

DAILY NEWSP APER ANALYSIS

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**CHANAKYA IAS ACADEMY
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SIR in 22 States and U.T.s expected from April: EC

Poll body directs Chief Electoral Officers in States, UTs to complete preparatory work for special intensive revision; EC in talks with Census authorities on using resources in a staggered manner

Sreeparna Chakrabarty
NEW DELHI

The Election Commission (EC) has informed State poll authorities that the special intensive revision (SIR) of voter lists in the 22 States and Union Territories, where it has not yet been conducted, is expected to begin in April.

The 22 remaining States and U.T.s are Andhra Pradesh, Arunachal Pradesh, Chandigarh, Dadra and Nagar Haveli and Daman and Diu, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Ladakh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, the National Capital Territory of Delhi, Odisha, Punjab, Sikkim, Tripura, Telangana, and Uttarakhand.

In a letter to the Chief Electoral Officers of these States and U.T.s, the EC asked them to complete all preparatory work related to the SIR at the earliest, as the exercise "is expected to start from April 2026". This preparatory work in-



People summoned for hearings under the special intensive revision of electoral rolls in Nadia, West Bengal. PTI

cludes mapping the existing voters with the electoral roll of 2002-2004, when the last SIR was conducted, and training booth-level officers (BLOs) to carry out the exercise.

Census and SIR

While announcing the schedule, the EC will have to factor in the Census exercise, which is also scheduled to begin in April.

The first phase of the Population Census 2027, the house listing operation, is scheduled to begin on April 1, with the deploy-

ment of 30 lakh enumerators, most of whom are teachers from government schools. However, the BLOs who carry out the door-to-door enumeration for the SIR are also largely government school teachers.

Sources had earlier indicated that the poll body had held meetings with the Registrar-General of India as well as the Census Commissioner over how to use the common pool of administrative resources in a staggered manner for both the SIR and the Census.

Bihar was the first State to undergo the SIR process last year, just before its Assembly election.

Following this, on October 27, 2025, the poll body ordered the second phase of the SIR in 12 States and U.T.s, which is under way now.

These States are Kerala, Tamil Nadu, West Bengal, Gujarat, Uttar Pradesh, Puducherry, Andaman and Nicobar Islands, Chhattisgarh, Goa, Lakshadweep, Madhya Pradesh, and Rajasthan. The SIR process in these States has seen multiple extensions, with Uttar Pradesh getting the most extra time to complete the exercise.

In Assam, a special revision was conducted instead of SIR, due to legal hurdles posed by an incomplete National Register of Citizens process in the State.

After announcing last June that the SIR would be conducted in all States and U.T.s, the EC had, in a letter dated July 5, 2025, asked all States to initiate the pre-revision exercise for the SIR.

Mains Enrichment Points

Importance of SIR

- Enhances electoral integrity.
- Prevents bogus voting.
- Improves accuracy before major elections.
- Supports democratic legitimacy.

Administrative Concerns

- Common manpower pool (teachers as BLOs & Census enumerators).
- Risk of exclusion of migrants and vulnerable groups.
- Political sensitivities around voter deletions.
- Need for coordination with Registrar General of India.

Constitutional & Governance Linkages

- Independent constitutional body: Security of tenure of CEC.
- Voting: Constitutional basis (Art 326) but judicially treated as a statutory right.
- Electoral roll revision essential for:
 - Free and fair elections (Basic Structure doctrine).
 - Representative democracy.

Challenges

- Synchronisation with Census.
- Avoiding wrongful deletions.
- Digital divide in correction process.
- Legal complexities (e.g., Assam & NRC).

Way Forward

- Transparent draft publication & objection window.
- Technology use with privacy safeguards.
- Special drives for migrants and marginalized groups.
- Clear coordination framework between ECI and Census authorities.

KEY HIGHLIGHTS

Context

- The Election Commission of India (ECI) has informed 22 States/UTs that Special Intensive Revision (SIR) of electoral rolls will likely begin from April 2026.
- Preparatory steps:
 - Mapping current rolls with 2002-04 SIR rolls.
 - Training Booth Level Officers (BLOs).
- Overlaps with Census 2027 (House Listing Phase starting April 1, 2026).
- Bihar completed SIR prior to Assembly elections; second phase ongoing in 12 States.
- Assam conducted a special revision (not SIR) due to NRC-related legal issues.

Key Facts

- Article 324: Superintendence, direction and control of elections vested in ECI.
- Article 326: Elections to Lok Sabha and State Assemblies based on adult suffrage.
- RPA, 1950: Preparation and revision of electoral rolls.
- RPA, 1951: Conduct of elections.
- Census Act, 1948: Legal basis for Census operations.
- SIR involves door-to-door verification to:
 - Remove duplicates/deceased voters.
 - Include eligible citizens.
- Electoral roll prepared for territorial constituencies.

India sees future, not fear, in AI, says Prime Minister at plenary session of summit

Aroon Deep
NEW DELHI

Prime Minister Narendra Modi on Thursday said India did not fear artificial intelligence (AI) but saw its future in the technology.

"I declare this with utmost responsibility and immense pride," he said. "We harbour no fear. India envisions its destiny in artificial intelligence, a future that is clearly and profoundly visible for our great nation." Mr. Modi was speaking at the plenary session of the AI Impact Summit.

"India is diligently constructing a resilient ecosystem spanning from semiconductors and chip making to quantum computing," he said, hailing "clear policies" around AI and electronics manufacturing. "This comprehensive effort includes establishing secure data centres, a robust IT backbone, and a dynamic start-up ecosystem."

"The fundamental challenge before us is how to transition AI from a purely machine-centric approach to one that is truly human-centric, ensuring it is both sensitive and optimal," he said. "It is essential that AI must be democratised. We must transform this into a powerful instrument for inclusion and empowerment, particularly benefiting the Global South ... just as GPS shows us the way, but it is we who decide where to go, so too the ultimate decision of in which direction we must proceed rests entirely with us."

The Prime Minister said the way forward was MANAV, an acronym that emphasises moral and ethical systems; accountable governance of AI models; national sovereignty over data; accessible and inclusive means; and valid and legitimate uses of AI.

"Every few centuries in human history, there comes a turning point, and that turning point resets the direction of civilisation, and from there the



Prime Minister Narendra Modi and Switzerland President Guy Parmelin during a meeting on the sidelines of the AI Summit. ANI

Bill Gates pulls out of keynote address

Suhasini Haidar
NEW DELHI

Under a cloud over his relationship with American sex-offender Jeffrey Epstein, Microsoft founder and Gates Foundation co-chair Bill Gates pulled out at the last minute from giving an address at the AI Impact Summit on Thursday.

Mr. Gates was scheduled to deliver a keynote address at the plenary session after Prime Minister Narendra Modi, French President Emmanuel Macron, Brazilian President Lula, and Google CEO Sundar Pichai and other chiefs of artificial intelligence global majors.

He was among the big names expected to attend the conference, and had been billed as one of the "global visionaries" at the event, in the conference publicity material and website.

However, after the latest tranche of files of the disgraced U.S. investor and convicted paedophile was released by the U.S. Department of Justice on January 31 questions have emerged about whether the government will continue to host Mr.

Gates, who figures prominently in the documents. He has repeatedly denied any wrongdoing.



FULL REPORT ON
PAGE 5

pace of development changes, the paradigms of thinking, understanding and working change," Mr. Modi said. "And the interesting thing is that when we are in that phase of transformation, then we do not even know its real impact."

For the first time, Mr. Modi's speech was livestreamed in seven Indian

languages as well as English using AI. In the past, Mr. Modi has used real-time machine translation for his speech at the Kashi Tamil Sangamam, though this was limited to the venue itself and enabled by BHASHINI, the IT Ministry's translation initiative.

RELATED REPORTS ON
PAGE 5

- Quantum computing
- Secure data centres
- Strong IT backbone
- Start-up ecosystem

2. Human-Centric AI

- Shift from machine-centric to people-centric AI.
- AI must:
 - Promote inclusion
 - Benefit Global South
 - Be ethically governed
 - Support democratic values

3. MANAV Framework

- M – Moral & ethical systems
- A – Accountable governance
- N – National sovereignty over data
- A – Accessible & inclusive
- V – Valid & legitimate use

4. Digital Public Infrastructure (DPI)

- AI-based multilingual livestreaming.
- Builds upon:
 - India Stack
 - Aadhaar
 - UPI
 - BHASHINI (language AI initiative)

Static Linkages

- National Strategy for Artificial Intelligence (NITI Aayog, 2018) – "AI for All".
- Digital Personal Data Protection Act, 2023.
- Puttaswamy Judgment (2017) – Right to Privacy under Article 21.
- PLI Scheme for electronics manufacturing.
- Ethical governance principles – 2nd ARC Report.
- Digital India Programme (2015).

Critical Dimensions

Opportunities

- Strengthening strategic autonomy in emerging technologies.
- Boost to manufacturing & digital economy.
- Bridging digital divide through multilingual AI.
- Leadership role for India in Global South tech governance.

Challenges

- Job displacement due to automation.
- Algorithmic bias & misinformation (deepfakes).
- Data privacy and surveillance concerns.
- Dependence on global semiconductor supply chains.
- Regulatory lag vs rapid AI innovation.

Way Forward

- Create a comprehensive AI regulatory framework balancing innovation and ethics.
- Invest in domestic semiconductor fabrication.
- Strengthen AI research in public institutions.
- Promote skilling and reskilling in AI sectors.
- Ensure strong enforcement of data protection norms.
- Build global coalitions for responsible AI governance.

KEY HIGHLIGHTS

Context of the News

- Prime Minister Narendra Modi addressed the AI Impact Summit, stating that India does not fear Artificial Intelligence (AI) and sees its future in it.
- Emphasised a human-centric and democratised AI ecosystem.
- Introduced the MANAV framework for AI governance.
- Speech livestreamed in multiple Indian languages using AI, building upon the BHASHINI platform under Digital India.
- Highlighted India's ecosystem spanning semiconductors, quantum computing, secure data centres, and start-ups.

Key Points

1. AI as a Strategic Sector

- AI viewed as a "civilisational turning point".
- Focus on:
 - Semiconductor manufacturing (India Semiconductor Mission – ₹76,000 crore outlay)

SC slams unchecked freebies, questions 'appeasement'

Top court says States must prioritise welfare and development over largesse; asks if they have a tested mechanism to distribute welfare effectively to those who actually need a 'helping hand'

Krishnasdas Rajagopal
NEW DELHI

The Supreme Court on Thursday chastised State governments for distributing freebies indiscriminately without even distinguishing between the haves and the have-nots, questioning whether they are following an "appeasement" policy without a thought for the public exchequer ahead of elections.

Chief Justice of India Surya Kant, heading a three-judge Bench, said States, even those that are revenue-surplus, must prioritise welfare and development over irrational largesse. Despite running on deficit, the Chief Justice said, States seemed to still have money to randomly splurge on largesse. The court asked whether States had a tested mechanism to distribute welfare effectively, to those who actually need a "helping hand".

"Is it not your obligation to spend money to develop



Is it not your obligation to spend money to develop infrastructure, roads, hospitals, schools, medical colleges? Instead, you keep giving Scooties, you distribute clothes, food at the time of elections. What is happening in this country?

SURYA KANT, Chief Justice of India

infrastructure, roads, hospitals, schools, medical colleges? Instead, you keep giving Scooties, you distribute clothes, food at the time of elections. What is happening in this country," the Chief Justice asked.

The court said largesse was distributed in such a way that the most affluent get them first.

"It is understandable that some people cannot afford, the State has to provide. There are children who cannot afford education. You must provide. It is their fundamental right. There are many bright children who cannot afford higher education. It is the

state's duty to extend a helping hand to them. That is welcome. But for people who do not deserve, those who are affluent, why give them freebies? Why do freebies come to their pockets first? Is it not high time for the States to revisit these policies?" Chief Justice Kant asked.

The Bench, including Justices Joymalya Bagchi and Vipul M. Pancholi, was hearing a writ petition filed by Tamil Nadu Power Distribution Corporation Limited (TNPDC), represented by senior advocates Gopal Subramaniam and P. Wilson, challenging the constitutional validity of

Rule 23 of the Electricity (Amendment) Act, 2024.

Mr. Subramaniam said the gap in revenue from electricity and expenditure has expanded over the years. In Tamil Nadu, the gap has touched ₹50,000-crore annually, which the government was absorbing.

The senior counsel said Rule 23 would financially stretch the State government to such an extent that it would have to pass on the tariff burden to the consumers.

"The Rule, if implemented, would result in an exponential tariff shock, adversely affecting electricity consumers and placing an unsustainable burden on the public exchequer," the TNPDC petition submitted.

The Chief Justice asked why the State's policy did not allow the government to generate profits from the power sector by making the affluent sections pay for the electricity they consume.

- Fiscal stress in power sector linked to:
 - Revenue–expenditure mismatch
 - Tariff distortions
 - Cross-subsidisation issues

Static Concepts to Revise

- Article 14 – Equality before law; reasonable classification.
- Article 21A – Right to education.
- Directive Principles (Articles 38, 39, 41) – Welfare orientation of State.
- Article 266 – Consolidated Fund of India/State.
- Article 293 – State borrowing powers.
- Fiscal Responsibility and Budget Management (FRBM) Act – Fiscal discipline framework.
- Electricity Act, 2003 – Cross-subsidisation provisions.
- Concepts:
 - Revenue vs Capital Expenditure
 - Subsidy targeting
 - Public debt sustainability
 - Cross-subsidy surcharge
 - DISCOM financial stress (UDAY reforms)

Critical Dimensions

Welfare Justification

- Promotes social justice.
- Supports vulnerable sections.
- Aligned with DPSPs.

Concerns

- Fiscal imprudence → rising debt-GSDP ratio.
- Crowding out of capital expenditure.
- Political populism vs developmental spending.
- Distortion of electricity pricing.
- Intergenerational equity concerns.

Way Forward

- Shift from universal freebies to targeted DBT-based subsidies.
- Strengthen beneficiary identification (SECC data, Aadhaar seeding).
- Independent fiscal monitoring at State level.
- Rational electricity tariffs with protection for poor.
- Prioritise capital expenditure over revenue giveaways.
- Periodic subsidy impact assessment.

KEY HIGHLIGHTS

Context of the News

- The Supreme Court of India criticised State governments for indiscriminate distribution of freebies without distinguishing between economically weaker and affluent beneficiaries.
- Bench headed by Surya Kant questioned whether such policies amount to electoral appeasement at the cost of the public exchequer.
- Observations made while hearing a petition by Tamil Nadu Power Distribution Corporation Limited challenging provisions related to electricity regulation.
- Court raised concerns over:
 - Fiscal deficits despite large welfare outlays.
 - Lack of targeted beneficiary identification.
 - Growing financial stress in State power distribution companies (DISCOMs).

Key Points

- Welfare benefits must be targeted, not universal without classification.
- States must prioritise:
 - Infrastructure (roads, hospitals, schools)
 - Human capital development
- Electricity subsidies contribute to:
 - Rising DISCOM losses
 - Fiscal strain on States
- Court questioned:
 - Mechanism for identifying genuine beneficiaries.
 - Why affluent sections receive subsidies first.

Bill Gates withdraws from AI Impact Summit keynote address

Hours before the scheduled speech, Gates Foundation announced the decision, stating that it will ensure 'focus' on the AI Summit's key priorities; President of Gates Foundation's India and Africa offices Ankur Vohra replaced him at the summit

Suhasini Haidar
NEW DELHI

Under a cloud over his relationship with American sex-offender and investor Jeffrey Epstein, Microsoft founder and co-chair of the Gates Foundation Bill Gates pulled out at the last minute from giving an address at the Artificial Intelligence (AI) Impact Summit on Thursday.

Mr. Gates was scheduled to deliver a keynote address at the plenary session after Prime Minister Narendra Modi, French President Emmanuel Macron, Brazilian President Lula, and Google CEO Sundar Pichai and other chiefs of AI global majors. He was among the big names expected to attend the conference, and had been billed as one of the "global visionaries" at the event, in the conference publicity material and website.

However, after the latest tranche of files of the disgraced U.S. investor and convicted paedophile was



Bill Gates arrived in Andhra Pradesh on Monday as planned and met with Chief Minister Chandrababu Naidu. REUTERS

released by the U.S. Department of Justice on January 31, questions have emerged about whether the government will continue to host Mr. Gates, who figures prominently in the documents. Though Mr. Gates has repeatedly denied any wrongdoing and expressed regret over his association with the sex-trafficking businessman, photographs and emails recovered from Epstein's computer indicate that the two men communicated frequently and travelled together. The records also

suggest that Mr. Gates consulted Epstein over fundraising strategies for his foundation.

"After careful consideration, and to ensure the focus remains on the AI Summit's key priorities, Mr. Gates will not be delivering his keynote address," a statement by the Gates Foundation issued on Thursday morning said, adding that the philanthropist remained "fully committed to our work in India to advance shared health and development goals".

This statement put to

rest days of confusion over the issue.

Even before the conference began on Monday, government departments and the Gates Foundation appeared to be conflicted over whether platforming Mr. Gates would lead to problems over the Epstein issue.

On Sunday, a day after Opposition MP Priyanka Chaturvedi appealed to the government not to allow Mr. Gates to speak at the prestigious event, the AI Impact Website dropped his entry from the list of global visionaries. However, the agenda continued to list him as a keynote speaker on Thursday.

Confusion prevails

Mr. Gates arrived in Andhra Pradesh on Monday as planned and met with Chief Minister N. Chandrababu Naidu and discussed a number of projects including the Amravati city project. In Delhi on Tuesday, government sources told presspersons that AI summit organisers had a

rethink and decided Mr. Gates would be dropped from the speaker line-up. However, the Gates Foundation insisted there was no such plan, and that he would deliver the keynote as per the agenda.

To questions at a press conference, Minister of Electronics and Information Technology (MeitY) Ashwini Vaishnaw gave an evasive response.

"Regarding who's attending, who's not attending... that's personal choices which people make, [about] which we should not comment, and I need not comment on that. If you want to comment, you can comment on your own. But I don't want to comment on it," he said.

The cancellation of Mr. Gates's appearance at the summit in Delhi on Thursday, where he was replaced by the President of the Gates Foundation's India and Africa offices, Ankur Vohra, was the latest in a series of controversies that organisers have had to contend with.

- Responsible AI principles
- Digital India programme

Static Linkages

- Article 73 – Extent of executive power of the Union.
- Article 75(3) – Collective responsibility of Council of Ministers.
- Doctrine of political accountability to Parliament.
- 2nd Administrative Reforms Commission – Ethics in Governance.
- Principles of natural justice (presumption of innocence).
- Soft power diplomacy in international relations.
- Governance credibility and institutional trust (Economic Survey references).

KEY HIGHLIGHTS

Context of the News

- Bill Gates withdrew from delivering a keynote address at the Artificial Intelligence (AI) Impact Summit in New Delhi.
- The withdrawal followed renewed scrutiny regarding his past association with Jeffrey Epstein after fresh documents were released by the U.S. Department of Justice.
- He was scheduled to speak alongside:
 - Narendra Modi
 - Emmanuel Macron
 - Luiz Inacio Lula da Silva
- The issue generated political debate regarding the appropriateness of platforming global figures facing reputational controversies.
- The Gates Foundation clarified that the decision was taken to keep the focus on AI priorities.

Key Points

- AI Impact Summit: Platform to discuss global AI governance, innovation, and development applications.
- Highlights reputational risk management in government-hosted international events.
- Raises questions of:
 - Ethical leadership
 - Public accountability
 - Executive discretion
- India's AI policy framework guided by:
 - NITI Aayog's National Strategy for Artificial Intelligence (2018)

Critical Analysis

Governance Dimension

- Government must balance:
 - Diplomatic interests
 - Public perception
 - Legal standards
- Overreaction to allegations may undermine due process.
- Ignoring reputational risks may affect credibility of institutions.

Ethics Dimension

- Higher standards expected from global leaders speaking at public platforms.
- Public morality vs legal innocence dilemma.
- Importance of maintaining trust in technology governance forums.

AI Governance Dimension

- AI governance requires legitimacy and public trust.
- Ethical AI discourse must align with transparency and accountability.
- Reputation of speakers can affect summit outcomes and policy messaging.

Way Forward

- Develop formal protocol for speaker selection at state-backed global events.
- Institutionalise reputational risk assessment mechanisms.
- Strengthen India's AI governance framework with:
 - Clear ethical AI guidelines
 - Multi-stakeholder consultation
 - Alignment with global AI norms
- Ensure decisions balance:
 - Rule of law
 - Ethical standards
 - Diplomatic prudence

From Washington to Delhi, the shadow of Epstein

The release of documents from the Epstein files has done more than expose the depravity of one man. The documents illuminate the dark truths of a new model of "bonding" between political power, corporates, financial institutions, the wealthy and the influential. Structural class-based bonding is hardly new, nor are criminality and impunity treated as entitlement. But the files show how deep the rot is – the elimination of even the semblance of morality as a reference point in systems devoted to private profit.

Jeffrey Epstein was a paedophile and convicted sex offender, among his many other "qualifications". One would have thought that in any civilised society, such a man would be punished and socially isolated. But in America – a country that seeks to preach democracy to the world – it was precisely these attributes that enabled him to innovate a globalised model of developing business relations that included the sexual exploitation of young women and children. Rich white men in America, Presidents and former Presidents, bankers in Russia and Europe, sheikhs in West Asia, and links in India are all named in the files. It is not that all those named necessarily participated in "bonding" based on sexual criminality. The services offered by Epstein were many and varied, not all sexual. Their crime is that, being in positions of power, their closeness to Epstein normalised his model of bonding.

Complicity and depravity
For many of those named, it involved shared experiences in spaces where minors were trafficked and abused. Participation created mutual dependency, the glare of which was secrecy and complicity. Even a cursory reading of the mail exchanges now flooding the internet shows the striking intertwining of coded language for sexual depravity with references to business deals, financial transactions, with banks ignoring warning signals, and the gaining of access to political and financial contacts – with Epstein as broker and facilitator. The sexual use of women and children was transactional – building blocks for networks, profit and power. The Epstein files open a window into the ethically bankrupt operations of capitalism.

There may be degrees of culpability. Legal frameworks differentiate between direct participation in crime and abetment. Abetment too has degrees. But for anyone who engaged with Epstein after 2008, a defence based on lack of knowledge simply does not hold. The first complaints against him were made in 2005, when



Brinda Karat is a senior leader of the CPI(M)

a mother in Palm Beach, Florida, U.S., filed a complaint that he had abused her 14-year-old daughter. Police investigations identified at least a dozen more victims. Instead of decisive action, the Federal government under President Bush accepted a sweetheart non-prosecution deal pushed by Epstein's powerful lawyers. Epstein pleaded guilty to lesser charges of "soliciting a prostitute and a minor" and received a sentence of 13 months, during which he was allowed to leave jail daily to attend his office and return at night. Successive governments, regardless of party, ignored the voices of victims. Epstein continued his activities with impunity.

It was only because of the courage and sustained struggle of the survivors that in July 2019, Epstein was arrested on charges not covered by the 2008 agreement. He died, reportedly by suicide, in August before trial. The emails and documents now released, dating from around 2002 to 2019, provide evidence of those involved. Yet, by redacting names, the Department of Justice under U.S. President Donald Trump has protected the identities of powerful men. Survivors have repeatedly stated that the Trump administration mounted one of the biggest cover-ups in history.

The India angle

It is for the American people to address their institutions. From India, we extend solidarity to the courageous survivors demanding justice and accountability.

But it does not end there. Two Indian names have surfaced in the mails. The first is industrialist Anil Ambani, known to be close to the leadership of the ruling regime, as evidenced by the official recommendation to have him as the Indian partner in the Rafale deal. The second is Hardeep Puri.

The correspondence between Mr. Ambani and Epstein reflects familiarity and sexualised, demeaning language regarding women. The more consequential exchange concerns political access. Ahead of a proposed visit by India's Prime Minister to Washington, Mr. Ambani wrote: "Leadership would like ur help for me to meet Jared (Mr. Trump's son-in-law) and Bannon asap... likely visit to DC by PM in May to meet Donald... Also assistance on that."

Mr. Ambani represented himself as acting in relation to a prime ministerial visit and sought Epstein's help to arrange meetings with senior U.S. political figures. If authentic – and they have not been denied as fabricated – these emails raise serious governance questions. Why was an Indian businessman invoking "Leadership" in

communications with a convicted sex offender? Was he authorised to speak in this manner? Is there any inquiry about these claims?

India's Ministry of External Affairs dismissed references to the Prime Minister in these emails as "trasty ruminations of a convicted criminal". But the issue is not Epstein's credibility. It is Mr. Ambani's words. Why has no action been taken against him? Or is it because he was indeed acting on behalf of the government? The government must answer.

Mr. Puri is now a Union Minister in the Narendra Modi government. The Government strained every nerve to shield him in Parliament, shutting down discussion of the Epstein files. In a press conference, Mr. Puri claimed lack of knowledge of Epstein's activities to justify his mails dating from 2014. Apart from evidence that he met Epstein several times, consider this exchange: "Dear Jeff, seasons greetings. Please let me know when you are back from your exotic island. I would like to come across for a chat..."

And later: "Give me a shout when you are back. And, have fun. Not that you require encouragement from others for that."

Does this signify ignorance? A questionable defence
In the same press conference, Mr. Puri trivialised Epstein's crimes, stating: "He was convicted for soliciting a prostitute and a woman who was underage. And that's it." Really, Mr. Puri? A woman who was underage? Do you mean a child? And for you that is not reason enough to shun association?

He went further, recounting that "a lady MP" told him others were jealous, to which he replied that if something had happened he would speak. Who was this lady Member of Parliament, party to such misogynism which passes as humour? What does it say about the standards of our Members of Parliament? By his own words, for the Minister, participation in acts on an "exotic island", the notorious site of sexual exploitation, is framed as something to be jealous of. His defence is that he had not done anything to excite such jealousy. These are not semantic slips. They are an example of how rape cultures are strengthened.

It brings disgrace to India to have a Cabinet Minister who willfully maintained contact with a convicted sex offender and then defends that association. Does his continuation in office signify approval from the Prime Minister?

Parliament was not allowed to discuss the Epstein files. There is no such prohibition on the people of India.

Static Linkages

- Rule of Law – Article 14 (Equality before law).
- Collective Responsibility – Article 75(3).
- Code of Conduct for Ministers (Executive responsibility norms).
- Prevention of Corruption Act, 1988.
- Right to Information Act, 2005 – Transparency mechanism.
- Parliamentary Oversight – Question Hour, Zero Hour, Committees.
- Doctrine of Public Trust.
- Ethics in Public Administration – Integrity, Accountability, Transparency (ARC recommendations).

Critical Analysis

Governance Dimension

- Alleged proximity between business elites and political leadership can:
 - Undermine public trust.
 - Raise conflict-of-interest concerns.
- Absence of transparent inquiry mechanisms weakens institutional credibility.

Ethical Dimension

- Public office demands higher ethical standards than legal minimum.
- Association with individuals accused of serious crimes raises questions of propriety.
- Ethical governance depends on perception as well as legality.

Institutional Dimension

- Parliament as accountability forum must function effectively.
- Strengthening ethics committees and codes is necessary.

Corporate–Political Nexus

- Risk of regulatory capture.
- Need for formal lobbying regulation in India.

Way Forward

- Establish transparent review mechanisms where public interest arises.
- Enact comprehensive lobbying regulation framework.
- Strengthen ministerial code of conduct with enforceability.
- Enhance parliamentary committee oversight.
- Promote proactive disclosure norms under RTI.
- Strengthen corporate governance disclosures under Companies Act, 2013.

KEY HIGHLIGHTS

Context of the News

- Release of documents related to Jeffrey Epstein (U.S. sex offender case) has exposed networks linking political leaders, corporates, financial institutions, and influential individuals.
- Some correspondence reportedly references Indian personalities, raising governance and ethical concerns.
- Debate in India revolves around:
 - Political–corporate nexus
 - Ministerial accountability
 - Parliamentary oversight
 - Ethical standards in public life

Key Points

- Epstein was first investigated in 2005; entered a non-prosecution agreement in 2008.
- Re-arrested in 2019 on federal trafficking charges; died before trial.
- Allegations include:
 - Sexual exploitation of minors.
 - Use of influence networks involving political and business elites.
- Governance concerns in India:
 - Emails allegedly referencing political access.
 - Ministry response dismissing claims as unverified.
 - Debate on propriety of association with convicted individuals.

India cannot ignore some of the implications of the Epstein connections

Tehran reenters the global geopolitical spotlight

In late 2013, the White House in Washington DC – then under President Barack Obama – embarked on a multi-national, complicated, and ambitious journey to negotiate with Iran to curtail its nuclear programme. The United States, along with some of its allies, particularly Israel, was at a level convinced that Tehran had set out to develop a nuclear weapons programme. The negotiations, which involved a consortium of United Nations Security Council Members along with Germany, collectively known as the P5+1, managed to reach an agreement in 2015 called the Joint Comprehensive Plan of Action (JCPOA). The aim was to install guardrails around the Shia power's nuclear activities, which its then President Hassan Rouhani and the Supreme Leader Ayatollah Khamenei maintained, was only for civil use.

The Trump years
In 2018, as the first presidency of Donald Trump began, the U.S. exited the agreement leaving not just Iran but also its allies in Europe in the lurch. Russia and China, technically allies for Iran, but not wanting a nuclearised West Asia, were also left stumped. Mr. Trump had long advocated that the JCPOA was farcical and negotiated in a way which did not secure American interests. Fast forward to 2025. Now, in Mr. Trump's second run as President, the U.S., with Israel, bombed Iran's nuclear and air defence sites followed by a narrative that the country's capacities to pursue such weapons lied in tatters.

However, a few months following the attacks, Mr. Trump is now chasing a deal through diplomacy, in a very similar manner as Mr. Obama did and succeeded, albeit not a perfect one. Israel's Prime Minister Benjamin Netanyahu, who, in a speech at the United Nations in 2012, had shown a drawing depicting the various stages



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at which Iran's nuclear programme had progressed, kept stopping Tehran as a non-negotiable security aim. With Mr. Obama, and even President Joe Biden later, Mr. Netanyahu had limited success. But with Mr. Trump, it was an opportunity as the Israeli leader managed to market his state's celebrated intelligence apparatus's assessment that Iran was racing towards nuclear weapons. While the U.S.'s assessments differed, Mr. Netanyahu's whisperings in Mr. Trump's ear won the battle.

Now, in 2026, even as the U.S. moves notable military capacity in the region while simultaneously holding talks with Iran, hosted by long-time mediator Oman, Mr. Trump seemingly wants his own JCPOA. The language from the White House today resembles that of the pre-Obama era. "... I insisted that negotiations with Iran continue to see whether or not a deal can be consummated," he said. "If it can, I let the Prime Minister know that will be a preference. If it cannot, we will just have to see what the outcome will be." Mr. Trump said while meeting Mr. Netanyahu, who, once again, had to rush to the White House as U.S. interlocutors met their Iranian counterparts in Muscat.

No escalation is what the Arab powers want Arab powers of the Gulf, who over the past year or two have committed hundreds of billions of dollars of investment towards Mr. Trump, despite their own troubles with Tehran, do not want to see military escalation. And it is not just them. Others across the world would rather see talks succeed than fail, avoiding pushing the region into another conflict which could run for years should it spread. Iran has made no bones that it retains the kinetic capacity to strike back – a claim that is increasingly being taken seriously by analysts and officials alike. Further threats from

Tehran that any strikes this time will be met by retaliation targeting U.S. military facilities in the region, largely situated in the Gulf states, have led to anxieties peaking. The stress is not coming from Iran's intentions, but more from an inability to predict or influence Mr. Trump's thinking.

The stakes for India

The Iran file coming back as a point of geopolitical friction, at a moment when the world identifies more as a disordered than an ordered one, poses renewed challenges for many. India, for example, was a supporter of the erstwhile JCPOA process. In fact, New Delhi had highlighted to its peers in Tehran the perks of such an agreement, such as ease of sanctions and a return of oil trade. Iran was at a point one of the top two oil suppliers for India, only to lose out as U.S. pressure peaked. JCPOA was seen as the way out. But even as focus usually comes down to oil, or the Chabahar Port, a long-standing Indian connectivity investment, Tehran remains an important political player – for its fractious relationship with Pakistan, its practicality with the Taliban in Afghanistan, and its posturing in Central Asia vis-à-vis Turkish and Pakistani influences. Iran offers much for India than just its West Asia policies.

Finally, Iran also stands at a crossroads. Internal protests have been consistent, gnawing into the state's political stability. The 'moderates', once powerful, have had to align with their conservative peers to build a nationalist narrative following the U.S. bombings. Domestic power plays, much like before, will heavily impact external outcomes. Any success of these talks will be a better option moving forward than the alternatives being presented by the largest American military build-up in the region since 2003.

- Energy imports (Iran was among India's top oil suppliers before 2019 sanctions).
- Strategic investment in Chabahar Port for access to Afghanistan and Central Asia.

Static Linkages

- UN Security Council structure & veto powers.
- NPT (Non-Proliferation Treaty) – Iran is a signatory; India is not.
- IAEA safeguards system.
- Strategic autonomy in Indian foreign policy.
- Energy security and import dependence (~85% crude oil imports – Economic Survey).
- Secondary sanctions under US domestic law affecting third countries.

KEY HIGHLIGHTS

Context of the News

- The Joint Comprehensive Plan of Action (JCPOA) was signed in 2015 between Iran and P5+1 (US, UK, France, Russia, China + Germany) to limit Iran's nuclear programme in exchange for sanctions relief.
- The US withdrew from the deal in 2018 under President Donald Trump, reimposing sanctions.
- In 2025–26, amid heightened tensions and reported strikes on Iranian facilities, the US has resumed negotiations with Iran through mediation by Oman.
- Gulf countries have urged restraint due to risks of regional conflict and oil supply disruptions.
- India faces implications for energy security and regional connectivity.

Key Points

- JCPOA (2015):
 - Limited uranium enrichment (up to 3.67%).
 - Reduced number of centrifuges.
 - Capped uranium stockpile.
 - IAEA monitoring and verification.
 - Sanctions relief linked to compliance.
 - Endorsed by UNSC Resolution 2231.
- P5+1 Members:
 - US, UK, France, Russia, China + Germany.
- IAEA Role:
 - Verification and monitoring of nuclear commitments.
- Strait of Hormuz:
 - Critical maritime chokepoint.
 - Significant percentage of global oil trade passes through it.
- India–Iran Links:

Critical Analysis

1. Geopolitical
 - US withdrawal weakened credibility of multilateral agreements.
 - Israel views Iran's nuclear programme as existential threat.
 - Gulf countries prioritise regional stability.
2. Energy Security
 - Any escalation may increase crude oil prices.
 - Strait of Hormuz disruption affects India directly.
3. India's Strategic Interests
 - Balance relations with US, Iran, Israel, and Gulf.
 - Chabahar critical for bypassing Pakistan.
 - Stability in Iran linked to Afghanistan and Central Asia outreach.
4. Global Order
 - Reflects shift from rule-based order to power-driven diplomacy.
 - Shows fragility of executive-led international agreements.

Way Forward

- Revival of a verifiable and durable nuclear agreement.
- Stronger multilateral guarantees under UNSC framework.
- India to:
 - Diversify crude oil sources.
 - Expand Strategic Petroleum Reserves.
 - Continue engagement with Iran under strategic autonomy.
 - Protect diaspora interests in Gulf region.

Privacy, transparency

There must be no information asymmetry between state and citizens

In Monday, the Supreme Court of India referred a series of petitions challenging the amendment to Section 8(1)(j) of the Right to Information (RTI) Act by Section 44(3) of the Digital Personal Data Protection (DPDP) Act, 2023, to a Constitution Bench, recognising its “constitutional sensitivity”. The Chief Justice of India even remarked that the Court might “have to lay down what is meant by ‘personal information’”. The RTI Act, 2005 was enacted to create an informed citizenry and ensure state accountability, which is vital for a democracy. Over two decades later, the DPDP Act has delivered a body blow by diluting one of its foundational sections. Section 8(1)(j) originally allowed the withholding of personal information only if it had no relationship to any public activity or interest, or if its disclosure resulted in an unwarranted invasion of privacy. Crucially, the section included a “public interest override” as an integral feature of the 2005 Act, permitting disclosure if a Public Information Officer was satisfied that the larger public interest justified it. The DPDP amendment removes this override and prohibits the disclosure of “any information which relates to personal information”, amounting to a blanket ban. This enables rejecting requests concerning officials, procurement records, audit reports or public spending. In its campaign for the RTI, the Internet Freedom Foundation has highlighted a “legitimate uses” paradox here: while Section 7 of the DPDP Act allows the state to process personal data without consent, the RTI amendment prevents citizens from using similar principles to seek transparency from the state. Thus, while the government can monitor the citizen, the citizen is denied the ability to scrutinise the government.

This amendment also creates a severe “chilling effect” on the press. As argued in one of the writ petitions by The Reporters’ Collective, journalists could be classified as “data fiduciaries” under the DPDP Act and its Rules when collecting information for investigative reports. Non-compliance with the Act can attract fines up to ₹250 crore. Such a legal framework threatens reducing journalism to just publishing government releases. It is ironic that the DPDP Act provides exemptions to startups but omits similar protections for journalism. This is in sharp contrast with the European Union’s General Data Protection Regulation (GDPR), which balances privacy and transparency to ensure accountability. The Constitution Bench must refer to the judgment, *Central Public Information Officer (2019)*, which held that personal information should remain private unless disclosure is necessary for the larger public interest. It is known that the RTI has significantly reduced state-citizen (this includes the poor) information asymmetry over two decades. Ensuring its survival is essential for a responsive government.

KEY HIGHLIGHTS

Context of the News

- The Supreme Court has referred petitions challenging the amendment to Section 8(1)(j) of the RTI Act, 2005 (as amended by Section 44(3) of the DPDP Act, 2023) to a Constitution Bench.
- The Court observed that the issue involves “constitutional sensitivity”, particularly the scope of the term “personal information”.
- The amendment removes the earlier public interest override, raising concerns about dilution of transparency.
- Core constitutional tension:
 - Right to Information (Article 19(1)(a))
 - Right to Privacy (Article 21, Puttaswamy 2017)

Key Provisions

1. RTI Act, 2005 – Section 8(1)(j) (Original Position)
Information could be denied if:

- It was personal information,
- Had no relationship to public activity or public interest, OR
- Its disclosure would cause unwarranted invasion of privacy.

However:

- Disclosure was allowed if larger public interest justified it (Public Interest Override).
2. DPDP Act, 2023 – Section 44(3)
- Amends Section 8(1)(j) of RTI Act.
 - Prohibits disclosure of “any information which relates to personal information.”
 - Removes explicit public interest balancing clause.
 - Raises possibility of broader exemption from disclosure.

Constitutional & Legal Background

- State of UP v. Raj Narain (1975):
 - Right to know is part of freedom of speech and expression.
- K.S. Puttaswamy v. Union of India (2017):
 - Right to privacy recognised as intrinsic to Article 21.
 - Laid down proportionality test.
- Doctrine of Proportionality:
 - Legitimate aim
 - Rational nexus
 - Necessity
 - Balancing of rights
- Article 145(3):
 - Constitution Bench required for substantial questions of constitutional interpretation.

Key Issues for Examination

1. Privacy vs Transparency
 - Whether amendment creates a blanket protection for “personal information.”
 - Whether it undermines RTI’s objective of reducing information asymmetry.
2. Governance Implications
 - Potential denial of access to:
 - Public officials’ records.
 - Procurement decisions.
 - Audit findings.
 - Public spending data.
3. Impact on Media
 - Investigative journalism may face compliance burden under DPDP Act.
 - Penalties under DPDP Act can go up to ₹250 crore.

Static Concepts to Revise

- Objectives of RTI Act (informed citizenry, accountability).
- Exemptions under Section 8 of RTI Act.
- Concept of fiduciary relationship.
- Fundamental Rights conflict and harmonisation.
- Accountability and Rule of Law in democracy.
- Separation of powers.

Budget to AI, same warning: Implementation, not appearance, is key

THE ARTIFICIAL Intelligence summit in Delhi has once again exposed a persistent weakness that continues to shape India's economic trajectory: The gap between ambition and execution. Coming barely two weeks after the Union Budget, the summit provides an immediate and uncomfortable lens through which to assess the credibility of policy promises. Together, the two events tell a familiar story. India does not lack vision, announcements, or fiscal intent. What it lacks is consistent administrative capability and reliable last-mile implementation.

Finance Minister Nirmala Sitharaman's ninth consecutive budget, presented on February 1, avoided the usual extravagance of rhetoric. It also, however, avoided a careful accounting of past announcements and their status. This was a missed opportunity. After nearly a decade of continuity, the moment could have been used for reflection on delivery, not merely a presentation of new schemes. Several fresh initiatives filled the 90-minute speech. Their eventual fate remains uncertain. Some may proceed slowly, others may be consigned to history much like earlier flagship programmes such as Make in India or Smart Cities. Our Achilles' heel has been finding a route from announcement to outcome. This is where, as the Americans evocatively say, the rubber meets the road.

It is reasonable to argue that judgement should wait, since implementation formally begins only in April 2026. But many promised outcomes lie far in the future – 2030, 2035, even 2047. By then, technological change or geopolitical shifts may have altered the relevance of today's ambitions, including the aspiration to become a global data-centre hub. The semiconductor

mission has received a 25-year tax holiday. Data centres and cloud infrastructure have been given similar fiscal backing. Skill development programmes stretch across decades. None of this is inherently problematic because long-term transformation requires durable commitment. The concern arises from India's uneven record of execution.

The AI Summit illustrated this problem with unusual clarity. Designed to showcase India's technological readiness and global leadership in digital infrastructure, the event simultaneously revealed familiar administrative weaknesses. Participants encountered long queues, overcrowding, and most strikingly, cash-only payment counters inside a summit celebrating digital transformation and UPI. The irony is hard to ignore.

Thus fiscal incentives and tax holidays may not compensate for weak administrative systems. The same lesson appears across sectors. For example, India's manufacturing share has remained close to 16-17 per cent of GDP for nearly two decades, despite lower labour costs than many competitors, including China. Inflationary spending has risen sharply, but project delays and regulatory bottlenecks are familiar.

National budgets increasingly signal direction rather than immediate transformation. With GST firmly in place, customs duties shaped by trade agreements, and direct tax reductions largely exhausted, the annual budget has limited room for dramatic fiscal change. Wealth and agricultural taxation remain politically sensitive. At best, policy can aim to deepen compliance within the existing tax base, roughly 90 million individuals in the tax net, of whom about 30 million pay income



RAJAT KATHURIA

tax. Achieving meaningful gains here requires administrative reform: simpler rules, lower compliance costs, and a less adversarial relationship between state and taxpayer. Reducing the cost of compliance could achieve for India's tax system what Ronald Reagan once sought in the United States through lower rates, namely, improved compliance and ultimately higher collections through the Laffer effect. Trust, not suspicion, must define the system and digital filing by itself may not be sufficient to achieve the desired result.

History offers some lessons. The landmark budget of 1991 emerged in a crisis. Foreign-exchange reserves covered only days of imports and reform was unavoidable. Most budgets are not written under such pressure and cannot replicate that moment. Expecting each budget to deliver structural transformation misunderstands how reform typically occurs in India. Scholars and thinkers associated with India's reform era have long recognised this. Jagdish Bhagwati warned against bureaucratic over-activity without clear necessity. Arvind Subramanian argued that steady, credible incremental reforms can eventually produce outcomes comparable to dramatic change.

Montek Singh Ahluwalia emphasised calibrated gradualism suited to India's political and institutional realities. These perspectives share a common insight – implementation determines success more than announcement. The AI Summit reinforces this idea. India's ambitions in AI are real and justified. We have enormous talent, data, entrepreneurial energy and rising digital infrastructure. At the same time, global leadership in AI will depend not only on fiscal incentives, but crucially also on gov-

ernance quality, predictable regulation, efficient logistics, and competent public administration. Without these foundations, incentives alone cannot deliver transformation.

Budget 2026, therefore, is best understood as an incremental continuation of an existing policy path. Fiscal consolidation remains intact. Infrastructure spending continues, manufacturing incentives persist despite modest structural change. Services remain central to employment and tax simplification proceeds gradually. While none of this is trivial, it doesn't address the deeper constraint revealed once again at the AI Summit, namely weak execution capacity.

After three and a half decades of opening the economy, India's development challenge is no longer primarily about policy design. It is to bridge the distance between intention and outcome. If incremental reform is eventually to produce transformative change, implementation itself must become the central reform agenda. This may require institutional innovation focused not on new schemes but on delivery of existing ones.

One might even suggest, only half in jest, the creation of an Implementation Commission, tasked not with design, but execution. The idea may sound paradoxical – to reduce bureaucracy one is compelled to create more of it. It is time, perhaps, to also rid ourselves of Sir Humphrey Appleby's self-serving advice that the purpose of policy is to make it look as if something is being done, whether or not it is. India's next stage of development will begin when implementation, not appearance, becomes the measure of success.

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Global leadership in AI will depend not only on fiscal incentives, but crucially also on governance quality, predictable regulation, efficient logistics, and competent public administration

KEY HIGHLIGHTS

Context

- Recently, India hosted a major AI Summit aimed at projecting leadership in Artificial Intelligence and Digital Public Infrastructure.
- The event came shortly after the presentation of the Union Budget 2026–27.
- While the Budget announced incentives for AI, semiconductors, data centres, and infrastructure, the summit exposed administrative inefficiencies (poor logistics, execution gaps).
- This has revived debate over India's long-standing challenge: gap between policy announcement and implementation.

Key Points

- Manufacturing share in GDP remains around 16–17% (Economic Survey trend), below the 25% target.
- Production Linked Incentive (PLI) Scheme continues for electronics, semiconductors, and advanced manufacturing.
- Fiscal consolidation path aligned with FRBM Act framework.
- Direct tax base remains limited compared to population size.
- Digital Public Infrastructure (UPI, Aadhaar) globally recognized, yet administrative execution remains uneven.
- Long-term fiscal incentives (tax holidays, capital subsidies) announced for AI and semiconductor ecosystem.

Static Linkages

- 1991 LPG Reforms – Crisis-driven structural transformation.

- FRBM Act – Fiscal discipline and deficit targets.
- 2nd ARC – Governance reforms and performance management.
- Laffer Curve – Tax compliance vs tax rates.
- Incremental reforms vs Big Bang reforms debate in Indian economy.
- Outcome Budgeting and Performance-based governance.

Critical Analysis

Positives

- Stable macroeconomic framework.
- Long-term policy continuity.
- Capex-led growth strategy.
- Push towards high-technology sectors (AI, semiconductors).

Concerns

- Weak last-mile delivery.
- Regulatory delays and bureaucratic bottlenecks.
- Limited monitoring of past flagship schemes.
- Trust deficit between state and taxpayers.
- Announcement-heavy governance model.

Way Forward

- Strengthen institutional capacity for execution.
- Independent performance audits of major schemes.
- Reduce compliance burden and promote trust-based taxation.
- Enhance Centre–State coordination.
- Focus on measurable outcomes instead of scheme proliferation.
- Capacity building of civil services in technology governance.

States' capex holds key to growth momentum



ADITI NAYAR

AFTER THE Union Budget, the focus will now shift to states' budgets to get a holistic picture of general government finances. These budgets will outline states' revenue growth projections and spending priorities, which tend to vary. But as we await their presentation, the trends of the ongoing financial year offer interesting insights into state finances. The analysis of key indicators of 18 major states (which comprise 89 per cent of India's GDP) for the first nine months of 2025-26 suggests that actual revenues and expenditures will be lower than budgeted levels. But, encouragingly, states' capital spending is expected to report a healthy expansion.

In the first nine months, the 18 states' combined revenues grew by 7.7 per cent, way below the 22 per cent growth indicated in the budget numbers. State GST collections grew a mere 3.3 per cent. Several factors including lower GST rates, income tax rationalisation, easing interest rates, and an above-normal monsoon should have supported consumption. These seem to have been offset by the recovery of the excess Integrated GST apportioned previously to the states. The 11-13 per cent growth of excise duty and stamps and registrations has buoyed overall revenues. But states will miss their budget targets by a sizeable margin.

Alongside this, the transfer of funds from the Union government will also trail the amount pegged in the Budget Estimates this year. The Centre has devolved Rs 13.9 trillion to all states as against a budgeted Rs 14.2 trillion. This revision is, however, modest. In a similar vein, grants by the Centre to states will also fall short of Budget targets. During the first nine months of the year, grants declined by around 18 per cent, in sharp contrast to the robust 60 per cent growth projected by states.

The modest growth of their revenues seems to have nudged the states to slow down their revenue expenditure, with spending growing at 7 per cent, sharply below the 19 per cent indicated in their budgets. On the other hand, capital spending, after being lacklustre in the first half of this fiscal year, expanded by a healthy 25.7 per cent in the third quarter. While that has pushed up the overall growth for the nine months to 12.4 per cent, it is still well below the 30 per cent expansion indicated in the budgets.

In recent years, the 50-year interest-free capex loan provided by the Centre to states has provided an impetus to their spending on capital projects. Out of the Rs 1.5 trillion allocated under capex loans for this year, it had transferred Rs 1.0 trillion by end-January 2025. Accordingly, to meet the target of Rs 1.5 trillion, Rs 466 billion now remains to be disbursed to the states in February-March.

If the capital spending momentum recorded by the states in the third quarter continues, 20-25 per cent growth in such spending in the fourth quarter appears reasonable. This would imply that state capex over the entire year would probably grow by a healthy 16-18 per cent. This would support the country's economic momentum, more so in the ongoing quarter, amid a possible contraction in the Union government's own capex.

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The modest growth of their revenues seems to have nudged the states to slow down their revenue expenditure. On the other hand, capital spending expanded by a healthy 25.7 per cent in the third quarter

KEY HIGHLIGHTS

Context

- Analysis of 18 major States (~89% of India's GDP) for April-December FY2025-26 shows:
 - Revenue growth significantly below Budget Estimates (BE).
 - Expenditure growth lower than projected, particularly revenue expenditure.
 - Capital Expenditure (Capex) accelerating in Q3, indicating infrastructure push.
- Occurs in backdrop of:
 - GST stabilization phase.
 - Finance Commission devolution framework.
 - Centre's 50-year interest-free capex loan scheme.

Key Data

- Revenue Growth: 7.7% (vs 22% budgeted).
- State GST Growth: 3.3%.
- Excise + Stamp & Registration: 11-13% growth.
- Tax Devolution: ₹13.9 trillion (vs ₹14.2 trillion budgeted).
- Grants-in-aid: ~18% decline (vs projected 60% growth).
- Revenue Expenditure Growth: 7% (vs 19% budgeted).
- Capital Expenditure Growth:
 - Q3: 25.7%.
 - 9 months: 12.4% (vs 30% budgeted).

- 50-year Interest-Free Capex Loan:
 - Allocation: ₹1.5 trillion.
 - Released till Jan: ₹1.0 trillion.

Why Important for Exam?

- Reflects evolving fiscal federalism.
- Indicates shift toward quality of expenditure (Capex > Revenue Expenditure).
- Shows interaction between:
 - GST regime,
 - Finance Commission transfers,
 - FRBM limits,
 - Infrastructure-led growth strategy.

Static Concepts to Revise

- Article 266 – Consolidated Fund of State.
- Article 280 – Finance Commission.
- Article 293 – State borrowing powers.
- Vertical vs Horizontal fiscal imbalance.
- Revenue vs Capital Expenditure (Economic Survey).
- FRBM Act, 2003.
- GST – 101st Constitutional Amendment Act.
- Grants-in-aid under Article 275.

Analytical Dimensions

1. Fiscal Sustainability
 - Lower revenue growth may widen fiscal deficit.
 - States may compress developmental spending.
 2. Quality of Expenditure
 - Capex has higher multiplier effect than revenue expenditure.
 - Supports infrastructure, private investment crowding-in.
 3. Cooperative Federalism
 - Predictability of tax devolution critical.
 - Dependence on Central loans may reduce fiscal autonomy.
 4. Macroeconomic Impact
 - State capex crucial if Union capex slows.
 - Infrastructure push sustains aggregate demand.
- Challenges
- Weak GST buoyancy.
 - Volatility in grants from Centre.
 - Rising committed expenditure (salaries, pensions, interest).
 - Borrowing constraints under FRBM framework.

Way Forward

- Improve GST compliance and broaden tax base.
- Strengthen fiscal transparency and outcome budgeting.
- Protect capital expenditure even during revenue stress.
- Rationalize revenue expenditure without harming social sectors.
- Enhance states' own tax effort.

PM positions India as AI alternative, bridge

THE WORLD of artificial intelligence is dominated by Big Tech. Across each layer of the AI ecosystem — from semiconductors to data centres and large language models — Silicon Valley holds a commanding lead. The manner in which this tech is being shaped and developed has raised uncomfortable questions. Some have called it digital colonialism, and compelling arguments are being made for developing alternative pathways. The India AI Impact Summit has framed this skewed power structure. Against this backdrop, Prime Minister Narendra Modi, in his speech at the summit, has offered an alternative vision, one that doesn't look upon AI as a strategic asset or consider technology as confidential. Instead, this framework centres around open code and shared development. This vision can move the AI discourse forward.

The power of the young population and large market in the world's largest democracy will undoubtedly play a big role in shaping new technologies. While the US is pushing countries, including India, to build their AI solutions on top of America's AI stack, India is also trying to develop a resilient domestic AI ecosystem. This extends from chip making to building AI models. Alongside, India is entering into partnerships with key global players in the ecosystem — such as Google and Microsoft — which will lead to the transfer of both tech and capital. The right combination of policies, along with risk capital, human resources and physical infrastructure, can help create a conducive ecosystem. This could not only provide viable alternatives to Big Tech, but may also be necessary considering that the use cases for AI in India will, in part, require local development. AI solutions that are affordable and scalable, the Prime Minister underlined, can be exported to countries around the world, serving a global need. "Any AI model that succeeds in India can be deployed globally," said PM Modi.

But for India to be a player at the AI high table, the constraints that hold back not only the development of a vibrant AI ecosystem in the country, but also the wider economy, will need to be tackled head on. Whether this means confronting the bureaucratic and administrative hurdles that hobble entrepreneurship and risk-taking, or the education/skill deficit that renders many unemployable, or the inefficient power distribution systems across large parts of the country, the challenge, as before, is to address the longstanding structural deficits. If it does so, in an increasingly fragmented world, where trade is being weaponised, and countries are battling for tech supremacy, India is well positioned to offer an alternative — and emerge as a bridge.

KEY HIGHLIGHTS

Context of the News

- At the India AI Impact Summit, Prime Minister Narendra Modi proposed an alternative global AI framework based on:
 - Open-source code
 - Shared innovation
 - Affordable and scalable AI solutions
- The global AI ecosystem is currently dominated by US-based firms controlling:
 - Advanced semiconductors
 - Large Language Models (LLMs)
 - Hyperscale data centres
- India aims to build a resilient domestic AI ecosystem covering:
 - Semiconductor manufacturing
 - Indigenous AI models
 - Strategic collaborations with firms like Google and Microsoft
- The move comes amid rising concerns of:
 - Digital colonialism
 - Trade weaponisation
 - Tech supply chain vulnerabilities

Key Points

- AI ecosystem includes:
 - Compute infrastructure (GPUs, data centres)
 - Data resources
 - Algorithms and models
 - Skilled workforce
- AI is compute- and energy-intensive.

- Semiconductor fabrication is critical for technological self-reliance.
- Open-source AI reduces dependency on proprietary ecosystems.
- India's AI push aligns with:
 - Digital Public Infrastructure (DPI)
 - Atmanirbhar Bharat
 - Semiconductor Mission

Key Points for Mains

- AI as a strategic economic and geopolitical asset.
- India's vision: AI as a global public good rather than a proprietary strategic tool.
- Large domestic market allows scalable AI testing.
- Indigenous development necessary for:
 - Multilingual AI models
 - Agriculture, health, governance use cases
- Structural constraints:
 - Infrastructure gaps
 - Skill deficits
 - Bureaucratic hurdles
 - Limited high-risk capital

Static Linkages

- Innovation-driven growth model.
- Role of infrastructure in industrial development.
- Demographic dividend and human capital theory.
- Strategic autonomy in foreign policy.
- Public-private partnerships in technology sectors.
- Energy security and industrial competitiveness.

Critical Analysis

Positives

- Enhances technological sovereignty.
- Reduces dependency on foreign AI stacks.
- Promotes affordable AI for Global South.
- Strengthens startup ecosystem.
- Supports export of scalable AI solutions.

Concerns

- Heavy dependence on imported high-end chips.
- High capital requirement for AI R&D.
- Energy-intensive data centre expansion.
- Skill gaps in advanced AI research.
- Data governance and privacy risks.

Way Forward

- Accelerate semiconductor manufacturing ecosystem.
- Expand AI skilling in higher education.
- Improve regulatory ease for tech startups.
- Invest in reliable and green energy for data centres.
- Promote multilingual and inclusive AI datasets.
- Develop ethical AI standards aligned with constitutional values.
- Strengthen global digital partnerships without strategic dependency.

Punjab encounters sound alarm bells

THIRTY-FOUR encounters in three months, a third of them in police custody. Those figures tell a grim story in Punjab. It is a state beset by spectres of narco-terrorism fuelled by drugs smuggled across the border and the rise of transnational gangs that signal a possible nexus between gangsters and the separatist fringe. It is also a state where the shadows cast by the decade lost to militancy are yet to fade. In recent times, a spate of extortions and targeted shootings have reinforced the sense of a creeping lawlessness. Against this backdrop, the alarming frequency of police encounters — and the short-circuiting of due process by a trigger-happy force that they represent — adds to the many challenges in Punjab.

The Aam Aadmi Party, whose political footprint has shrunk to Punjab, confronts persistent charges on the law-and-order front. The judiciary, too, has signalled its disquiet. Two months ago, a division bench of the Punjab and Haryana High Court took serious note of the murder of a kabaddi player in full public glare and directed the DGP to explain why adequate security arrangements were not made at the stadium. More recently, the court highlighted the chilling spectacle of an NDPS Act-accused being gunned down outside the office of the Senior Superintendent of Police in Mohali. The anti-drug campaign, Yudh Nasheyani Virudh, has yet to yield notable results; the offensive against organised crime, Gangsteraan Te Vaar, remains inconclusive.

The AAP government swept to power in Punjab in 2022 amid expectations of a new start in the state. Encounters, including and especially those involving individuals in the state's custody, will only deepen disillusion and cynicism. They invite allegations of human rights violations, and risk fuelling a cycle of revenge. Punjab's history stands as a cautionary tale of how quickly such cycles can spiral into prolonged turmoil. Punjab Police must adhere scrupulously to the rule of law. Because, when law enforcers become law breakers, there is a wide and high price to be paid.

KEY HIGHLIGHTS

Context

- Punjab has witnessed around 34 police encounters within a short span of months, raising concerns over due process.
- Rising challenges:
 - Narco-terrorism linked to cross-border drug smuggling.
 - Organised gangster networks with possible transnational linkages.
 - Increase in extortion and targeted killings.
- Judicial scrutiny by the Punjab and Haryana High Court over:
 - Killing of an NDPS accused outside SSP office.
 - Public murder of a sportsperson highlighting law-and-order lapses.
- Political backdrop: Law-and-order criticism faced by the Aam Aadmi Party government in Punjab.

Key Issues

- Encounter killings: Police claim self-defence in retaliatory firing.
- Allegations of:
 - Violation of due process.
 - Custodial killings.
 - Human rights violations.
- Punjab's history of militancy (1980s–90s) shows risks of excessive force leading to prolonged instability.
- Border state vulnerability: drug trafficking, arms smuggling, separatist fringe.

Constitutional & Legal Framework

- Article 14 – Equality before law.
- Article 21 – Right to life and personal liberty (fair, just and reasonable procedure).
- Article 22 – Safeguards against arbitrary arrest.
- Supreme Court guidelines in PUCI vs State of Maharashtra (2014):
 - Mandatory FIR.
 - Independent investigation.
 - Magisterial inquiry.
 - NHRC intimation.
- CrPC provisions on arrest and use of force.
- NHRC guidelines on custodial deaths.
- Rule of Law principle – Supremacy of law over arbitrary power.

Internal Security Dimensions

- Linkages between organised crime and cross-border terrorism.
- Narco-financing of extremist activities.
- Use of drones and technology for cross-border smuggling.
- Weak witness protection enabling gang networks.
- Public trust deficit affecting intelligence gathering.

Critical Analysis

Positives of Strong Police Action

- Immediate deterrence against violent gangs.
- Public perception of decisive governance.
- Disruption of organised crime networks.

Concerns

- Undermines constitutional morality.
- Erodes institutional credibility.
- Encourages “instant justice” mindset.
- Risk of retaliatory violence.
- International human rights scrutiny.
- Weakens long-term counter-terror strategy.

Ethical Angle (GS4)

- Means vs Ends dilemma.
- Abuse of state power.
- Accountability in public service.
- Public trust as cornerstone of governance.

Way Forward

- Strict adherence to Supreme Court encounter guidelines.
- Independent investigation agencies for custodial deaths.
- Strengthening forensic and technological policing.
- Fast-track courts for organised crime and NDPS cases.
- Community policing for intelligence-led operations.
- Border coordination between state police and central agencies.
- Human rights training and accountability mechanisms.
- Strengthening witness protection schemes.

Indians' love for gold is weighing on the economy

The sharp increase in gold imports in Jan, driven by investments in gold ETFs, was a factor in increasing goods trade deficit to nearly \$35 bn



SIDDHARTH UPASANI

INDIAN HOUSEHOLDS have, with the times, changed how they make their savings. The rise in stock market investments, by way of mutual funds, has sparked concerns among bankers about the future of deposit growth. In 2022-23, bank deposits made up 38% of households' financial assets, while mutual fund and equity investments accounted for 7%. In 2024-25, the former had fallen to 33% while the latter more than doubled to 15%.

What hasn't changed, though, is the love for gold as an investment. It's only the manner in which money is channelled into the precious metal that has differed from time to time.

On Monday, the Commerce Ministry said gold imports tripled from December to \$12.07 billion in January. Increasingly driving these imports is an investment route that illustrates the financialisation and formalisation of household savings: exchange-traded funds (ETFs).

How these ETFs work

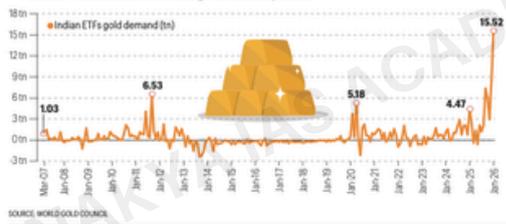
ETFs are, in essence, mutual funds that invest in gold. For households, it is better to invest in gold ETFs than physical gold. They won't have to bother with verifying the purity of the metal or ensuring its security and can buy it in small amounts.

It is the fund that must buy the gold depending on the investments it gets.

But what began as a trickle in March 2007 in India has become a veritable wave. According to data from the World Gold Council, India's gold ETFs bought a record 15.52 tonnes of the metal in January, almost equal to the demand seen in the previous three months combined.

This was because Indians, for the first

Gold ETF inflows hit record high in January 2026



SOURCE: WORLD GOLD COUNCIL



Gold ETFs bought a record 15.52 tonnes in January, almost equal to the demand seen in the previous three months combined.

time, poured in more money into gold ETFs than equity mutual funds in any given month, hoping to benefit from the asset's soaring value. According to data from the Association of Mutual Funds in India, net gold ETF inflows more than doubled from December 2025 to an all-time high of ₹24,040 crore in January. At the same time, equity mutual fund investments declined by 14% to ₹24,029 crore.

What is worth noting is that these gold ETF inflows accounted for 22% of all gold imports (₹1.1 lakh crore) in January. Silver ETF inflows, meanwhile, accounted for 52% of silver imports (₹18,194 crore).

According to analysts at Kotak Institutional Equities, the surge in gold ETF investments across the world possibly implies "massive speculation" in gold and silver.

"...we are not sure if this is in line of the usual strong demand for physical gold or loss of confidence of a section of households in the modern monetary system, the foundation of modern economies. We assume it is the former, as the latter is too frightening to comprehend," the analysts said in a note last week.

The analysts added that the purchase of

financial and physical gold by households is "tantamount to exports of capital from the country".

The ecstasy of gold

More than a decade ago, Indian households had lost some confidence in formal saving instruments and turned to gold. High domestic inflation in the years following the global financial crisis of 2008, amid a rapidly weakening rupee and stuttering growth, had seen gold imports surge so much so that the Indian government and the Reserve Bank of India had to take measures to stop free import of the metal. Some other measures tried to lure Indians away from physical gold.

One of these was the Sovereign Gold Bonds (SGB) scheme, which was started in late 2015 and offered households exposure to gold prices along with an interest rate of 2.5%. According to RBI data, Indians bought SGBs equivalent to 147 tonnes of gold worth ₹72,274 crore over the scheme's life. This helped reduce India's gold imports by that sum as the government did not import gold to meet these bond purchases but only set aside money for interest payments and

change in price of gold.

However, the SGB scheme was discontinued in early 2024 as rapidly rising gold prices made it an increasingly expensive proposition for the government. It was paying nearly ₹18,000 crore every year as interest and re-payment for maturing bonds.

While high inflation is not a concern now, the fear that some households could be after gold because of loss of confidence in the modern monetary system should not be completely ignored. The world has become rather volatile in recent years, marred by geopolitical conflicts and policy uncertainty. The advent of artificial intelligence has spurred stock markets of certain countries, while others, such as in India, have lagged owing to low AI exposure.

The sharp increase in gold imports in January — driven by rising investments in gold ETFs — was a factor in increasing India's goods trade deficit to nearly \$35 billion. The last time it was higher was October's record \$42 billion, when even more gold was imported, although much of that may have been due to the Diwali effect. Maybe a new SGB scheme, and one for silver and other metals, is warranted.

High volume

Gold ETF inflows accounted for 22% of gold imports during January.

Investments in silver ETFs, meanwhile, made up 52% of silver imports.

- Gold and External Sector
 - Gold is classified under non-essential imports.
 - High imports increase Current Account Deficit (CAD).
 - CAD financed through capital inflows (FDI, FPI, ECBS).
- Household Financial Savings Trend
 - Decline in bank deposit share.
 - Rise in mutual funds and ETF participation.
 - Indicates financialisation of savings but continued preference for gold.

Static Linkages

- Current Account Deficit (CAD) = Trade Deficit + Net Invisibles.
- Persistent CAD can lead to:
 - Currency depreciation
 - Pressure on foreign exchange reserves
- Gold demand historically rises during:
 - High inflation
 - Currency depreciation
 - Global uncertainty
- Financialisation of savings improves:
 - Capital market depth
 - Formalisation of economy

Critical Analysis

Positives

- Indicates deepening of capital markets.
- Reduces need for physical gold storage.
- ETFs are more transparent and regulated.
- Financialisation improves tax compliance and monitoring.

Concerns

- High gold imports worsen CAD.
- Capital outflow effect (household savings moving to non-productive assets).
- Volatility-driven speculative investments.
- Loss of confidence in financial/monetary system (if persistent).

Fiscal Concern

- Reintroducing SGB may:
 - Reduce imports.
 - But increase fiscal burden due to interest + redemption cost.

Way Forward

- Consider calibrated reintroduction of SGB with revised terms.
- Promote gold monetisation schemes to mobilise idle gold.
- Deepen financial literacy on portfolio diversification.
- Encourage productive asset allocation (infrastructure bonds, equity, MSME financing).
- Maintain macroeconomic stability to reduce safe-haven demand.

KEY HIGHLIGHTS

Context of the News

- Gold imports tripled to \$12.07 billion in January (Commerce Ministry data).
- According to the World Gold Council, Indian Gold ETFs purchased a record 15.52 tonnes in January.
- As per AMFI data, gold ETF inflows reached an all-time high of ₹24,040 crore, surpassing equity mutual fund inflows.
- Gold ETF inflows accounted for 22% of total gold imports in January.
- The surge contributed to widening India's goods trade deficit to nearly \$35 billion.
- The Sovereign Gold Bond (SGB) Scheme (2015–2024) was discontinued due to rising fiscal burden.

Key Facts

- Gold ETFs
 - Regulated by SEBI.
 - Open-ended mutual fund schemes investing in physical gold.
 - Units traded on stock exchanges.
 - Backed by physical gold of 99.5% purity or above.
- Sovereign Gold Bonds (SGBs)
 - Issued by Government of India; managed by RBI.
 - Fixed interest rate (2.5% per annum) + capital appreciation.
 - Reduced physical gold imports.
 - Discontinued in 2024 due to high repayment and interest burden.