



DAILY NEWS PAPER ANALYSIS

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SECTOR 25 CHANDIGARH**

GST revenues up 14% in June amid dependence on imports

T.G.A. Sharad Raghavan
NEW DELHI

The government's Goods and Services Tax (GST) revenue grew 13.9% to ₹1.95 lakh crore in June compared with the corresponding period in 2025, the highest year-on-year growth rate in 13 months. However, the bulk of this growth came from imports, with the tax collected from domestic transactions growing far slower.

The data shows that GST revenue from domestic transactions grew 6.5% to about ₹1.35 lakh crore in June 2026. This made up 69% of the total GST revenue earned that month, down from the 74% share it held in June last year. Revenue from imports, on the other hand, grew nearly 38% in June 2026 to ₹6 lakh crore.

This marks the 10th consecutive month in which GST revenues from imports have grown in double digits, and the 10th straight month in which their growth has exceeded the growth in revenues from domestic transactions. Tax experts are divided on the cause for this sharp rise in revenues from imports, but they agree that it is something the government must keep an eye on.

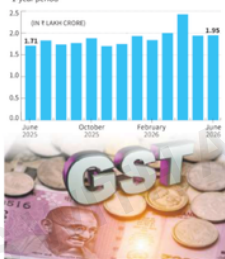
Nine years of GST
Further, as GST marked nine years of implementation on Wednesday, tax experts point to several aspects – such as input tax credits, dispute resolution, multiple registrations, and the inverted duty structure – as issues that still need to be addressed. However, they do acknowledge that the system has been steadily improving over the years.

According to Saanabh Agarwal, tax partner at EY India, a possible reason could be that India is importing what it should be manufacturing.

"The rising share of collections from imports warrants closer structural analysis," Mr. Agarwal said. He pointed out that one way to mitigate this reliance is to redress unutilised outlays from the production

Consistent progress

The 13.9% growth in June 2026 is the highest y-o-y rise in 13 months. The graph shows GST revenue in the last 3-year period



linked incentive schemes to strategically attract and scale high-value manufacturing within India.

Mihesh Jain, partner and indirect tax leader at Deloitte India, largely echoed these views, saying that the growth in import revenues suggest an increase in the import of raw materials and intermediate goods, which reflects sustained manufacturing activity.

However, another possible reason, as voiced by Pratik Jain, partner at Price Waterhouse & Co is that revenues from imports are growing because the prices of imported goods have also increased across many commodities.

Structural changes
Looking ahead at what remains to be done in GST after nine years in operation, the tax experts pointed to a number of structural and legislative issues that need to be addressed.

"At a structural level, you have real estate, petroleum products, liquor, agriculture and education either outside of GST or exempt," Mr. Jain said. "I think now that GST has stabilised, it's the right time for us to start a debate as to how some of these can be included."

"I don't think it will happen immediately and I don't see passenger fuels coming in soon, but things like aviation turbine fuel and natural gas are low hanging fruit because the revenue implications are not significant," he added. The other area he said that needed work was resolving the inverted duty structure that has become more of a problem since the GST rates were rationalised in September last year. An inverted duty structure arises when a final product is taxed lower than the rates applied on its inputs. This means companies end up paying higher tax on their inputs than they collect when they sell a product. Not all of this gets refunded. Apart from these, Karthik Mani, partner with the tax and regulatory practice of BDO India pointed out that the "wield list" of industry and taxpayers is clear. This includes, he said, a single pan-India GST registration to end the compliance burden of state-wise registrations for pan-India businesses, and a "genuine" amnesty for routine reconciliation mismatches so that taxpayers are not pulled into litigation over minor, non-fraudulent notices.

- Continued dependence on imported manufacturing inputs.

- Industry recommendations:
 - Rationalise Inverted Duty Structure (IDS).
 - Introduce Pan-India GST Registration.
 - Improve Input Tax Credit (ITC) mechanism.
 - Faster dispute resolution.
 - Gradual inclusion of Natural Gas and ATF under GST.

Static Linkages

- 101st Constitutional Amendment Act, 2016 introduced GST.
- Article 246A – Concurrent powers of Parliament and States to levy GST.
- Article 269A – Levy and distribution of IGST on inter-State trade.
- Article 279A – Constitutional status to the GST Council.
- GST is a destination-based, value-added indirect tax.
- Components:
 - CGST
 - SGST/UTGST
 - IGST
- Input Tax Credit (ITC) eliminates cascading of taxes.
- Inverted Duty Structure (IDS): Tax on inputs exceeds tax on output, leading to accumulation of unutilised ITC.
- Outside GST:
 - Alcohol for human consumption.
 - Petroleum crude.
 - Petrol.
 - Diesel.
 - Natural Gas.
 - Aviation Turbine Fuel (ATF) (until notified by GST Council).

KEY HIGHLIGHTS:

Context

- GST completed 9 years of implementation on 1 July 2026.
- Gross GST collections (June 2026) stood at ₹1.95 lakh crore, registering 13.9% YoY growth –the highest annual growth in the last 13 months.
- Growth was primarily driven by GST collected on imports, while domestic GST collections remained comparatively subdued.
- The trend has revived the debate on import dependence, manufacturing competitiveness, GST rationalisation and structural reforms.

Key Points

- Gross GST Collection (June 2026): ₹1.95 lakh crore.
 - Domestic GST Collection: ₹1.35 lakh crore.
 - Growth: 6.5% YoY.
 - Share declined from 74% (June 2025) to 69% (June 2026).
 - GST from Imports: Growth: ~35% YoY.
 - Contributed nearly 31% of total GST revenue.
- Import GST has recorded:
 - 16 consecutive months of double-digit growth.
 - 10 consecutive months of faster growth than domestic GST collections.
- Suggested reasons:
 - Higher imports of raw materials and intermediate goods.
 - Rise in global commodity prices.

Value Addition

Why is rising import GST a concern?

- Indicates higher dependence on imported inputs.
- May weaken the objective of Atmanirbhar Bharat.
- Can widen the trade deficit if imports outpace exports.
- Reflects limited domestic value addition in manufacturing.

Importance of GST

- One Nation, One Tax.
- Removal of cascading taxes.
- Common national market.
- Improved tax compliance through digitisation.
- Enhances Ease of Doing Business.

- Strengthens cooperative federalism through the GST Council.

Major Challenges

- Inverted Duty Structure.
- Multiple State-wise registrations.
- Delayed ITC refunds.
- Frequent litigation.
- Petroleum and alcohol remain outside GST.
- Complex rate structure.

Critical Analysis

Positives

- Robust GST collections indicate improved compliance.
- Better use of digital tools (e-Invoice, e-Way Bill, analytics).
- Stable indirect tax revenues strengthen fiscal capacity.
- Import of intermediate goods may support manufacturing.

Concerns

- Import-led GST growth is structurally unsustainable.
- Weak domestic GST growth may indicate softer domestic demand.
- IDS blocks working capital.
- Compliance burden remains high for multi-State businesses.
- Exclusion of major sectors limits GST efficiency.

Way Forward

- Rationalise GST rates and remove the Inverted Duty Structure.
- Gradually include Natural Gas and ATF under GST.
- Introduce single Pan-India GST registration.
- Strengthen ITC refund mechanism.
- Reduce GST litigation through faster dispute resolution.
- Promote domestic manufacturing under Make in India and PLI.
- Move towards a simpler three-rate GST structure over time.

Centre fixes minimum wage of ₹300 per day under VB-G RAM G scheme

The Hindu Bureau
NEW DELHI

The Centre has fixed a floor wage of ₹300 per day under the Viksit Bharat-Guarantee for Rozgar and Aajeevika Mission (Gramin) [VB-G RAM G] Act, 2025, which came into effect on Tuesday replacing the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005.

The 21 States and Union Territories which paid less than ₹300 per day under the MGNREGA have had their wage rates increased to this level, while States already paying above ₹300 saw more minimal hikes.

Four major Hindi-belt

States saw significant wage increases – ₹48 in Uttar Pradesh, ₹45 in Bihar, ₹39 in Madhya Pradesh, and ₹19 in Rajasthan – compared with the last MGNREGA rates set in 2025-26. Barring the U.T. of Dadra and Nagar Haveli and Daman and Diu, where wages remain unchanged from the MGNREGA levels, Telangana recorded the lowest increase of just ₹1, with wages rising 0.33% from ₹307 to ₹308.

Other southern States which were already above the ₹300 level also saw minimal hikes, including Andhra Pradesh (1.6%), Tamil Nadu (2.7%), and Karnataka (3.2%).

Excluding the special rate of ₹450 applicable to certain gram panchayats in Sikkim, Haryana continues to have the highest wage rate at ₹409, but recorded one of the lowest increases of just 2.25%. Haryana (₹409), Goa (₹406) and Kerala (₹401) are the only States with wage rates above ₹400.

'Hike above 15%'

Northern and northeastern States which saw wage hikes above 15% to reach the ₹300 level include Arunachal Pradesh, Nagaland, Himachal Pradesh, Uttarakhand, Jharkhand, Assam, Tripura, Sikkim, and West Bengal.



Small boost: Several States which paid less than ₹300 per day under MGNREGA have had their wage rates jacked up. ARUN KULKARNI

Congress general secretary Jairam Ramesh criticised the notification, saying the wages remain "unjustifiably low". He reiterated the Congress's demand, made during the

2024 Lok Sabha campaign, for a national daily minimum wage of ₹400 for all workers in India.

"The Expert Committee headed by Dr. Anoop Satpathy, set up by the Modi

government, had also recommended a national minimum wage floor of ₹375 per day in 2019," he said.

Mr. Ramesh noted that the Parliamentary Standing Committee on Rural Development, chaired by Congress MP Saptagiri Ulaka, had also consistently recommended higher wages for MGNREGA workers.

Given the "widespread minimum wage protests in industrial hubs like Noida, and at a time when the stagnation of rural wages is widely recognised as a key constraint on our economic growth", the notification was both a "snub to India's workers and an unwise economic policy," he said.

"A just minimum wage for India's workers would adopt Dr. Satpathy's recommendation and accommodate the increase in prices since then," he added.

Burden on States

Mr. Ulaka said his party had opposed the VB-G RAM G Act "from the streets to Parliament" and would continue to do so. "We appeal to the government that the VB-G RAM G be repealed and a strengthened MGNREGA be brought back," he said at a press conference here. He criticised the shift from the rights-based, demand-driven MGNREGA to what he

described as a supply-driven, government-driven VB-G RAM G.

Mr. Ulaka said a key concern was the new cost-sharing arrangement. Under MGNREGA, the Centre bore almost the entire labour cost, while material costs were shared in a 60:40 ratio. Under VB-G RAM G, however, the combined labour and material expenditure is now subject to the 60:40 ratio, he said. "If additional work needs to be provided beyond this, the financial burden will fall on the State government," he added.

DATA POINT
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KEY HIGHLIGHTS:

Context

- The Union Government has notified a national floor wage of ₹300/day under the Viksit Bharat-Guarantee for Rozgar and Aajeevika Mission (Gramin) [VB-G RAM G] Act, 2025, replacing MGNREGA, 2005.
- States paying below ₹300 have been brought up to the floor wage, while States already above ₹300 received marginal revisions.
- The Act also modifies the Centre-State cost-sharing pattern, making it a significant issue for rural employment policy and fiscal federalism.

Key Points

- National floor wage: ₹300/day.
- Highest wages: Haryana (₹409), Goa (₹406), Kerala (₹401).
- Major revisions: Uttar Pradesh (+₹48), Bihar (+₹45), Madhya Pradesh (+₹39), Rajasthan (+₹19).
- Highest percentage increase (>15%): Arunachal Pradesh, Nagaland, Himachal Pradesh, Uttarakhand, Jharkhand, Assam, Tripura, Sikkim and West Bengal.
- Anoop Satpathy Committee (2019): Recommended a national minimum wage floor of ₹375/day.
- Key change: Combined labour + material expenditure is reportedly subject to the 60:40 Centre-State sharing ratio, increasing States' fiscal responsibility for additional employment.

Static Linkages

- Article 41: Right to Work (Directive Principle; subject to the State's economic capacity).
- Article 39(a): Adequate means of livelihood.
- Article 43: Living wage and decent standard of life for workers.
- Labour: Concurrent List (Entry 22, Seventh Schedule).
- 73rd Constitutional Amendment: Strengthens Panchayati Raj Institutions in implementing rural development programmes.

- Social Audit: Mandatory accountability mechanism in rural employment programmes.

Critical Analysis

Advantages

- Enhances rural income in low-wage States.
- Improves consumption demand in rural areas.
- Reduces inter-State wage disparity.
- Strengthens livelihood security.

Concerns

- ₹300 may remain below a living wage in many regions.
- Greater financial burden on States due to revised cost sharing.
- Concerns over dilution of the rights-based and demand-driven nature of rural employment.
- Inflation may reduce the real value of wages.

Way Forward

- Index wages to CPI-Rural.
- Periodically revise wage rates through an expert mechanism.
- Ensure timely wage payments through DBT.
- Strengthen social audits and transparency.
- Maintain adequate Central support to sustain employment generation.
- Converge employment works with water conservation, agriculture and climate-resilient infrastructure.

World Bank may scrap funding target for climate projects

Jacob Koshy
NEW DELHI

Following disapproval from the U.S. administration, the World Bank Group (WBG) has indicated that it would do away with its funding target for climate-centric projects.

"We will complete our shift from inputs to outcomes to maximise development impact. We will retire the 45% climate co-benefits target and the 30% target in the Climate Change Action Plan (CCAP). We have done significant work in answering client demand and needs," the World Bank said in its June 29 statement on its CCAP.

Possible impact
Launched in 2020 and over a five-year period ending 2026, the CCAP mandated the WBG to allocate 35% of its total financing for projects that reduced emissions or helped communities adapt to climate

change. The goal was increased to 45% in 2023. The latest announcement by the World Bank may impact projects in developing countries.

In India, the World Bank's climate-focused projects include electrified freight rail and inland waterways to cut transport emissions; forest restoration and biodiversity conservation in Madhya Pradesh and Meghalaya; climate-resilient agriculture for smallholders; rehabilitation of ageing large dams; community-led groundwater management under Atal Bhujal Yojana; mangrove restoration along both coasts; food fortification and embankment strengthening in Bihar's Kosi basin; solar parks and rooftop solar systems; green hydrogen for hard-to-abate industries; battery storage paired with renewables in Chhattisgarh. Kerala's post-2018 flood resilience overhaul; and the "One



Policy shifts: World Bank's climate-focused projects in India include those aimed at cutting transport emissions. (L-R): KANAK VISHAY

Health's livestock disease programme guarding against zoonotic spillover. The Hindu has reached out to the World Bank spokesperson, asking whether the latest development would impact India-based projects. The spokesperson has not responded so far.

'Continued support'
The World Bank has said it would continue to support

the Board on progress, including on climate co-benefits," the statement added.

U.S. criticism
In April, the U.S. – the WBG's largest shareholder – expressed its strong disapproval at the CCAP funding target. "The World Bank must maintain focus on its core mission of reducing poverty and increasing economic growth... It also means jettisoning the Group's 45% climate finance target that breeds inefficiency, distorts economic decision-making, and moves the Bank away from its core mission. At the same time, we expect greater efficiency, discipline, and accountability so that every dollar delivers more impact," said U.S. Treasury Secretary Scott Bessent. U.S. President Donald Trump, who has labelled climate change a "con job", has withdrawn the country from the Paris Agreement,

the 2015 pledge that binds countries to reduce greenhouse gas emissions in a way that it leads to global temperature not exceeding two degrees Celsius over the pre-industrial Age temperature, by 2100.

Much of the subsequent climate action and the global threat to shield against ongoing damage from climate change – including the World Bank's – draws from this principle. Despite the global move towards renewable energy sources, developing countries say they have yet to receive adequate financial support from developed countries – despite commitments – to accelerate the transition. "The promise to mobilise \$300 billion a year for developing countries depends on strong multilateral development banks. If the World Bank steps back, that promise becomes much harder to deliver," said Matthias Söderberg, of non-profit, DanChurchAid.

KEY HIGHLIGHTS:

Context

- The World Bank Group (WBG) has decided to retire its 45% climate co-benefits financing target, following objections from the United States, its largest shareholder.
- The announcement was made on 29 June 2026 during the review of the Climate Change Action Plan (CCAP).
- The Bank clarified that it will continue supporting countries in achieving their Nationally Determined Contributions (NDCs) and monitor climate outcomes, but without a fixed financing target.
- The decision has significant implications for global climate finance and developing countries, including India.

Key Points

- Climate Change Action Plan (CCAP) Launched in 2021.
- Initially mandated 35% of World Bank financing for climate-related projects.
- Target increased to 45% in 2023.
- Covers both:
 - Climate Mitigation
 - Climate Adaptation
- Latest Decision 45% climate finance target withdrawn.
- Shift from financing targets to development outcomes.
- Climate indicators (GHG emissions & resilience beneficiaries) will continue to be monitored.
- Reason The U.S. argued that fixed climate spending targets divert the Bank from its core mandate of poverty reduction and economic development.
- Implications for India May affect future financing for:
 - Renewable Energy
 - Green Hydrogen
 - Battery Storage
 - Climate-resilient Agriculture

- Flood Management
- Forest & Mangrove Restoration
- Atal Bhujal Yojana
- Dam Rehabilitation
- Climate Finance Developing countries continue to demand greater financial support from developed nations for achieving climate goals.

Static Linkages

- World Bank Group (WBG) IBRD, IDA, IFC, MIGA, ICSID, Paris Agreement (2015) Adopted under UNFCCC.
- Goal:
 - Keep temperature rise well below 2°C.
 - Pursue efforts to limit warming to 1.5°C.
- Implemented through Nationally Determined Contributions (NDCs).
- Climate Mitigation
 - Reducing greenhouse gas emissions or enhancing carbon sinks.
- Climate Adaptation
 - Reducing vulnerability to climate change impacts.
- Green Climate Fund (GCF)
 - UNFCCC financial mechanism supporting developing countries.
- India's Updated NDC (2022)
 - Reduce emissions intensity of GDP by 45% by 2030 (from 2005 levels).
 - About 50% cumulative installed electric power capacity from non-fossil fuel sources by 2030.

Critical Analysis

Positives

- Greater flexibility in development financing.
- Focus on measurable outcomes rather than expenditure targets.
- Better alignment with country-specific development priorities.

Concerns

- Reduced predictability of climate finance.
- Possible decline in funding for adaptation projects.
- May weaken confidence in global climate commitments.
- Could affect climate-vulnerable developing countries disproportionately.

Way Forward

- Strengthen multilateral climate finance.
- Ensure predictable and adequate climate funding.
- Increase concessional finance for adaptation.
- Promote blended finance and private-sector participation.
- Improve transparency in climate finance reporting.
- Support developing countries in achieving their NDCs.

The case for building India's coal chemistry capability

There are two ways a country can survive an energy shock: by managing it skillfully through diplomacy, diversification, and fiscal measures, or by reducing dependence on the disrupted resource. India excelled at the first during the disruption in the Strait of Hormuz in 2026, with its refineries demonstrating exceptional technical flexibility in adapting to crude supply disruptions. The crisis reaffirmed that indigenous scientific capability and technological self-reliance are the decisive forms of insurance against energy market volatility – far more durable than any diplomatic or military arrangement alone. However, India has yet to reduce its underlying dependence, and coal offers a key opportunity to begin.

Same discipline for coal chemistry

Before turning to that opportunity, it is worth understanding why refinery flexibility proved so effective, because the same discipline will be required for coal chemistry. India's supplier base has nearly tripled over the past two decades. Each supplier provides a different crude slate, with distinct density profiles, sulphur content, and viscosity characteristics, and a refinery engineered for only one crude type becomes vulnerable to supply disruptions. Through investments in indigenous research, metallurgical advances, process innovation, and workforce training, India's refining sector developed the capability to process feedstock across a broad range of specifications. When the Strait of Hormuz closed and sourcing options shifted abruptly, Indian refineries adapted with technical confidence, processing crude from the Americas, the Atlantic Basin, West Africa, Russia, and India's West Asia partners. That flexibility at scale is the product of indigenous research and development, technical discipline, and engineers who understand their systems as interconnected processes rather than fixed machines.

The speed of the transition provides concrete evidence of this capability. Within weeks of the closure, non-Hormuz sourcing increased from 55% to 70% of India's crude intake. That pivot reflected a decade of upstream diversification combined with the downstream technical flexibility built into India's refinery fleet. India's private and public sector refineries had the engineering capability to process multiple crude types, adjust operating parameters at short notice, optimise fractionation patterns for different feedstock specifications, and maintain product quality and safety throughout the transition.

This capability was built through sustained investment in process understanding, operator training, and the institutional knowledge that enables a complex industrial system to absorb shocks without fracturing.

The liquefied petroleum gas (LPG) story offers a clear example of how indigenous refining



R.A. Mashelkar

Distinguished scientist and former Director General of the Council of Scientific and Industrial Research (CSIR)

capability can absorb a supply shock faster than markets can price it. India's LPG import infrastructure had nearly doubled over the preceding decade, providing greater distribution redundancy.

When the Strait of Hormuz closure threatened LPG availability, the bottleneck was not at the import ports but in how much LPG the existing refinery fleet could produce from the available feedstock. Under the LPG control order, refineries were directed to maximise yields, and within three days, domestic production increased from 35 Thousand Metric Tonnes (TMT) per day to 54 TMT per day, with engineers adjusting fractionation and cracking units in real time. That increase was engineering in action, not an accounting adjustment. It was one half of how India closed the gap, disciplined demand management provided the other. The production side – which is the focus of this article – rested entirely on technical capability built through years of sustained investment.

Energy security through molecules

Refinery flexibility solved the problem that the Strait of Hormuz crisis actually presented: how to keep a wide range of crude flowing through a fixed set of plants. It did not, and could not, solve the deeper structural problem the crisis exposed – that India's LPG dependence is far more concentrated than its crude dependence. A refinery can be engineered to process crude from 40 different countries. LPG, however, cannot be engineered to come from 40 different geographies, because the molecule is overwhelmingly sourced from a handful of Gulf and Atlantic Basin producers. The real long-term solution to LPG vulnerability is not refining the same imported molecule more efficiently. It is producing a domestic molecule that serves the same purpose.

That molecule already exists, and India has the raw material to produce it in its extraordinary abundance. Dimethyl ether (DME) is a clean burning gas chemically similar enough to LPG that it can be blended directly into existing cylinders and pipelines, requiring no new distribution network. It can be produced through coal gasification, which converts coal into syngas and then into DME. India possesses some of the world's largest coal reserves, and the Bureau of Indian Standards has already approved blending up to 20% DME with LPG. One recent industry assessment found that a 20% blend sourced from coal gasification could displace roughly 6.3 million tonnes of LPG imports each year, saving nearly ₹4,000 crore in foreign exchange annually. That is not a marginal gain. It is the kind of structural reduction in import dependence that the Hormuz crisis should have taught India to take seriously.

This crisis has demonstrated how India's investments – in institutions, infrastructure, diplomacy and human capability – can translate

into national resilience. Innovation is often equated with breakthrough technologies. In reality, it is equally about creating new ways of integrating people, institutions, and ideas to solve unprecedented problems. The Ministry of Petroleum and Natural Gas response exemplified this broader understanding of innovation.

From innovation to execution

Years ago, scientists at the CSIR's National Chemical Laboratory developed an indigenous technology for converting methanol into DME, a clean substitute for LPG. During the recent crisis, it was deeply gratifying to see the Centre for High Technology under the Ministry of Petroleum and Natural Gas move with remarkable speed to approve the scaling up of this indigenous pilot technology. It was a powerful reminder that investments in science made years earlier can become strategic national assets when unexpected crises arise.

This is exactly how innovation ecosystems should function. Research laboratories generate knowledge, government institutions identify strategic opportunities, and industry scales promising technologies. Together, they build national resilience.

That structural reduction is no longer waiting on policy. The Union Cabinet has approved a ₹2,500 crore scheme to promote surface coal and lignite gasification, explicitly citing the West Asia crisis as part of its rationale and targeting 100 million tonnes of coal gasification annually by 2030. The scheme provides an incentive of up to 20% of plant and machinery costs, separate from the DME blending ratio discussed above, and extends coal linkage tenure to 30 years – the kind of long-term horizon certainty that capital-intensive process industries require before committing investment. What remains is execution. India's coal has a higher ash content than the cleaner coal that underpinned China's dominant coal-to-chemicals industry, and domestic gasification capacity is still far below the ambition this scheme represents. Closing that gap is now a question of industrial discipline and investment, not policy intent. The intent has already been settled.

The remaining work – closing the ash content gap, scaling gasification capacity, and building the technical depth China has spent two decades accumulating – is the same kind of work India's refining sector undertook over two decades of investment in metallurgy, catalysis, and process engineering. The lesson of Hormuz is not that India's refineries were ready and nothing else needs to change. It is that indigenous capability, once built, becomes a permanent strategic asset, and that the policy commitment to building the next one is now in place. The molecule is different, but the discipline required to master it is exactly the same as that which built the refineries that carried India through this crisis.

- Promotes indigenous technology and Atmanirbhar Bharat.

Government Initiative

- ₹37,500 crore Coal & Lignite Gasification Incentive Scheme
- Target: 100 MT coal gasification by 2030
- Incentive: Up to 20% of Plant & Machinery cost
- Coal linkage tenure extended to 30 years.

Challenges

- High ash content of Indian coal.
- High capital requirement.
- Technology gap with leading countries.
- Environmental concerns due to CO₂ emissions.
- Need for Carbon Capture, Utilisation and Storage (CCUS).

Static Linkages

- Coal is India's largest source of commercial energy.
- Energy security rests on availability, affordability, accessibility and sustainability.
- Coal gasification is cleaner than direct coal combustion but is not carbon-neutral.
- Diversification of energy sources reduces geopolitical risks.
- Indigenous technology development is a key pillar of Atmanirbhar Bharat.

Critical Analysis

Positives

- Reduces import dependence on LPG.
- Enhances strategic energy security.
- Supports domestic coal value addition.
- Encourages indigenous R&D and manufacturing.
- Generates employment in coal-bearing regions.

Concerns

- High CO₂ emissions without CCUS.
- Water-intensive process.
- High investment requirement.
- Environmental implications of increased coal utilisation.
- Limited domestic gasification capacity.

Way Forward

- Develop gasification technology suitable for high-ash Indian coal.
- Scale up indigenous DME technology.
- Integrate CCUS with coal gasification projects.
- Promote public-private partnerships.
- Strengthen R&D and skilled manpower.
- Ensure balance between energy security and climate commitments.

KEY HIGHLIGHTS:

Context

- The 2026 Strait of Hormuz disruption exposed India's vulnerability to LPG imports despite successful diversification of crude oil supplies.
- The Union Government is promoting coal gasification and Dimethyl Ether (DME) production to reduce dependence on imported LPG.
- The Union Cabinet approved a ₹37,500 crore Coal and Lignite Gasification Incentive Scheme with a target of 100 Million Tonnes (MT) coal gasification by 2030.
- Indigenous CSIR–National Chemical Laboratory (NCL) technology for methanol-to-DME conversion is being scaled up.

Key Points

Why Coal Gasification?

- Converts coal into Syngas (CO + H₂).
- Syngas can be converted into:
 - Methanol
 - Dimethyl Ether (DME)
 - Hydrogen
 - Fertilisers
 - Chemicals

Dimethyl Ether (DME)

- Clean-burning alternative fuel to LPG.
- Can be blended with LPG without major changes in distribution infrastructure.
- Bureau of Indian Standards (BIS) permits up to 20% DME blending with LPG.

Significance

- Reduces LPG import dependence.
- Utilises India's abundant coal reserves.
- Strengthens energy security.

A unified policy architecture for India's energy future

India has made remarkable progress in transforming its energy landscape over the past decade. From achieving near-universal household electrification and expanding access to clean cooking fuel to becoming one of the world's fastest growing renewable energy markets, it has demonstrated a strong commitment to ensuring energy access while advancing sustainable development.

As India looks ahead to the goals of energy self-reliance by 2047 and net-zero emissions by 2070, the next phase of the energy transition will require an increasingly integrated approach to planning and governance. A policy brief released by the Indian National Science Academy (INSA) in May 2026 highlights the importance of a unified national energy framework that can help align diverse energy resources, technologies and institutions towards common national objectives.

The complexity of India's energy system
The need for such an approach is evident from the scale and complexity of India's energy system. While domestic energy production continues to expand, there is a dependence on imports for a significant share of oil and natural gas requirements. At the same time, energy demand is expected to grow steadily as economic development, industrialisation and urbanisation continue. Managing these multiple priorities, energy security, affordability, sustainability and economic growth, requires coordinated planning across sectors and fuels.

India has already established strong foundations through initiatives such as the Saubhagya Scheme, the Pradhan Mantri Ujjwala Yojana, and ambitious renewable energy programmes. Renewable energy installed capacity has grown from approximately 40 GW in 2015 to approximately 200 GW by 2025, reflecting a determination to diversify the energy mix. As



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A policy brief from the INSA-Centre for Science, Technology, Innovation and Policy outlines a four-pillar framework

the energy ecosystem becomes more diverse, however, greater coordination among generation, transmission, storage, distribution and emerging technologies will become increasingly important.

How the framework works

The INSA policy brief proposes a framework built around four mutually reinforcing pillars: adequacy, access, affordability and appropriate sustainability.

First, adequacy focuses on ensuring reliable and diversified energy supplies through a balanced portfolio of conventional and emerging energy sources, supported by modern infrastructure, energy storage and digital technologies. The objective is to strengthen energy resilience while reducing long-term vulnerabilities.

Second, access emphasises reliable and equitable energy services for all citizens. Building on the country's achievements in electrification and clean cooking access, the framework advocates strengthening last-mile delivery, improving service quality and expanding decentralised energy solutions where appropriate.

Third, affordability recognises that a successful energy transition must remain economically viable for households, businesses and industries. The framework highlights the role of innovative financing mechanisms, efficient markets and consumer-focused safeguards in supporting an inclusive transition.

The fourth pillar, appropriate sustainability, underscores the importance of pursuing sustainability in a manner that is aligned with India's developmental priorities and resource endowments. Rather than adopting a one-size-fits-all approach, the framework advocates solutions that reflect India's unique social, economic and environmental context.

This includes support for local communities, workforce development and region-specific transition pathways.

The policy brief also identifies circular economy practices and carbon capture, utilisation and storage (CCUS) as important cross-cutting enablers that can complement renewable energy deployment and contribute to reducing emissions from industrial sectors.

Recognising that energy transitions occur over decades, the framework proposes a phased approach. Near-term priorities include strengthening infrastructure, accelerating renewable energy deployment, supporting emerging technologies such as green hydrogen, and developing institutional mechanisms that can facilitate long-term coordination. Over time, the emphasis would shift toward deeper integration of low-carbon technologies, expanded use of bio-resources and the development of a more interconnected and resilient energy ecosystem.

Viewing energy as whole

At its core, the framework highlights the value of viewing India's energy system as an integrated whole. Coal, renewables, biomass, natural gas, waste-to-energy systems and emerging clean technologies each have a role to play in supporting the country's development aspirations. Their effectiveness can be enhanced through greater coordination and long-term strategic planning.

India's energy transition is not only about expanding capacity; it is about creating a resilient, affordable and sustainable energy system capable of supporting future growth. By providing a common framework for aligning diverse energy pathways, the proposed approach offers a constructive road map for advancing national priorities while strengthening energy security for generations to come.

- Sustainable transition aligned with India's developmental priorities.
- Region-specific transition pathways.
- Skill development and community participation.

Cross-cutting Enablers

- Circular Economy
- Carbon Capture, Utilisation and Storage (CCUS)
- Green Hydrogen
- Digitalisation
- Energy Storage Technologies

Phased Strategy

Short Term

- Expand renewable energy.
- Strengthen grid and storage.
- Promote Green Hydrogen.
- Improve institutional coordination.

Long Term

- Integrated low-carbon energy system.
- Greater use of bio-resources.
- Resilient and interconnected energy ecosystem.

Static Linkages

- Energy – Concurrent List (Entry 38, List III).
- Article 39(b) – Equitable distribution of material resources.
- Article 48A – Protection and improvement of environment.
- Article 51A(g) – Fundamental Duty to protect the environment.
- Energy Conservation Act, 2001.
- National Green Hydrogen Mission (2023).
- Panchamrit Commitments (COP26):
 - 500 GW non-fossil electricity capacity by 2030.
 - Net Zero by 2070.

Critical Analysis

Positives

- Strengthens long-term energy security.
- Promotes integrated energy planning.
- Supports Net Zero and energy transition.
- Encourages Green Hydrogen and CCUS.
- Improves resilience against global energy shocks.

Challenges

- High investment requirement.
- Import dependence for critical minerals.
- Renewable grid integration challenges.
- Limited commercial viability of CCUS.
- Inter-ministerial and Centre-State coordination issues.

Way Forward

- Formulate a comprehensive Integrated National Energy Policy.
- Accelerate energy storage and Green Energy Corridors.
- Strengthen domestic critical mineral supply chains.
- Increase investment in Green Hydrogen and CCUS R&D.
- Promote smart grids and demand-side energy efficiency.
- Ensure a Just Energy Transition through skill development and social protection.

KEY HIGHLIGHTS:

Context

- Indian National Science Academy (INSA) released a Policy Brief (May 2026) proposing an Integrated National Energy Framework (INEF).
- The framework seeks to support India's goals of:
 - Energy Self-Reliance (Viksit Bharat) by 2047
 - Net Zero Emissions by 2070
- It recommends integrated planning across all energy sources to strengthen energy security, affordability, sustainability, and resilience.

Key Points

Why is the Framework Needed?

- Rising energy demand due to rapid economic growth and urbanisation.
- High dependence on imported crude oil and natural gas.
- Need for coordinated planning across:
 - Coal
 - Renewable Energy
 - Natural Gas
 - Nuclear Energy
 - Bioenergy
 - Energy Storage
 - Grid Infrastructure

Four Pillars of the Framework

1. Adequacy

- Diversified energy mix.
- Reliable supply.
- Modern transmission, storage and smart grids.

2. Access

- Reliable and equitable energy access.
- Strengthening last-mile connectivity.
- Promotion of decentralised renewable energy.

3. Affordability

- Cost-effective energy transition.
- Efficient energy markets.
- Consumer protection and innovative financing.

4. Appropriate Sustainability

Fixing the rot

There seems a recurring pattern in the examination paper leaks across States

Corruption in public life is often linked to "malfeasance", the venality of government officials in high places taking bribes and misusing their positions to enrich themselves or their cronies. But a more corrosive variant that impinges upon public life includes the systematic subversion of public examinations and recruitment. This is because public examinations and teacher recruitment are pathways to creating skilled individuals in a rapidly modernising economy where jobs increasingly depend on skills and training. Corruption in these processes, which should ideally be done on merit, will erode India's ability to fully realise its demographic dividend. Be it the National Testing Agency having to re-conduct NEET for medical undergraduate aspirants, or, the postponement of the Maharashtra Teacher Eligibility Test just before its scheduled date (June 28), the malaise seems depressingly familiar. It is driven by a cottage industry that leaks papers through insider networks and targets the vast coaching ecosystem to rake in money from those seeking shortcuts to pass. In the Maharashtra case, the alleged kingpin – a Patna resident suspected of links to an Odisha paper leak scam in 2024 and even to the NEET scam – reportedly ran teams from Bihar and Haryana that sought to sell papers to coaching classes.

Everly, a similar template surfaces in scam after scam. In Gujarat, the alleged mastermind of the 2023 junior-clerk recruitment exam leak was an employee at a Hyderabad press that printed the paper. In 2024, in Jammu and Kashmir, a printing press insider and security men were chargesheeted in the 2022 services board exam leak case. In Rajasthan, the December 2022 teacher-recruitment paper was sold by a serving government teacher. The common element is the presence of insider networks that have worked out ways to scam the system. The vulnerability lies not only in how question papers are distributed, but also in how they are set, with the repeated involvement of a select group of experts – many are linked to the coaching ecosystem. This is why the ritual of hunting for "kingpins" and running performative investigations until public attention fades leaves the core problem untouched. Pertinent questions are rarely addressed. Is the paper set by the same closed pool of examiners each time? Are their antecedents and commercial links verified? Do the departments that run these exams scrutinise examiners for conflicts of interest? Lastly, even if the system undertakes such reforms, it would be incomplete without accountability. Education Ministers – at the Centre and States – must own these failures. When leaks recur as routinely as they now do, the Minister who presides over the system should not remain in the post.

KEY HIGHLIGHTS:

Context

- Repeated paper leak incidents in public examinations have highlighted systemic weaknesses in India's recruitment and examination system.
- The Maharashtra Teacher Eligibility Test (MAHA-TET) was postponed due to an alleged paper leak, following similar controversies in NEET-UG and several State recruitment examinations.
- Investigations indicate the involvement of organized interstate networks comprising printing press insiders, coaching centres, and examination officials.
- The issue directly impacts merit-based recruitment, governance, human capital formation, and India's demographic dividend.

Key Points

- Paper leaks undermine fairness, transparency, and credibility of public examinations.
- Major vulnerabilities include:
 - Printing and transportation of question papers.
 - Insider involvement.
 - Repeated use of the same paper setters.
 - Conflict of interest with coaching institutes.
- Consequences:

- Erosion of public trust.
- Delay in recruitments.
- Financial and psychological burden on aspirants.
- Decline in administrative efficiency.
- Weakening of India's demographic dividend.

Static Linkages

- Article 14 – Equality before Law.
- Article 16 – Equality of Opportunity in Public Employment.
- Rule of Law – Fair, transparent and impartial recruitment.
- National Education Policy (NEP), 2020 – Transparent and technology-enabled assessment system.
- Second Administrative Reforms Commission (ARC):
 - Ethics in Governance
 - Transparency
 - Accountability
 - Integrity in Public Administration
 - Public Examinations (Prevention of Unfair Means) Act, 2024 Prevents unfair means in notified public examinations.
 - Prescribes stringent penalties for organized paper leaks.

Critical Analysis

Significance

- Ensures meritocracy in education and public employment.
- Protects human capital development.
- Strengthens institutional credibility.
- Supports realization of the demographic dividend.

Challenges

- Organized criminal networks.
- Insider collusion.
- Weak examination security.
- Poor accountability of examination authorities.
- Coaching ecosystem influencing examination processes.
- Delay in filling public vacancies.

Constitutional & Ethical Issues

- Violates Article 14 and Article 16.
- Compromises integrity, fairness and accountability.
- Weakens citizens' trust in public institutions.

Way Forward

- Strict implementation of the Public Examinations (Prevention of Unfair Means) Act, 2024.
- End-to-end encrypted digital examination management.
- AI-based surveillance and audit systems.
- Rotation and background verification of paper setters.
- Mandatory conflict-of-interest disclosures.
- Independent examination audit mechanism.
- Time-bound investigation and prosecution.
- Fixed administrative accountability for recurring leaks.

Yes and no

Governments must respect the decision-making of gram sabhas

A new report, based on Rural Development Ministry surveys, opens a rare data-backed window into the erosion of India's grass-roots democracy. But where the state has framed the issue as one of "vibrancy", the report highlights a paradox. It acknowledges that "participation fatigue" has kept citizens from engaging in gram sabhas whereas its solutions, such as more meetings and oversight, are a recipe to further alienate the rural working class. The 73rd Amendment empowers gram sabhas, but governments have reduced them to clearinghouses for central and State schemes. This fundamental aspect must change. However, in response to 18%-28% of respondents citing a lack of outcomes as the reason for low interest, the report pushes for greater use of the NIR-NAY app and to upload meeting minutes in real-time. In the real world, panchayat secretaries thus have less time facilitating discussion even as lacklustre oversight has allowed officials to tell workers that their MGNREGA demands were 'not entered in the system' due to server errors. Similarly, that more than half of the barriers to participation are related to livelihoods could point as much to visibly systemic issues – such as the precarious nature of rural labour today – as to deliberate economic exclusion by the state, as scholars have highlighted. But the report does not acknowledge such divergent possibilities. Due to the state failing to institutionalise attendance as a paid component of social protection, gram sabhas have remained a playground for the leisured elite such as landlords and contractors.

According to the report, gram sabhas spend 13% of the time identifying local issues but only 4% discussing revenue generation. But gram panchayats have been systematically constrained from raising their taxes, leaving them dependent on grants. The 14th and 15th Finance Commissions grants tied panchayat spending to central priorities such as drinking water and sanitation, limiting local priorities to 'flagship' programmes such as the Jal Jeevan Mission and Swachh Bharat. There is thus no incentive for citizens to attend a meeting if the funds are being earmarked by Delhi bureaucrats. The report also states that Provisions of the Panchayats (Extension to the Scheduled Areas) (PESA) Act areas have "reasonably strong physical infrastructure". Under the PESA Act 1996 and related forest rights laws, gram sabhas have the right to provide prior informed consent for land acquisition and mining. However, the state routinely bypasses them or uses the excuse of low participation to manufacture consent. The Hasdeo Arand protests were rooted in this issue. There is a right to say 'no' and the state simply needs to acknowledge it. If 'yes' must be the only answer, the report's grouses are a farce.

KEY HIGHLIGHTS:

Context

- A Ministry of Rural Development survey highlighted declining participation in Gram Sabha meetings across rural India.
- The report attributes low participation to participation fatigue, livelihood constraints, and lack of visible outcomes.
- It recommends greater use of digital governance tools (e.g., NIRNAY App) and stronger monitoring.
- The issue has revived concerns over the effective functioning of Panchayati Raj Institutions (PRIs), fiscal decentralisation, and implementation of the PESA Act, 1996.

Key Points

- Gram Sabha is the assembly of all registered voters in a village under Article 243A.
- The 73rd Constitutional Amendment Act, 1992 gave constitutional status to Panchayati Raj Institutions.
- Survey findings:
 - 18–28% respondents cited lack of outcomes as the main reason for low participation.
 - More than 50% of participation barriers were linked to livelihood issues.

- Gram Sabhas spend 13% of meeting time identifying local issues but only 4% on local revenue generation.
- Panchayats remain highly dependent on Finance Commission grants and Centrally Sponsored Schemes.
- In Scheduled Areas, the PESA Act, 1996 empowers Gram Sabhas regarding:
 - Land acquisition
 - Minor forest produce
 - Minor minerals
 - Community resources
- Weak implementation of PESA continues to undermine tribal self-governance.

Static Linkages

- Part IX (Articles 243–243O) – Panchayats
- Article 40 – Organisation of Village Panchayats (DPSP)
- Article 243A – Gram Sabha
- Article 243G – Powers, authority and responsibilities of Panchayats
- Article 243H – Panchayat taxation powers
- Article 243I – State Finance Commission
- Eleventh Schedule (29 Subjects)
- 73rd Constitutional Amendment Act, 1992
- PESA Act, 1996
- Forest Rights Act, 2006
- MGNREGA, 2005 – Role of Gram Sabha in planning and social audit
- Balwant Rai Mehta Committee (1957)
- Ashok Mehta Committee (1978)
- L.M. Singhvi Committee (1986)
- 2nd Administrative Reforms Commission – Local Governance

Critical Analysis

Positives

- Promotes participatory democracy.
- Enhances transparency through social audit.
- Enables local need-based planning.
- Strengthens grassroots governance.

Challenges

- Low citizen participation due to livelihood pressures.
- Weak fiscal autonomy and limited own-source revenue.
- Excessive dependence on tied grants.
- Administrative burden due to digital compliance.
- Poor implementation of PESA provisions.
- Elite capture in Gram Sabhas.
- Weak follow-up on Gram Sabha resolutions.

Way Forward

- Ensure effective devolution of Funds, Functions and Functionaries (3Fs).
- Strengthen Panchayats' own revenue sources.
- Implement PESA in letter and spirit.
- Link Gram Sabha decisions with local budgeting.
- Reduce unnecessary compliance burden.
- Strengthen State Finance Commissions.
- Promote capacity building of elected representatives.
- Improve awareness and participation through regular social audits.

As US reshapes its Asia strategy, India must rewire its regional leadership

THE UNITED STATES is reshaping its Asia strategy as it accepts that China can no longer be contained at an acceptable economic or military cost. This shift is reducing India's strategic importance in Washington's calculations while expanding US engagement across South Asia. As both the US and China compete for influence in India's neighbourhood, New Delhi must act to preserve its strategic autonomy and rewrite regional leadership.

The shift in American approach is driven by declining influence and a series of strategic setbacks. In Europe, the Ukraine war has imposed high financial and military costs on Washington, which now wants European nations to shoulder more of NATO's burden. In the Middle East, the Iran war proved costly for the US. Iran was not subdued, while attacks on US bases in Gulf countries weakened confidence in America's security guarantees and made close ties with Washington appear riskier for regional stability. Old US partners such as Saudi Arabia and the UAE are expanding ties with China.

In the Indo-Pacific, despite housing thousands of troops and maintaining military alliances with Japan, South Korea, Australia, and many ASEAN countries, and being part of frameworks such as the Quad and the Australia-UK-US Security Partnership, the US faces a different reality. China has become the largest trading partner for most economies in the region, and Asian manufacturing supply chains remain deeply tied to Chinese industry. This economic dependence has made many governments reluctant to fully align with US strategic objectives against Beijing. Malaysia's

withdrawal from the trade deal with the US is an example. As Washington recognises these limits, its China strategy is changing. Instead of trying to contain Beijing, it increasingly appears to be treating China as a de facto equal — a G2 partner. In the Asia-Pacific, the US is seeking to preserve its influence without openly confronting China. It has become noticeably quieter on issues such as the Quad and Taiwan to avoid provoking Beijing.

Washington's view of India is also undergoing a shift. For nearly two decades, India was central to Washington's Indo-Pacific strategy and the Quad was a democratic counterweight to China. However, Washington now sees India not as a key strategic partner but more as a large market for American goods and technology and a subordinate partner. The February 7 US-India joint statement calls for India to align its economic and security interests more closely with those of America. Strategic cooperation is increasingly giving way to greater US strategic influence over India.

The US now appears to be following China's playbook by expanding its engagement across South Asia. China has spent more than a decade building its "string of pearls" through ports, infrastructure financing and connectivity projects in countries around India. Its regional presence now includes the China-Pakistan Economic Corridor, Gwadar Port, Hambantota Port, Colombo Port City, Belt and Road projects in Nepal, major investments in Bangladesh and infrastructure projects across the Maldives. Rather than treating South

India cannot stop great power rivalry in South Asia, but must avoid becoming an object of external power politics. It should preserve strategic autonomy by keeping relations with both Washington and Beijing transactional.

Asia as India's natural sphere of influence, Washington is deepening defence, maritime, digital and infrastructure cooperation with Bangladesh, Sri Lanka, Nepal and the Maldives. The appointment of Sergio Goro as both US Ambassador to India and Special Envoy for South and Central Asia reinforces the impression that Washington increasingly views South Asia as an integrated strategic space rather than through an India-centric lens.

This competition will give Bangladesh, Nepal, Sri Lanka and the Maldives greater leverage to play India, China and the US against one another to extract economic and political concessions.

Both Washington and Beijing also have an interest in keeping Pakistan strategically relevant as a counterweight to India. Pakistan has positioned itself as a swing state by maintaining close ties with the US, China, Saudi Arabia, Qatar, Turkey and Iran. As the world's only nuclear-armed Muslim country, it holds growing strategic value in West Asia. Its ability to engage both Sunni states (Saudi Arabia, Qatar, the United Arab Emirates, Kuwait and Turkey) and Shia states (primarily Iran) further strengthens its regional influence. As the US and China view Pakistan as an important partner, India's strategic environment becomes more challenging.

While India's trade surplus with South Asia has grown from about US\$67 billion to nearly US\$20 billion over the past two decades, its political and strategic challenges remain. SAARC is largely dysfunctional, and relations with Bangladesh, Nepal and the Maldives con-

tinue to fluctuate. Pakistan is a failed state thriving on external steroids. Intensifying US-China competition is likely to deepen these challenges.

India cannot stop great-power rivalry in South Asia, but must avoid becoming an object of external power politics. The playbook is simple. India must strengthen its economic base by prioritising manufacturing, artificial intelligence, semiconductors, critical minerals, defence production, and other advanced industries, while reducing its dependence on imported industrial inputs from China.

It should preserve strategic autonomy by keeping relations with both Washington and Beijing transactional and judging each issue on its merits. India must build connectivity partnerships and consistent political engagement with most neighbours.

Finally, India must avoid actions that create confusion about its longstanding positions. For example, India has consistently rejected third-party mediation with Pakistan, as it did by dismissing US President Donald Trump's claim of mediation during Operation Sindoor. It should therefore avoid forums that invite outside powers into South Asian affairs. India's high-level participation in the June 25-26 South Asia Dialogue in Colombo, alongside representatives from Pakistan, the US, the UK, Sri Lanka and the Maldives, blurred that position.

At a time when both Washington and Beijing are expanding their influence in South Asia, India should avoid actions that could be seen as accepting a larger role for external powers in its neighbourhood.

The writer is founder, GTRI

Author's photo: AJAY SRIVASTAVA

KEY HIGHLIGHTS: Context of the News

- The United States is recalibrating its China policy from containment to strategic management, while expanding engagement with South Asian countries.
- China continues to strengthen its influence through the Belt and Road Initiative (BRI) and strategic infrastructure projects in India's neighbourhood.
- The changing geopolitical landscape poses new challenges to India's strategic autonomy, neighbourhood policy, and regional leadership.

Key Points

- US Policy Shift Greater burden-sharing in Europe (NATO).
- Increased engagement with South Asian countries beyond India.
- Focus on economic and strategic partnerships rather than exclusive balancing against China.
- China's Regional Presence China-Pakistan Economic Corridor (CPEC)
- Gwadar Port (Pakistan)
- Hambantota Port (Sri Lanka)
- Colombo Port City (Sri Lanka)
- BRI projects in Nepal, Bangladesh and Maldives.
- Implications for India Reduced strategic centrality in US Indo-Pacific calculations.
- Intensifying great-power competition in South Asia.
- Greater bargaining power for smaller South Asian countries.
- Continued strategic importance of Pakistan for both the US and China.

Static Linkages

- Strategic Autonomy is the guiding principle of India's foreign policy.

- Neighbourhood First Policy prioritises cooperation with immediate neighbours.
- Act East Policy complements India's Indo-Pacific engagement.
- SAGAR (Security and Growth for All in the Region) is India's maritime vision in the Indian Ocean Region.
- Article 51 of the Constitution promotes international peace and peaceful settlement of disputes.
- BIMSTEC is increasingly important as SAARC remains largely inactive.
- Indian Ocean Region (IOR) is vital for India's trade and maritime security.

Critical Analysis

Advantages

- Multi-alignment enhances India's diplomatic flexibility.
- Competition among major powers creates economic opportunities for South Asian countries.
- Stronger regional connectivity can improve India's influence.

Challenges

- Expanding US and Chinese influence may reduce India's regional leverage.
- China's strategic infrastructure projects increase security concerns in the Indian Ocean.
- Dependence on Chinese supply chains affects India's strategic resilience.
- Weak regional institutions limit India's leadership role.
- Political instability in neighbouring countries creates external intervention opportunities.

Way Forward

- Strengthen Atmanirbhar Bharat in critical sectors.
- Promote manufacturing, semiconductors, AI and critical minerals.
- Reduce dependence on Chinese imports.
- Enhance connectivity and development partnerships under Neighbourhood First.
- Strengthen BIMSTEC, IORA, and Indian Ocean maritime cooperation.
- Maintain strategic autonomy through issue-based partnerships.
- Expand economic integration and people-to-people ties with neighbouring countries.
- Build credible alternatives to external infrastructure financing in South Asia.

PPP 2.0 should focus on matching capital to risk



ARVIND MAYARAM

TWENTY YEARS ago, I was among those involved in developing India's public-private partnership (PPP) framework. It transformed airports, highways and ports, but also produced stressed assets following the global financial crisis and the domestic slowdown. As confidence waned, public capital expenditure replaced PPPs as the principal model for financing infrastructure. That retreat was understandable. It was also a mistake.

Today, India faces a challenge far greater than the one we confronted two decades ago. By March 2025, the infrastructure pipeline had expanded to more than 13,000 projects with an aggregate value approaching Rs 185 lakh crore. Yet this is only a fraction of what will be required as India pursues the goal of becoming a developed economy by 2047. Simultaneously, it must finance the green transition — renewable energy, transmission, green hydrogen, climate-resilient cities and adaptation infrastructure. Recent estimates suggest that achieving net zero could require investments exceeding \$20 trillion by 2070. No country has financed a transformation of this scale without mobilising vast pools of private capital. India's leading corporates will develop and operate many of these assets, but their balance sheets cannot finance investments of this magnitude. India needs not merely more capital, but a fundamentally different financing architecture. The central lesson from the first generation of PPPs is not that partnerships failed. It is that the financing model failed.

Infrastructure assets generate economic value for 30–50 years. Yet many PPP projects were financed through bank loans with repayment schedules of just 7–10 years. Projects therefore carried their heaviest debt-service burden when revenues were most uncertain. When growth slowed after 2008, revenues underperformed while debt obligations remained fixed, contributing to rising NPAs and undermining confidence in the model. The central flaw was simple: Long-lived assets were financed with short-lived capital. The challenge today is no longer merely capital scarcity. It is capital circulation — matching the right capital to the right risk at the right stage of a project's life cycle.

Governments are uniquely placed to finance high-risk phases such as project preparation, land acquisition and construction.

But once projects stabilise, scarce public capital should not remain locked in mature assets. Ownership and financing should progressively migrate to investors whose liabilities match long-duration infrastructure.

The opportunity is enormous. Global pension funds, insurance companies and sovereign wealth funds control more than \$110 trillion, much of it seeking stable, inflation-linked, long-term returns. India has already created the building blocks. InvITs have emerged as credible investment vehicles, while the National Investment and Infrastructure Fund has demonstrated the ability to attract global institutional capital. What is missing is a mechanism through which government capital, developer capital and institutional capital can continuously replace one another as project risks decline.

This is where circular finance becomes relevant. Government-supported finance and developers should fund projects through construction. Once revenues stabilise, InvITs should acquire operational assets, allowing governments and developers to recycle capital into new projects. As risks decline further, high-cost bank debt should be refinanced through infrastructure debt funds and ultimately held by pension funds, insurance companies and other long-term investors. The cost of capital should decline as project risks decline. Today's financing architecture often does the opposite.

That is why the RBI should mandate dynamic risk-based repricing of infrastructure loans. Banks currently retain construction-stage risk premia long after projects have been de-risked, removing incentives for refinancing and capital recycling. Equally important is reviving infrastructure debt funds as the bridge between operational infrastructure and long-term institutional investors.

Every rupee locked indefinitely in a mature infrastructure asset is a rupee unavailable for financing the next highway, transmission line or renewable-energy project. The first generation of PPPs sought to mobilise private capital. The second must ensure that the same capital finances successive generations of infrastructure. In an economy that must build, decarbonise and maintain fiscal discipline, capital circulation may prove as important as capital mobilisation.

The writer is former finance secretary, Government of India.

The opportunity is enormous. Global pension funds, insurance companies and sovereign wealth funds control more than \$110 trillion, much of it seeking stable, inflation-linked, long-term returns

KEY HIGHLIGHTS:

Context

- India's infrastructure pipeline has expanded to 13,000+ projects with an estimated value of ₹185 lakh crore (March 2025).
- To achieve Viksit Bharat@2047 and Net Zero by 2070, India requires massive long-term infrastructure financing.
- Experts have proposed moving beyond the traditional Public-Private Partnership (PPP) model towards Circular Finance, enabling continuous recycling of capital into new infrastructure projects.

Key Points

Public-Private Partnership (PPP)

- Long-term contractual arrangement between the Government and private sector for creating and operating public infrastructure.
- Objectives:
 - Improve efficiency.
 - Share project risks.
 - Mobilise private investment.
 - Reduce fiscal burden.

Why Earlier PPP Model Faced Problems?

- Infrastructure assets have 30–50 years economic life.
- Most projects were financed through 7–10 year bank loans.
- Asset-liability mismatch increased debt servicing burden.
- Global Financial Crisis (2008) and economic slowdown resulted in:
 - Revenue shortfalls.

- Rising NPAs.
- Decline in private investment in infrastructure.

Concept of Circular Finance

Capital should move according to project risk:

- Government → Project preparation, land acquisition, construction.
- Private developers → Build and operationalise projects.
- InvITs → Acquire mature operational assets.
- Infrastructure Debt Funds (IDFs) → Refinance projects.
- Pension funds, insurance companies and sovereign wealth funds → Hold low-risk operational assets.
- Released capital is reinvested in new infrastructure projects.

Key Institutions

- National Investment and Infrastructure Fund (NIIF)
- National Bank for Financing Infrastructure and Development (NaBFID)
- Infrastructure Investment Trusts (InvITs)
- Infrastructure Debt Funds (IDFs)

Role of RBI

- Promote risk-based repricing of infrastructure loans.
- Encourage refinancing after project risks decline.
- Improve long-term infrastructure credit market.

Static Linkages

- Infrastructure has a high multiplier effect on GDP and employment.
- Long-gestation assets require long-term finance (Asset-Liability Matching).
- PPP is one of the investment models for infrastructure development.
- Viability Gap Funding (VGF) supports economically desirable but financially unviable PPP projects.
- Asset Monetisation transfers operational rights while ownership generally remains with the government.
- Development Financial Institutions (DFIs) bridge long-term financing gaps.

Critical Analysis

Advantages

- Reduces pressure on government finances.
- Mobilises long-term private capital.
- Improves project efficiency.
- Enhances asset monetisation.

- Supports green infrastructure financing.
- Strengthens capital recycling.
- Attracts global institutional investors.

Challenges

- Weak PPP contract design.
- Land acquisition delays.
- Regulatory uncertainty.
- Limited corporate bond market.
- Underdeveloped Infrastructure Debt Funds.
- Slow dispute resolution.
- Limited participation of pension and insurance funds.

Way Forward

- Develop a second-generation PPP framework with balanced risk sharing.
- Expand corporate bond and municipal bond markets.
- Strengthen NaBFID and Infrastructure Debt Funds.
- Promote wider use of InvITs.
- Encourage dynamic risk-based loan pricing by RBI.
- Improve project preparation and contract enforcement.
- Deepen participation of pension, insurance and sovereign wealth funds.
- Align infrastructure financing with India's Net Zero 2070 and Viksit Bharat 2047 goals.

Signs of resilience, but risks need monitoring

IN THE fourth quarter of the last financial year, the Indian economy grew at a healthy pace, despite widespread disruptions to energy markets and global trade in March due to the West Asia conflict. In the months thereafter, even as the conflict dragged on, some of the high-frequency indicators suggest that the economic momentum has sustained to an extent. This is evident in e-way bill generation, PMI indices and electricity consumption, as the finance ministry's latest monthly economic review points out. However, as the report also notes, there are some signs of moderation. For instance, the index of eight core industries grew by just 1.1 per cent during April-May.

India entered this crisis with high growth, low inflation and strong bank and corporate balance sheets. These, as RBI Governor Sanjay Malhotra notes in the latest financial stability report, have "helped preserve macro-financial stability". The health of the financial system can be gauged across a range of indicators. Banks have seen a decline in bad loans — gross NPAs were at 1.8 per cent in March 2026, there were no signs of any build-up in stress. Their capital position remained comfortable — capital to risk weighted assets ratio was at 17.7 per cent — the liquidity buffers were strong and profitability indicators stable. In fact, the stress tests conducted by the central bank suggest that banks can cope with adverse shocks. Funding, though, is a challenge. Similarly, the corporate sector also appears to be in sound health. Leverage continued to fall, while its ability to service its debt obligations showed improvement. Yet, despite this, private corporate investments remain depressed. Alongside, as household debt has continued to edge upwards — standing at 45.5 per cent by the end of September last year — it is a matter of concern that borrowing for consumption purposes, not asset creation, is the key driver of loans.

Uncertainty around West Asia persists. A deficient monsoon so far has impacted kharif sowing, while a strengthening El Niño may pose risks for the ensuing winter-spring rabi crop. Going by the prolonged food inflation during 2023-24, which was also an El Niño year, this could have implications for inflation and demand — between July 2023 and December 2024, food inflation averaged 8.5 per cent. These internal and external risks need close monitoring.

KEY HIGHLIGHTS:

Context

- India maintained macroeconomic stability despite global disruptions arising from the West Asia conflict.
- RBI's Financial Stability Report (FSR) highlighted the resilience of India's banking and financial system.
- Emerging risks include deficient monsoon, possible El Niño conditions, rising household debt, and slowing industrial growth.

Key Points

Economic Indicators

- High-frequency indicators remain resilient:
 - E-Way Bill generation
 - PMI (Manufacturing & Services)
 - Electricity consumption
- Eight Core Industries Growth (Apr-May): 1.1%, indicating moderation.

Banking Sector (RBI FSR)

- Gross NPA: 1.8% (March 2026) – lowest in recent years.
- CRAR: 17.7%, well above Basel III minimum norms.
- Strong liquidity, profitability and capital buffers.
- RBI stress tests indicate banks remain resilient under adverse scenarios.

Corporate Sector

- Declining leverage.
- Improved debt servicing capacity.
- Private corporate investment remains subdued.

Household Sector

- Household debt: 45.5% (September 2025).
- Growth driven mainly by consumption loans, not productive asset creation.

Agriculture & Inflation

- Weak monsoon affecting Kharif sowing.
- Strengthening El Niño may impact Rabi production.
- During 2023–24 El Niño, average food inflation remained around 8.5%.

Static Linkages

- Financial Stability Report (FSR): Published biannually by RBI.
- Gross NPA: Indicator of banking sector asset quality.
- CRAR: Measures a bank's capital against risk-weighted assets (Basel III).
- Eight Core Industries: Coal, Crude Oil, Natural Gas, Refinery Products, Fertilisers, Steel, Cement and Electricity.
- PMI: Leading indicator of economic activity (>50 = expansion).
- El Niño: Warming of the central/eastern Pacific Ocean, generally associated with weaker Indian monsoon.
- Agriculture contributes significantly to food inflation through supply-side shocks.

Critical Analysis

Positives

- Strong banking fundamentals.
- Historically low NPAs.
- Adequate capital buffers.
- Improved corporate balance sheets.
- Resilient macroeconomic fundamentals.

Challenges

- Weak private investment.
- Rising consumption-led household debt.
- Slowdown in core industries.
- Monsoon uncertainty and El Niño risks.
- Food inflation and crude oil price volatility due to geopolitical tensions.

Way Forward

- Encourage private capital expenditure.
- Strengthen climate-resilient agriculture and irrigation.
- Promote productive credit over consumption loans.
- Continue prudent banking regulation.
- Improve food supply management to contain inflation.
- Diversify energy sources and strengthen energy security.

Trump could use new tools after court snub

THE US Supreme Court's decision to uphold birthright citizenship comes as a blow to President Donald Trump's crusade against immigration and a reprieve for millions of immigrants, including the Indian diaspora. The executive order, signed on his first day back in office last year, sought to deny citizenship to children born in the US if neither parent was a US citizen or lawful permanent resident, including those whose parents were legally in the country on temporary visas. But the text of the Constitution — the Fourteenth Amendment — is unambiguous, reinforced by well over a century of legal precedent: People born in the US are citizens. Few expected the court to endorse the Trump administration's argument that children born to parents who entered illegally were not "subject to the jurisdiction" of the US and not entitled to citizenship. But even in defeat, Trump has succeeded in politicising birthright citizenship, an issue that was once the subject of broad bipartisan consensus in America.

The US is home to an estimated 5.4 million people of Indian origin — the largest Indian diaspora — accounting for roughly 1.6 per cent of the US population. After Mexicans, Indians constitute the second-largest immigrant group. They are not only the largest recipients of H-1B visas but also the nationality most affected by employment-based green card backlogs because of caps that are country-specific. Many professionals spend years, even decades, waiting for a permanent status, raising families while on temporary visas. Without birthright citizenship, children born during that period would enter the same uncertain immigration pipeline as their parents. Trump's order was also detrimental to America's own interests. Foreign-born workers make up nearly one-fifth of the US labour force, and a sharp reduction would carry significant economic costs.

Trump has threatened to use Congress to abolish birthright citizenship in response to the court verdict. Even if the constitutional guarantee survives, it is only one setback for an administration that has already enacted hundreds of immigration restrictions, contributing to net migration to the US turning negative for the first time in half a century. The Supreme Court's judgment may have preserved one of America's oldest constitutional promises, but immigrants remain vulnerable and Trump's crackdown on immigration is far from over.

KEY HIGHLIGHTS:

Context

- The US Supreme Court upheld the constitutional guarantee of birthright citizenship, rejecting attempts to deny citizenship based on the immigration status of parents.
- The judgment reaffirmed the interpretation of the Fourteenth Amendment of the US Constitution.
- The ruling is significant for the Indian diaspora, especially professionals residing in the US on temporary work visas (H-1B).

Key Points

- Birthright Citizenship (Jus Soli): Citizenship acquired by birth within the territory of a country.
- Fourteenth Amendment (1868): Grants citizenship to all persons born or naturalized in the US and subject to its jurisdiction.
- Landmark Case: United States v. Wong Kim Ark (1898) established constitutional protection for birthright citizenship.
- The US has around 5.4 million people of Indian origin, the largest Indian diaspora globally.
- Indians are the largest beneficiaries of H-1B visas.
- Country-wise caps on employment-based Green Cards result in long waiting periods for many Indian professionals.

- The judgment protects the citizenship rights of children born to eligible temporary visa holders in the US.

Static Linkages

- Citizenship is generally based on:
 - Jus Soli (Right of Soil)
 - Jus Sanguinis (Right of Blood)
- India follows a restricted form of Jus Soli, combined with Jus Sanguinis.
- Articles 5–11 of the Indian Constitution deal with citizenship.
- Article 11 empowers Parliament to regulate citizenship.
- Citizenship Act, 1955 governs acquisition and termination of citizenship in India.
- India does not permit dual citizenship; it provides the Overseas Citizen of India (OCI) scheme.

Critical Analysis

Positives

- Upholds constitutional supremacy and rule of law.
- Protects rights of immigrant children.
- Provides certainty to skilled migrant families, including Indians.
- Supports labour mobility and innovation.

Challenges

- Immigration remains politically contentious in the US.
- Green Card backlog for Indians continues.
- Temporary visa holders remain vulnerable to policy changes.
- Restrictive immigration policies may affect global talent mobility.

Way Forward

- Ensure immigration reforms remain consistent with constitutional principles.
- Address employment-based Green Card backlogs.
- Promote predictable skilled migration policies.
- Strengthen India–US cooperation on mobility of professionals.
- Enhance engagement with the Indian diaspora.