prasad declared:
 - *Jana Gana Mana* as the National Anthem.
 - *Vande Mataram* to be honoured equally as the National Song (limited to two stanzas).
- The issue has revived debates around secularism, freedom of conscience, and executive power.

Key Points for Prelims

- *Vande Mataram*:
 - Written by Bankim Chandra Chatterjee.
 - Appeared in the novel *Anandamath* (1882).
- National Anthem:
 - *Jana Gana Mana* officially adopted on 24 January 1950.
- National Song:
 - No constitutional provision explicitly defining or mandating it.

The hidden cost of insurance distribution

India's life insurance industry paid ₹60,799 crore in commissions in FY2025. By itself, the figure is not extraordinary for a sector of this scale. What should alarm regulators and policymakers is the trend. In a single year, commission payouts surged 18% while premium growth managed only 6.7%. Distribution costs are now rising nearly three times faster than the business they are meant to support. The Reserve Bank of India (RBI) has expressed concern about this divergence in its Financial Stability Report (December 2025).

Public insurers show better cost discipline, while several private insurers – especially after 2022-23 – exhibit steeper commission escalation. For policyholders, this divergence is not theoretical. Over the life of a typical policy, it translates into tens of thousands of rupees of foregone value – not because of fraud or misconduct, but because of how bargaining power is concentrated across certain distribution channels.

Public and private insurance divergence
FY2025 data reveal something more fundamental than headline cost inflation – an exposure of a structural bifurcation. The Life Insurance Corporation of India (LIC), which sources nearly 95% of its business through its agency force, saw its commission ratio decline from 5.45% to 5.17% despite modest premium growth of 2.8%. In contrast, insurers heavily dependent on alternate channels – bancassurance, brokers, insurance marketing firms – saw commission ratios rise sharply from 7.21% to 8.95%, a 174-basis-point jump in a single year. Commission expenditure by private insurers surged 38.8%, from ₹25,564 crore to ₹35,491 crore.

The LIC and a few listed private insurers exhibit better cost control, while others show steep increases, pulling up private-sector averages. This 202-basis-point divergence between public and private life insurers – operating under identical regulations, selling similar products, and competing for the same customers – can largely be explained by two



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Distribution escalation is a structural faultline in India's life insurance industry

variables: channel composition and the share of single-premium versus non-single-premium business. Insurers with an agency-dominated model display cost discipline; those reliant on alternate channels show cost escalation. This is not correlation – it is structural causation.

The explanation lies in bargaining power. Twenty-six life insurers compete for partnerships with banks controlling over 4,00,000 branches. Banks can reallocate business, switch insurer partners, or adjust shelf space with relative ease. Insurers face high switching costs: building alternate distribution at scale requires years and substantial capital. The outcome is predictable – pricing power concentrates with distribution intermediaries, and commission inflation follows.

Markets respond to incentives, not intent. Historically, the Insurance Regulatory and Development Authority of India (IRDAI) imposed product-wise commission caps, limiting payouts regardless of channel. When hard caps existed, competitive pressure surfaced through marketing arrangements, technology fees, training programmes and infrastructure support. Many of these are legitimate. Concern arises when scale and timing mirror sales volumes rather than services delivered. This is not a compliance failure; it is the natural outcome of competition interacting with concentrated distribution power.

Unchanged economics

The shift in 2023-24 to the Expenses of Management (EOM) framework was well-intentioned. It aimed to encourage managerial autonomy, efficiency and accountability. However, expenses earlier embedded elsewhere have now surfaced transparently as commissions. Institutions with bargaining power have become more assertive in demanding higher payouts. Visibility has improved, but underlying economics remain unchanged.

Therefore, blaming individual agents misses the point entirely. After sourcing costs, taxes, overrides and institutional deductions, agents retain perhaps 35%-40% of headline

commissions. The bulk – nearly ₹26,000 crore in FY2025 – accrues to corporate intermediaries, particularly banks and insurance marketing firms, which command customer access at scale. This is a market-structure issue, not an agent-conduct issue.

Several popular remedies fail to address this reality. Clawbacks make intermediary cash flows uncertain, encouraging risk aversion and exit from insurance distribution, ultimately harming penetration. Commission disclosure offers limited benefit to most buyers while incentivising informal rebates that push transactions outside regulatory visibility. Open architecture, often positioned as pro-competition, risks worsening outcomes by eroding insurers' incentives to invest in agent capability and service – mirroring the mutual fund industry's post-2012 experience.

Distribution economics cannot be corrected through disclosure or accounting reclassification alone. The issue runs deeper in incentive design and bargaining power.

A way out

What would help is rebalancing commissions away from extreme front-loading toward meaningful renewal income, so that servicing and maintenance matter as much as sales. Bancassurance requires explicit joint oversight by the RBI and IRDAI, focusing on persistency, complaints, servicing quality and commissions – not just headline expense ratios. EOM limits must recognise channel economics while ensuring that acquisition costs remain within reasonable bounds. Above all, regulation should pivot toward outcomes – retention, service satisfaction and claims experience rather than process compliance.

Insurance penetration has already softened, declining from 4% to 3.7% of GDP in FY2024. If distribution costs continue to rise faster than value delivered, insurance will steadily lose relevance for middle-income households.

Containing acquisition costs within rational limits is not optional. It is essential for sustainable penetration, a concern rightly flagged by the RBI.

Static Linkages

- Insurance promotes risk pooling and capital formation.
- Financial sector stability is linked to systemic risk containment.
- Regulatory bodies derive authority from Parliamentary legislation.
- Market concentration leads to pricing power distortions.
- Information asymmetry causes moral hazard and adverse selection in insurance markets.
- Financial inclusion is part of inclusive growth strategy.

Critical Analysis

Why Concern?

- Distribution cost rising faster than business growth.
- High front-loaded commissions reduce long-term policy returns.
- Declining insurance penetration indicates affordability concerns.
- Concentration of bargaining power in banks (bancassurance model).

Positives of EOM Framework

- Greater transparency in expense reporting.
- Managerial flexibility.
- Alignment with outcome-based regulation.

Structural Issue

- Not agent misconduct, but market structure imbalance.
- Corporate intermediaries capture bulk of commissions.
- Regulatory caps replaced by market-driven negotiation.

Way Forward

- Shift toward renewal-based commissions (focus on persistency).
- Joint oversight by RBI and IRDAI on bancassurance.
- Link commissions to persistency and grievance redressal metrics.
- Encourage digital insurance distribution to reduce acquisition costs.
- Promote financial literacy to reduce information asymmetry.
- Balance autonomy with consumer protection safeguards.

KEY HIGHLIGHTS

Context

- Life insurance companies paid ₹60,799 crore as commissions in FY2025.
- Commission payouts grew 18%, while premium income increased only 6.7%.
- The Reserve Bank of India flagged concerns in its Financial Stability Report (Dec 2025) regarding rising distribution costs.
- Public insurer Life Insurance Corporation of India (LIC) reduced its commission ratio (5.45% → 5.17%), while private insurers saw a sharp rise (7.21% → 8.95%).
- The regulatory shift to the Expenses of Management (EOM) framework (2023–24) by the Insurance Regulatory and Development Authority of India removed product-wise commission caps.

Key Exam-Relevant Facts

- Insurance penetration declined from 4% to 3.7% of GDP (FY2024).
- Private insurers' commission payout rose 38.8% in FY2025.
- Agents retain only 35–40% of headline commission; major share goes to corporate intermediaries (banks, brokers).
- 26 life insurers compete for bancassurance tie-ups with banks (4 lakh+ branches).
- Under EOM norms, overall management expenses are capped, not product-wise commissions.

Farmers' pulse

Only structural reforms in agriculture sector can ensure food security

India manages its prodigious demand for pulses using a mix of import policy, price stabilisation and conditional MSP procurement. Imports are the most sensitive because a single central decision can immediately lower household spending when supply is tight, at the expense of hurting farmers, and knowing that markets cannot always absorb 'extra' supply. So, when the U.S. said that its trade deal with India obligated India to purchase pulses from American suppliers, it implied that the government had agreed to committing imports against farmers' interests – a politically fraught stance in India since the 2020-21 farm law protests and which might see a revival now. India's pulse output has hovered around 2.5 crore tonnes in recent years while demand is estimated to be three crore tonnes; imports fill the gap. Pulses account for roughly a quarter of non-cereal protein intake and support five crore farmers and their families. In the absence of a reliable MSP regime as for rice and wheat, however, farmers face organised neglect due to weak procurement mechanisms, the risks of rain-fed cultivation, and yields lower than international competitors. In 2019-24, government procurement under the Price Support Scheme fluctuated between 2.9% and 12.4% of production. Many States also have inadequate procurement centres, forcing farmers to sell to private traders regardless of the official MSP. As a result, farmers are incentivised to underinvest in pulses, leading to a vicious cycle.

India recently announced ambitious initiatives to solve this problem, an example being the October 2025 self-sufficiency Mission, with a ₹11,440 crore outlay, targeting 310 lakh hectares of cultivation and 350 lakh tonnes of production by 2030-31. But farmers remain sceptical since older promises have yet to materialise. All this is why the initial apparent inclusion of pulses in the U.S. documents, describing what India would open to American agri-imports, hit a raw nerve among India's farmers. Opening the market to U.S. pulses would further depress domestic prices and directly contradict the government's new Mission. Breaking this cycle would require more than removing objectionable words from an agreement, including addressing the procurement infrastructure deficit, providing genuine MSP guarantees, investing in productivity improvements for rain-fed areas where pulses are grown, and creating market systems that explicitly reward farmers who choose to cultivate pulses. Until such structural reforms materialise, however, pulse farmers will continue to occupy a precarious position in India's agricultural economy and India will continue to depend on imports to meet its demand, perpetuating both food security vulnerabilities and political sensitivity around any trade agreement that appears to favour foreign producers.

KEY HIGHLIGHTS

Context of the News

- U.S. trade communication reportedly suggested India may commit to importing pulses from American suppliers under a bilateral trade understanding.
- This raised concerns among Indian farmers amid:
 - Weak MSP-backed procurement for pulses.
 - Recent launch of Pulses Self-Sufficiency Mission (2025) with ₹11,440 crore outlay.
- India produces ~2.5 crore tonnes of pulses annually, while demand is ~3 crore tonnes (Ministry of Agriculture, Economic Survey).
- Pulses account for nearly 25% of India's non-cereal protein intake.
- Government procurement under Price Support Scheme (PSS) ranged between 2.9%–12.4% (2019–24), indicating limited MSP realization.
- Issue gains sensitivity in backdrop of 2020–21 farm protests and ongoing MSP guarantee debate.

Key Facts

- India is the largest producer and consumer of pulses globally.
- Pulses are predominantly rain-fed crops.
- MSP for pulses is recommended by CACP.

- Procurement under PSS is carried out mainly through NAFED.
- Pulses improve soil fertility through biological nitrogen fixation.
- India frequently uses import duty changes and quantitative restrictions to stabilize prices.
- Self-Sufficiency Mission target: 350 lakh tonnes by 2030–31.

Static Linkages

- MSP is an administrative price, not legally enforceable.
- Price Support Scheme operates under PM-AASHA framework.
- WTO Agreement on Agriculture categorizes subsidies into Amber, Blue, and Green boxes.
- Article 38 and 39 of DPSPs: Economic justice and protection of livelihood.
- Rain-fed areas account for ~52% of net sown area (Economic Survey).
- Crop diversification is critical for sustainable agriculture.
- Pulses help reduce dependence on chemical fertilizers.

Critical Analysis (Mains-Oriented)

1. Economic Dimension

- Imports reduce inflation during shortages.
- However, predictable imports can depress farm-gate prices.
- Weak procurement reduces MSP effectiveness.
- Inconsistent trade policy creates uncertainty.

2. Farmer Welfare Dimension

- Pulses farmers lack assured procurement unlike rice/wheat farmers.
- Rain-fed cultivation increases climate risk.
- Low productivity compared to global standards.

3. Food Security Dimension

- Pulses critical for protein security.
- Import dependence exposes India to global supply shocks.
- Self-sufficiency mission contradicts expanded imports.

4. Trade Policy Dimension

- Trade commitments may limit tariff flexibility.
- Balancing WTO obligations with domestic agricultural priorities is complex.

5. Governance & Ethical Dimension

- Trust deficit after farm law protests.
- Policy credibility at stake if self-sufficiency targets clash with import commitments.

Way Forward

- Strengthen decentralized procurement infrastructure.
- Expand effective MSP-backed procurement for pulses.
- Invest in rain-fed area productivity (irrigation, seed technology).
- Ensure stable, predictable import policy.
- Promote FPO-led aggregation and marketing.
- Include pulses more systematically in nutrition schemes.
- Align trade agreements with domestic agricultural goals.

Too fake to be good

Labelling of synthetically generated content on social media is a must

The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Amendment Rules, 2026, add a critical requirement for social media platforms: AI-generated imagery must now be labelled prominently. Since the draft rules were released in October, there have been some improvements in this mandate: it is no longer prescribing a set size for such a disclosure, nor is it applicable to any AI-generated imagery that does not seek to pass off as the real thing. AI-generated imagery has flooded users' feeds and they have a right to know that this imagery is not real. The requirement that users declare synthetically generated content as such is welcome. As India approaches the AI Impact Summit with a stated intent to regulate AI only insofar as necessary, the requirement shows considerable restraint. Since the technology for creating synthetic imagery is rapidly evolving, the government will, however, have to revisit parts of the Rules that impose proactive detection of synthetic content by platforms – after all, while tech platforms are generally able to detect synthetic media automatically, this capability is constantly challenged by the billions of dollars being invested into ironing out the flaws that these detection mechanisms rely upon.

What is problematic is the government's insertion – with absolutely no public forewarning – of reducing the timelines for taking down content under the Rules to a mere two or three hours. Reducing such compliance timelines creates one of two incentives for social media platforms: either have empowered representatives at all times who can appropriately weigh the merits of a take-down notice and balance it against freedom of expression; or implement a take-down-and-ask-questions-later approach. Any delay would implicate firms in court by removing their safe harbour, an outcome they understandably wish to avoid. This shortening applies to all platforms, adding a barrier of entry to a space that should be open to constant challengers in an open Internet. This shorter timeline was not indicated in October, and since comments are not public, there is no way to confirm if all interests were properly considered. The lack of open consultation is a particularly pressing issue when the main stakeholders are hyperscalers with hundreds of billions of dollars in planned investments over the years ahead. Their views need to be open to scrutiny, as must the deliberations their inputs lead to. The IT Rules remain contested in multiple court cases, and it is inappropriate to make sudden changes to social media governance that may have ramifications for the freedom of expression without parliamentary debate.

KEY HIGHLIGHTS

Context

- The Union Government amended the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 in 2026 under the Information Technology Act, 2000.
- The amendment mandates prominent labelling of AI-generated imagery that attempts to pass off as real.
- It also reduces the content takedown timeline to 2–3 hours in specified cases.
- The changes come amid rising concerns regarding deepfakes, AI-driven misinformation and electoral manipulation.
- The IT Rules are currently under judicial scrutiny in multiple courts.

Key Provisions of the Amendment

1. Labelling of AI-Generated Imagery

- Mandatory disclosure where synthetic media seeks to imitate real persons or events.
- No fixed size requirement for the disclosure (relaxed from draft version).
- Not applicable to satire, parody or clearly artistic AI content.
- Aims to protect users' right to informed digital consumption.

2. Reduced Takedown Timeline

- Intermediaries must remove flagged content within 2–3 hours in specified cases.
- Failure to comply may lead to:
 - Loss of safe harbour protection under Section 79 of the IT Act.
 - Legal liability for third-party content.

3. Due Diligence Obligations

- Appointment of grievance redressal officers.
- Compliance with court or government orders.
- Proactive monitoring requirements in certain cases.

Static Concepts

- Article 19(1)(a): Freedom of Speech and Expression.
- Article 19(2): Reasonable Restrictions.
- Article 21: Protection of life, dignity and privacy.
- Section 79, IT Act, 2000: Safe Harbour Protection.
- Delegated Legislation and its limits.
- Doctrine of Proportionality.
- Principles of Natural Justice.
- Shreya Singhal v. Union of India (2015).
- Digital Personal Data Protection Act, 2023.

Constitutional and Governance Dimensions

- Balance between freedom of expression and public order.
- Scope of executive rule-making under parent legislation.
- Parliamentary oversight over subordinate legislation.
- Transparency and consultation in digital governance.
- Impact on startup ecosystem and ease of doing business.

Critical Analysis

Positives

- Enhances transparency in digital platforms.
- Addresses growing threat of deepfakes and misinformation.
- Protects electoral integrity and individual reputation.
- Limited scope to deceptive AI content shows regulatory restraint.

Concerns

- Extremely short 2–3 hour compliance window may encourage over-censorship.
- Risk of chilling effect on legitimate speech.
- High compliance burden for small and emerging platforms.
- Limited public consultation reduces democratic legitimacy.
- Technological detection of synthetic media remains imperfect.

Way Forward

- Clearly define categories requiring urgent takedown.
- Introduce graded compliance norms for smaller intermediaries.
- Ensure transparency in rule-making process.
- Strengthen parliamentary scrutiny of digital regulations.
- Promote watermarking and traceability standards for AI content.

RBI spells out norms to keep loan recovery agents on leash

The regulator's directions, to be effective from July 1, also mandates a dedicated mechanism for redressal of recovery related grievances

Lalendu Mishra
MUMBAI

The Reserve Bank of India (RBI), in a draft guideline issued on Thursday, has proposed to restrain bank employees or recovery agents to desist from employing harsh methods towards loan recovery.

Accordingly, they would be prohibited from using minatory or abusive language, sending 'inappropriate' messages either on mobile or through social media, making excessive calls to the borrower or guarantor, and calling outside prescribed hours and making threatening or anonymous calls.

Intimidating or harassing the borrower or guarantor or relatives, friends, co-workers either verbally or physically, including acts intended to humiliate them publicly will be classified as 'harsh methods'.

No bank employee or recovery agent can use or issue threat of violence or other similar means to harm the borrower or guarantor or their family, assets or reputation, and make false or misleading representations to the borrower or guarantor, especially about the extent of the debt or the consequences of non-repayment, according to the provisions of the draft guidelines of the Second Amendment Directions, 2026, which relates to responsible business conduct by banks and other regulated entities towards engagement of recovery agents.

All banks must have a dedicated mechanism for redressal of recovery related grievances. To be called the Reserve Bank of India (Commercial Banks - Responsible Business Conduct) Second Amendment Directions, 2026, these directions will come into effect from July 1, 2026.

The RBI has invited public comment to the draft guidelines. With recovery agents found to be deploying harsh measures, the RBI has decided to issue comprehensive instructions on conduct related matters in recovery of loans and engagement of recovery agents to all regulated entities.

This was proposed during the last monetary policy announcement.

For responsible lending conduct, all banks are required to put in place a policy on recovery of loans, engagement of recovery agents for recovery of loan dues, and taking possession of security.

The policy will cover aspects related to eligibility and due diligence criteria for engagement of recovery agents, specified activities, code of conduct, and performance evaluation standards, the RBI said.

Debt diktat

The RBI proposes to restrain bank employees and recovery agents from using abusive language, sending inappropriate messages and making too many calls to borrowers and guarantors

- They cannot call them outside the prescribed hours or make threatening or anonymous calls
- Harassing kin and friends of borrower or guarantor, including humiliating them publicly, to be classified as 'harsh'



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- Define code of conduct and performance standards for agents.

Relevant Constitutional & Legal Linkages

- Article 21 – Right to life includes right to dignity (judicial interpretation).
- Article 14 – Non-arbitrariness in state action.
- Banking Regulation Act, 1949 – RBI's regulatory authority.
- SARFAESI Act, 2002 – Enforcement of secured assets.
- RBI Integrated Ombudsman Scheme, 2021 – Banking grievance redressal.
- Consumer Protection Act, 2019 – Unfair trade practices.

Critical Analysis

Positives

- Promotes ethical banking.
- Protects dignity and mental well-being of borrowers.
- Strengthens accountability of financial institutions.
- Improves trust in banking system.

Challenges

- Monitoring third-party recovery agents.
- Balancing borrower protection with NPA reduction.
- Compliance burden on banks.
- Risk of delayed recoveries.

Way Forward

- Strengthen digital monitoring of recovery communication.
- Mandatory certification of recovery agents.
- Faster grievance redressal timelines.
- Integration with Financial Literacy initiatives.
- Strong supervisory audits by RBI.

KEY HIGHLIGHTS

Context

- The Reserve Bank of India (RBI) released draft guidelines titled RBI (Commercial Banks – Responsible Business Conduct) Second Amendment Directions, 2026.
- Aim: To regulate conduct of banks and recovery agents during loan recovery.
- Comes after complaints of coercive and unethical recovery practices.
- Effective date proposed: July 1, 2026 (post public consultation).
- Announced in line with RBI's broader push for responsible lending practices.

Key Provisions

- Prohibits:
 - Threatening, abusive, or humiliating language.
 - Excessive calls or contact outside prescribed hours.
 - Anonymous or threatening communications.
 - Harassment of borrower's relatives, friends, co-workers.
 - Public humiliation or reputational threats.
 - Misleading representation of legal consequences.
- Banks must:
 - Frame a formal Recovery Policy.
 - Conduct due diligence before appointing recovery agents.
 - Establish a dedicated grievance redressal mechanism.

India-US deal could have been a moment missed. It is a moment seized

GLOBAL ECONOMIC engagement is and was riddled with contradictions. We applied for growth yet feared competition. This difference shaped our early approach to trade. PM Narendra Modi has acted with panache. The present engagement on FTAs with the EU and US represents a discontinuity with the past. The US deal is not an isolated initiative but integral to a long, uneven journey from protectionist to purposeful participation in global trade.

After independence, better trade was inescapable. In the grey corridors of the Soviet bloc, we swapped tea for machinery and rice for oil. It was a world where freedom of choice was traded for the comfort of certainty. State entities like the State Trading Corporation and the Mines and Minerals Trading Corporation canalised foreign trade in a debilitating trade regime. I witnessed this caution firsthand in 1973 while negotiating concessional oil with the Shah of Iran as the global economy buckled under the first oil crisis. Today, however, our deepening engagement with the United States represents the shedding of that protectionist shield.

My engagement with these issues began in 1969 when I joined as undersecretary in the Ministry of Commerce. I participated in GATT and UNCITAD negotiations and later during the transition to the WTO. At the time, we took pride in negotiating strategic bound tariff rates while keeping applied rates at more acceptable levels. As Anne Krueger argued, such protectionist regimes encourage rent-seeking, stifle competitiveness, and misallocate resources.

The Tokyo Round attempted to discipline non-tariff barriers, but the Uruguay Round altered the landscape by creating the WTO. It expanded non-trade sovereign obligations. For developing nations, this shared anxieties. It introduced non-trade issues of investment and procurement policy into a forum designed primarily for trade issues. These divides were further exposed in Cancun and later in Seattle. On December 1, 1999, during the Seattle WTO Ministerial Conference, President Bill Clinton's attempt to introduce labour and investment standards met with massive protests. PM Atal Bihari Vajpayee tasked me to assist the delegation's leader, Murasoli Maran, then Minister of Commerce and Industry. The US presidency's whims derailed these negotiations. Whims mattered then as they do now.

Today, that rules-based order is strained by complex supply chains, industrial subsidies, and the rise of state capitalism. With its dispute settlement mechanism in shambles, the WTO has lost its functional credibility. We are witnessing the "trilemma" articulated by Dani Rodrik: Deep globalisation, democratic politics, and national sovereignty cannot be simultaneously maximised. In this vacuum, FTAs have displaced multilateral ambition. Jagdish Bhagwati's critique of the "spaghetti bowl" of overlapping rules remains valid, and Paul Krugman correctly cautions against viewing trade deals as universal remedies. Yet, these arrangements deliver the predictability that markets crave.

India's evolution mirrors this realism. Following the 1991 crisis, trade liberalisation became the first ingredient of India's response. Initiated by a Congress government, these reforms dismantled extreme insulation. Fears of deindustrialisation proved baseless: Indian industry adapted and emerged globally competitive. Having come of age, India can no longer prosper behind walls of excessive protection.

Our current choices reflect a sophisticated understanding of strategic autonomy. It is not a protectionist doctrine but a practical instrument shaped by cost-benefit calculations. Access to American technological capital, markets have long-term value. Cooperation with the US and the EU strengthens domestic economic and defence capabilities. Diversifying external partnerships enhances India's strategic leverage, becoming a more consequential partner, better insulated against future uncertainties.



N K SINGH

Crucially, the new India-US interim arrangement does not leave us harshly exposed. Agriculture remains a vital political and social anchor, providing livelihoods for 45 per cent of our population despite contributing only 18 per cent to GDP. Diversification into value-added agro-activities reduces overland and enhances incomes in the farming sector. Interestingly, Bangladesh's "free access" to the US came at the cost of exposing sensitive domestic agricultural sectors to American scale and subsidies.

The India-US interim arrangement, alongside our successful negotiations with the EU, must be viewed through this lens of calibrated market access. The US Agreement signals an ambition for trade and procurement flows approaching \$500 billion over five years. In 2024-25, India exported \$86.5 billion in merchandise to the US, 20 per cent of our total exports. Until recently, nearly \$41 billion of those exports faced reciprocal tariffs as high as 50 per cent. We are not reducing tariffs to zero. We are pursuing a balanced outcome that protects our industrial base while securing zero-duty access for high-margin sectors where India dominates, such as generic pharmaceuticals, gems and diamonds, and aircraft parts. While our reciprocal rate stands at a balanced 18 per cent, other exporters face significantly higher barriers: China at 35 per

cent, Vietnam at 20 per cent and ASEAN nations at 19 per cent. This is neither a total victory nor a debilitating loss. In complex trade negotiations, unlike the ABBA song "The winner takes it all, the loser must fall", there are no absolute winners or losers. Without this interim arrangement, India would face elevated tariffs, a widening competitiveness gap, and hemorrhaging of foreign investment. Such outward capital flight puts continuing pressure on exchange rates and currency management, making reserves increasingly vulnerable. Further, avoiding the 25 per cent tariff linked to Russia-related measures carries immense signalling value. The certainty and openness of India's future support greater investor confidence and greater US investment flows. Judicial reforms, bilateral investment protection treaties, and considering credible arbitration frameworks such as the Abu Dhabi Global Market could further fortify both investment flows and investor comfort.

Trade negotiations are rarely one-sided and must be judged within a long-term geopolitical frame. The world is adjusting to US power politics, but India's task is precise: securing market access and investment amid strategic churn.

A successful negotiation is often said to leave all sides equally dissatisfied. If this agreement raises exports and deepens technical-industrial capability during a disorderly global transition, it is a substantial achievement. It is ironic that a momentous mindset shift is met with preservation. India is mature enough to seek purposeful engagement with a credible place in the global value added chain. What could have been a moment missed has become a moment seized.

The writer is president, Institute of Economic Growth, and was chairman, Fifteenth Finance Commission

Prelims Pointers

- WTO Concepts:
 - Bound Tariff – Maximum tariff rate committed under WTO.
 - Applied Tariff – Actual tariff imposed.
 - MFN Principle – Equal trade treatment to all WTO members.
- Trade Creation vs. Trade Diversion (Jacob Viner).
- Bilateral Investment Treaty (Model BIT 2016).
- Foreign trade is under Union List (Seventh Schedule).

Static Linkages

- 1991 Economic Reforms and trade liberalisation.
- Reduction of peak customs duties post-liberalisation.
- Balance of Payments Crisis (1991).
- Globalisation Trilemma (Dani Rodrik).
- Article 253 – Parliament's power to implement international agreements.
- Export competitiveness and exchange rate management (Economic Survey).

Mains-Oriented Analysis

Advantages

- Improves export competitiveness.
- Secures predictable access to the largest global market.
- Strengthens strategic autonomy via diversified partnerships.
- Boosts high-value manufacturing and services.
- Enhances FDI inflows.

Concerns

- Risk of trade diversion.
- Agriculture exposure to subsidized US products.
- Overdependence on US market.
- Reduced policy space under investment/procurement clauses.
- Weakening of multilateral trade order.

Way Forward

- Diversify export basket and destinations.
- Strengthen domestic manufacturing (PLI, Make in India).
- Protect agriculture via tariff-rate quotas.
- Improve logistics (PM Gati Shakti).
- Reform dispute resolution and arbitration framework.
- Simultaneously push for WTO reforms.

KEY HIGHLIGHTS

Context of the News

- India and the United States have finalized an interim trade arrangement aimed at reducing reciprocal tariffs and expanding bilateral trade.
- The move comes amid:
 - Weakening of the multilateral dispute settlement system under the World Trade Organization.
 - Rise of bilateral and regional trade agreements globally.
- The US is India's largest export destination:
 - India exported ~\$86.5 billion (2024-25) worth of merchandise goods to the US (~20% of total exports).
- The agreement is part of India's broader shift from protectionist trade policy to calibrated global integration.

Key Exam-Relevant Points

- Reciprocal Tariff Adjustment:
 - India's effective reciprocal tariff rate ~18%.
 - Comparatively higher rates for competitors like China and Vietnam.
- Sectoral Gains:
 - Zero/low-duty access for:
 - Generic pharmaceuticals
 - Gems & diamonds
 - Engineering goods & aircraft parts
- Agriculture Sensitivity:
 - ~45% workforce dependent on agriculture.
 - Agriculture contributes ~18% of GDP (Economic Survey trend).
 - Sensitive sectors protected under calibrated access.
- Strategic Significance:
 - Avoids higher tariffs and potential capital flight.

Without this interim arrangement, India would face elevated tariffs, a widening competitiveness gap, and hemorrhaging of foreign investment

As country upscales power sector, Assam offers lessons



RAVI KOTA

FOR DECADES, India planned for an energy-deficient economy. Today, however, the central challenge is no longer scarcity. Driven by renewables and aligned with India's net-zero targets for 2070, the country's energy sector must now navigate surpluses.

Prime Minister Narendra Modi made power-sector reform a core of the government's development strategy a decade ago. The task of expanding capacity, strengthening grids, and cutting costs is largely complete. India now produces some of the world's cheapest electricity. The focus has now shifted from supply to demand.

The Union Budget signals this turn. It anchors growth in electricity-intensive sectors and sustained power demand. Tax incentives for data centres, support for green manufacturing, expansion of digital and electric mobility infrastructure, and incentives for clean energy systems led the charge.

The Budget also proposed restructuring the Power Finance Corporation and Rural Electrification Corporation. Strengthening their balance sheets and operational efficiency would improve capital flows into grid expansion, storage, and energy transition.

There is also renewed emphasis on nuclear power, with India's installed nuclear capacity—just over 8 GW today. This is targeted to rise to about 22 GW by 2031–32, with a longer-term ambition of 100 GW by 2047. Globally, renewables registered record growth in 2024. India has entered this green transition faster than anticipated, adding over 40 GW of renewable capacity annually. Solar tariffs in the Rs 2–3 per unit range have transformed the economics of power-intensive activities. Nearly one-fourth of new renewable capacity is driven by commercial and industrial consumers through open-access and captive arrangements.

However, structural hurdles remain. A large share of electricity procurement by state discoms is locked into legacy contracts. Industry estimates suggest around 85–90 per cent of power procured by discoms is tied to long-term power purchase agreements, many signed years ago with fossil-fuel generators at fixed tariffs. This leaves limited flexibility to absorb cheaper renewable power even when available. Financial stress

and contractual rigidity have made discoms cautious about signing new renewable PPAs. Recognising this constraint, the 15th Finance Commission allowed states an additional 0.5 per cent of GSDP in borrowing, explicitly linked to measurable discom reforms. The 16th FC has gone further, advocating structural solutions like privatisation, ring-fencing of legacy debt through SPVs, and deeper governance reform. Batteries and pumped storage are essential to manage variability and ensure round-the-clock supply, but costs remain significant during this transition.

The IEA shows India's pace of urbanisation means a new city the size of Los Angeles every year. By 2047, a Viksit Bharat will require electricity not only for households, but for data, transport, industry, and fuels.

Energy is in the concurrent list. However, state-level commitment and execution matter. Assam's experience offers useful pointers. Under CM Himanta Biswa Sarma, it has pursued power-sector reform focused on distribution efficiency, financial discipline, and capacity creation. Seventy-five per cent of consumers have smart meters. Distribution losses fell from 24 per cent in 2021 to 15.4 per cent in 2024–25. Billing efficiency improved from 77 per cent to 86 per cent in this period and collection efficiency reached 100 per cent. Assam's discom has been rated A-category for the past two years. Electricity tariffs have been reduced by Re 1 per unit for domestic consumers. Demand has grown at over 7 per cent annually for five consecutive years. Rooftop solar has made daytime power nearly free for many households.

India has also begun unlocking the hydropower potential of the Brahmaputra basin. Arunachal Pradesh alone holds over 50 GW of untapped capacity. As these projects come online, the Northeast can move from chronic deficit to structural surplus, with Assam functioning as a balancing hub. The key lesson from Assam is this: Fix distribution first, restore financial discipline, and then scale generation and storage. Cheap, clean power is not a subsidy. It is a strategy. The challenge is harnessing our energy surpluses efficiently.

The writer is Chief Secretary, Assam

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KEY HIGHLIGHTS

Context

- India has transitioned from chronic electricity shortages to potential structural surplus, driven by rapid renewable energy expansion.
- Union Budget 2024–25 emphasizes electricity-intensive growth (data centres, green manufacturing, EV infrastructure).
- Installed renewable capacity additions exceed 40 GW annually (Economic Survey).
- Nuclear capacity (~8 GW) targeted to reach 22 GW by 2031–32 and 100 GW by 2047.
- DISCOM reforms linked to fiscal incentives by the 15th Finance Commission.

Key Facts for Prelims

- India's climate commitments:
 - 500 GW non-fossil capacity by 2030
 - Net-zero by 2070
- Solar tariffs: ₹2–3/unit (among lowest globally).
- 85–90% DISCOM procurement tied to long-term PPAs.
- Electricity is in the Concurrent List (Seventh Schedule).
- AT&C losses indicate inefficiency in power distribution.
- Hydropower potential in Arunachal Pradesh: ~50 GW untapped.
- Storage solutions: Battery Energy Storage Systems (BESS) and Pumped Storage Plants (PSPs).

Key Issues

1. DISCOM Financial Stress
 - Legacy PPAs with thermal generators.
 - Limited flexibility to absorb cheaper renewables.
 - High AT&C losses in several states.
2. Grid & Storage Constraints
 - Renewable intermittency requires balancing.
 - Storage costs remain high.
3. Federal Coordination
 - Energy is concurrent; reform success depends on state-level execution.
 - Borrowing incentives tied to reform conditionalities.

Reform Example: Assam Model

- Smart meter coverage: ~75%.
- AT&C losses reduced significantly (24% to ~15%).
- 100% collection efficiency.
- Rooftop solar reduces daytime demand pressure.
- Potential balancing hub for Northeast hydropower.

Static Linkages

- Article 246 – Distribution of legislative powers.
- Article 293 – State borrowing.
- Electricity Act, 2003 – De-licensing of generation, open access.
- Fiscal federalism and conditional grants.
- Baseload vs peaking power.
- Energy security vs energy transition.

Mains Analytical Dimensions

Economic

- Cheap renewable power improves industrial competitiveness.
- Structural surplus must translate into demand growth.

Environmental

- Accelerates decarbonisation.
- Nuclear & hydropower complement solar and wind.

Governance

- DISCOM reform central to energy transition.
- Smart metering improves accountability and revenue realization.

Federalism

- Incentive-based reform (Finance Commission model).
- State-led execution critical.

Way Forward

- Renegotiation/financial restructuring of legacy PPAs.
- Scaling battery storage and pumped storage.
- Privatization or PPP in distribution where feasible.
- Strengthening grid interconnections (Green Energy Corridors).
- Demand stimulation in EVs, green hydrogen, and data centres.
- Time-of-day pricing to manage surplus efficiently.

New inflation series is a welcome update

THE RELEASE of the new inflation series by the National Statistics Office on Thursday is part of an exercise to update the country's macroeconomic indicators. It will be followed by the release of a new GDP series later this month, and thereafter by the Index of Industrial Production in May. These series incorporate new data sources and expand coverage to better reflect the changed economic realities of the country.

Under the new inflation series, with 2024 the base year, the basket of items as well as the weights assigned to them are based on the Household Consumption Expenditure Survey 2023-24. The earlier series, base year 2012, was based on the 2011-12 consumption survey. There have been significant changes in the household consumption basket in the intervening period. For instance, households now allocate a smaller proportion of their expenditure to food, with a greater share being diverted to discretionary spending. As a consequence, the weight assigned to the food and beverages category in the new series has fallen from 45.86 per cent to 36.75 per cent. This is a significant change. Food prices tend to be extremely volatile — under the earlier series, the consumer food price index had surged from 5.4 per cent in July 2024 to 10.8 per cent in October 2024 and then declined to -3.9 per cent in November 2025. This exerted a strong influence on headline inflation numbers. The lower weight assigned to this category will now reduce the impact of volatile food prices. The new series also reflects the increasing importance of housing and services in the household consumption basket. Some of the new items that have been introduced are rural housing, online media service providers/streaming services, babysitters and exercise equipment. As per the new series, inflation was at 2.75 per cent in January, well below the central bank's inflation target of 4 per cent. Price pressures were muted across most categories, with the exception of the personal care, social protection and miscellaneous goods segments.

Updating price indices is not merely a technical exercise. It will have far-reaching consequences. For instance, the RBI's inflation targeting framework revolves around CPI-based inflation. Thus, changes in the way inflation is measured will have implications for monetary policy. Members of the Monetary Policy Committee may now probably attach greater weightage to prices of non-food goods and services when deciding on interest rates. By reflecting the changes in the economy more accurately, these new series will help improve the policy response.

KEY HIGHLIGHTS

Context

- The National Statistical Office (NSO) under the Ministry of Statistics and Programme Implementation released a new Consumer Price Index (CPI) series with base year 2024.
- It is based on the Household Consumption Expenditure Survey (HCES) 2023–24.
- The earlier CPI series had base year 2012 (based on HCES 2011–12).
- The new series is part of the periodic revision of macroeconomic indicators and will be followed by a new GDP series and revised Index of Industrial Production (IIP).
- As per the new series, inflation in January stood at 2.75%, below the RBI's target of 4%.

Key Changes in the New CPI

1. Change in Weights
 - Weight of Food and Beverages reduced from 45.86% (2012 base) to 36.75% (2024 base).
 - Increased weight assigned to housing (including rural housing), services, digital services (such as streaming platforms), and personal care and miscellaneous goods.
2. Reflection of Structural Transformation
 - Declining share of food in total household consumption.
 - Rising share of discretionary spending and services.
 - Reflects the shift from an agriculture-dominated consumption pattern to a more diversified and service-oriented economy.
3. Impact on Inflation Measurement
 - Food prices are highly volatile due to supply-side shocks (monsoon, global prices, logistics).

- Lower food weight reduces volatility in headline CPI inflation.
- Greater relative importance to non-food inflation (core inflation) in overall inflation dynamics.

Static Linkages

- CPI measures retail-level price changes and is compiled by NSO.
- CPI in India uses the Laspeyres Index method.
- Types of CPI: CPI-Combined, CPI-Urban, CPI-Rural.
- Inflation Targeting Framework introduced through amendment to the RBI Act, 1934 in 2016.
- RBI's inflation target: 4% with a tolerance band of $\pm 2\%$.
- Monetary Policy Committee (MPC) consists of six members (3 from RBI and 3 appointed by Government of India).
- Core inflation excludes food and fuel components.
- GDP deflator differs from CPI in coverage and methodology.

Critical Analysis

Advantages

- Better reflects current consumption patterns.
- Reduces excessive volatility in headline inflation caused by food price shocks.
- Improves accuracy of monetary policy calibration.
- Aligns with international best practices of periodic base revision.

Concerns

- Lower food weight may dilute the perceived impact of food inflation on vulnerable households.
- May shift policy focus away from agricultural price stability.
- Survey-based data may face limitations in capturing informal sector dynamics.
- Rural-urban divergence in consumption patterns may still persist.

Way Forward

- Ensure periodic base revision every 5–7 years.
- Strengthen high-frequency and granular price data collection.
- Improve coverage of rural and informal sector consumption.
- Enhance transparency in methodology and public communication.
- Ensure coordination between monetary and fiscal policy to address structural inflation drivers

WHO needs a financial model less vulnerable

THE US withdrawal from the WHO has left the global health agency with a serious fund crunch. Though other nations have pledged more in 2026-2027, the WHO apprehends that it will fall short of its needed budget by 15 per cent. The agency's appeal for funds on its website to deal with emergencies speaks of the challenges it faces after the withdrawal of its largest benefactor. On the face of it, there is nothing unusual in the WHO's call for contingency money. The agency appealed for emergency funds in the past two years as well. What's troubling, however, is that the appeal issued earlier this month speaks of a "reset" in the WHO's priorities, necessitated by "funding constraints". It's apparent that, in the coming weeks and months, the agency will be "scaling back" on "lower impact services" and focusing instead on "life-saving services". The carefully worded statement notes that these "difficult decisions" were forced upon the WHO by its "limited resources".

The first major effect of Washington's exit was the whittling down of the WHO's budget for 2026-27 by \$4 billion. This has precipitated moves to streamline the agency. In May, the agency will brief the World Health Assembly on the restructuring efforts carried out over the past year, including merging departments and divisions and halving the number of directors. An overhaul planned for June could bring down the agency's workforce by more than 7000. As the global outfit's workforce shrinks, countries that have relied on the WHO's technical expertise in coping with crises, ranging from infectious diseases to maternal mortality, could face challenges. The shortfall could also affect the health responses in conflict zones such as Gaza and Sudan. The fund and personnel crunch could affect immunisation drives and responses to outbreaks in areas prone to infectious diseases.

The flux in the organisation should lead to public conversations on how to make global health governance more resilient. A new paradigm for a public goods approach to health has been long overdue. Health governance needs a financial model that's not so vulnerable to political unpredictabilities.

KEY HIGHLIGHTS

Context

- The United States, the largest contributor to the World Health Organization (WHO), has withdrawn funding support.
- WHO has reduced its 2026–27 budget by nearly \$4 billion.
- Despite increased pledges from other countries, WHO anticipates a 15% funding shortfall.
- The organization has announced a "reset":
 - Focus on life-saving services
 - Scaling back "lower impact services"
- Internal restructuring includes:
 - Merging departments
 - Halving directors
 - Possible workforce reduction of over 7,000 staff

Key Facts

- Established: 1948
- Headquarters: Geneva, Switzerland
- Specialized agency of the United Nations
- Funding Structure:
 - Assessed Contributions (AC) – Mandatory dues (less than 20% of total funding)
 - Voluntary Contributions (VC) – Earmarked, majority share (over 80%)
- International Health Regulations (2005):
 - Legally binding framework for disease outbreak reporting and response

Why This Matters for India

- WHO provides:
 - Technical assistance in disease control

- Immunisation support
- Maternal & child health guidance
- Outbreak surveillance
- Funding cuts may affect:
 - Immunisation drives
 - Infectious disease response
 - Health operations in fragile/conflict zones
- India, as a major developing country, depends on WHO coordination during pandemics (e.g., COVID-19).

Static Connections

- Article 47 – Duty of the State to raise level of nutrition and public health.
- Concept of Global Public Goods.
- SDG 3 – Good Health and Well-being.
- International Health Regulations (2005).
- National Health Policy 2017.
- Multilateralism and global governance.

Critical Analysis

Challenges

- Overdependence on voluntary, earmarked funding.
- Political unpredictability affecting global institutions.
- Reduced flexibility in resource allocation.
- Potential weakening of global disease surveillance.

Broader Concerns

- Undermines multilateralism.
- Risk to pandemic preparedness.
- Increased burden on low-income nations.
- Ethical concern: Health as a global public good.

Way Forward

- Increase share of assessed contributions.
- Create stable global health emergency funding mechanism.
- Diversify funding sources.
- Strengthen South-South health cooperation.
- Institutional reforms to enhance accountability and transparency.
- India to play a proactive role in global health diplomacy.