Constitutional clarity

Presidential Reference proceedings boost case against delays by Governors

The hearings on the Presidential Reference that followed the Supreme Court judgment on April 8, 2025, clarifying the constitutional position on the powers of the Governor and the President in providing assent to Bills passed by State Assemblies, have largely confirmed that Governors should not indefinitely withhold assent to such Bills. Addressing the 14 questions posed in the Presidential Reference, the observations of the five-judge Bench largely converged on the constitutional principles elucidated in April. The question by the Chief Justice of India, B.R. Gavai, on whether the Court should "sit powerless" while Governors make "competent State legislatures defunct" echoed the core concern in the April judgment – that constitutional offices cannot paralyse democratic governance through inaction. While States' counsel largely argued along political lines based on which parties governed them, this did not detract from the thorough examination of Articles 200 and 201 during the proceedings. The argument that the Constitution's silence on specific timelines in these Articles does not grant unlimited discretion to Governors remains compelling. When the Solicitor-General argued that Governors serve as a "check on hasty legislation", the Bench's response also indicated the tension between this position and democratic principles. Justice Vikram Nath's observation, that Governors "cannot sit over the wisdom of the legislature indefinitely", was succinct.

That only Opposition-ruled States have faced prolonged delays, as pointed out by Kerala's counsel, suggests the constitutional framework itself is not ambiguous but that its application has become selective. The Bench's examination of why judicial review applies to Governors' recommendations under Article 356 (President's Rule) but supposedly not to actions under Article 200 (assent to Bills) highlighted potential inconsistencies in arguments defending unlimited discretion for Governors. The proceedings related to the questions posed in the Presidential Reference demonstrate why the April judgment's framework remains constitutionally sound and necessary to maintain the balance between federal cooperation and State autonomy. The question from these hearings is on why the Centre chose this unusual route. As scholars have established, an advisory opinion by the Court under Article 143 does not override a binding judgment under Article 141. If the Centre genuinely sought clarity on the April judgment, well-established judicial procedures such as review petitions or curative petitions were available. When the Court's final reply to the Reference is received, the Centre should accept the constitutional boundaries that the April judgment and these proceedings have reinforced, rather than continuing to pursue powers that would alter the delicate federal balance that the Constitution has established.

A brief respite

The full effects of the 50% tariffs will reflect in September's trade data

India's August trade data by the Commerce and Industry Ministry must come as a respite for the Central government, as it faces demands ranging from interest subvention to loan repayment moratoriums from labour-intensive sectors such as seafood and textiles and apparels. But there is no telling how long this respite will last, as it largely depends on the trajectory of the renewed trade negotiations between India, and its largest trading partner, the United States, amid America's punishing 50% tariffs on imports applicable from August 27. Goods exports in August rose 6.7% year-on-year (YoY) to \$35.10 billion, while imports declined by 10.12% to \$61.59 billion, led by steep falls in inward shipments of gold (-57% YoY) and silver (-60% YoY). As a result, merchandise trade deficit narrowed to \$26.49 billion in August from July's \$27.35 billion. But the strains of the U.S.'s 25% "reciprocal tariffs", that kicked in on August 7, show in the sequential drop in exports. Goods exports in August to the U.S. dropped to \$6.86 billion from \$8.01 billion in July, while overall exports shrunk to \$35.10 billion in August from \$37.24 billion in July and \$35.14 billion in June. This suggests that the scramble for stockpiling by American importers has begun to slow and the full effects of the 50% tariffs will reflect in September's trade data. While U.S. shipments in electronics, gem and jewellery and engineering goods saw mild declines in August, textiles witnessed the sharpest fall of about 2.7% YoY. To be sure, these sectors witnessed impressive YoY overall growth. Not surprisingly, drugs and pharmaceuticals, a sector that is exempt from the tariffs, have done well sequentially and on-year, with exports growing 6.94% YoY to \$2.51 billion in August.

What is worrying is the sharp decline in imports across products and sectors – transport equipment (-26.54%), coal and allied products (-26.2%), wood and allied products (-14.46%) and iron and steel (-10.98%). This suggests either a slowing in economic activity, or an attempt to find cheaper domestic suppliers in the wake of tariff-related price pressures. Lower merchandise imports might be good for the deficit, but a sudden decrease such as this is alarming. What is also telling is that despite strained diplomatic relations between India and China, Beijing remains a top trading nation for India. That China remains a main source of imports (grew by 10.19%, April-August) shows that diplomacy and economic relations are far removed from each other.

GST 2.0 — short-term pain, possible long-term gain

C. Rangarajan

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Goods and Services Tax (GST) was introduced in India with a view to promoting consumption and production efficiencies with a tax system that was destination-based. The objective was to ensure that the tax incidence fell on final consumers and taxes paid on inputs were rebated. The way GST evolved in the presence of a complex compensation cess mechanism continued to suffer from multiple tax rates, inverted duty structure and considerable compliance cost.

The new rate structure, which takes effect from September 22, 2025, implies significant rate reductions for some categories of goods. In the revised GST rate structure, 12% and 28% rates have been discontinued. The rates of 0%, 5% and 18% have been continued with changes in the goods and services covered under these rates. There is also a demerit rate of 40% for sin goods and luxury items. Some other lower special rates below 5% have also been continued. Major beneficiary sectors include textiles, consumer electronics, automobiles, health and most food items. These are employment-intensive sectors where the benefits of lower prices would be quite broad based. On the production side, sectors that would benefit include fertilizers, agricultural machinery and renewable energy, where farmers would gain benefits through lower input costs.

Out of a total number of 546 goods where rate changes have been brought in, more than 80% have been subjected to rate reductions and 20% to rate increases. Rate reductions along with corresponding reduction in post-tax prices, in percentage terms, are given in the *Table*.

GST revenues (R) are determined as the tax rate (r) multiplied by the tax base (E), which is final consumption expenditure. Tax base is the product of pre-tax price (p) and quantity (q). Thus, R=r.E=r.(p.q). Rate changes will have two effects on revenues: one, through the tax rate change, and the other through the impact on tax base. As the tax rates are lowered, post-tax prices are expected to fall, leading to an increase in the quantity demanded. The percentage fall in post-tax price would be much less than the percentage fall in the tax rate. Calibrations indicate that for all feasible ranges of demand elasticity, revenues would fall. Where the tax rates have been brought down to nil, irrespective of the level of expenditure, revenues will be zero.

While revenue loss would be immediate, revenue gains would emerge over time

Table: Main rate and price changes

Change	Percentage fall in rate	Percentage fall in post-tax price
18% to 5%	13/18 = 72.2%	11%
12% to 5%	7/12 = 58.3%	6.3%
28% to 18%	10/28 = 35.7%	7.8%
18%, 12%, and 5% to nil	100%	15.3%, 10.7% and 4.8%

There are only limited instances of increase in the tax rate. In cases where the tax rate has been increased from 28% to 40%, pertaining to demerit or luxury goods, most of this change implies only the merger of the compensation cess into the tax rate. This does not constitute a genuine increase in the tax rate. There are some instances where goods may have been moved from 12% to 18%. Overall, our assessment is that substantial revenue reduction is involved due to the multiplicative effect of the fall in the tax rate.

Various estimates of net revenue loss are available which include the one given by the Ministry of Finance – at ₹48,000 crore for a full year. Other estimates provide higher figures.

Income augmenting effect

To the extent that the government has to bear a substantive amount of foregone revenues on account of these GST reforms, this benefit would accrue to the tax-payer and his disposable incomes would go up. Much of the benefit would accrue to consumers of goods in the 5% rate category, that are necessities. Elasticity of demand for this group of goods is low. As a result of an increase in disposable income, consumers would increase, relatively more, their demand for goods in the higher rate categories of 18% and 40% that are in the nature of comforts and luxuries. These effects would be revenue augmenting. However, the revenue loss would be immediate and revenue gains would emerge over time.

The GST impact on growth arises from avoiding cascading and promoting better resource allocation. The new rate categories do not fully avoid cascading. For all goods and services which are being placed under the exempt category, no input tax credit would be available and the taxes paid on inputs would be loaded onto the price. Where goods are zero rated or even in the 5% category, many inputs may be taxed at 18%; although input tax credit may be admissible, there may be considerable bottlenecks in claiming input tax credit (ITC). In this context, it is also important to note that the classification of goods under the various rate slabs should be determined by the nature of commodities and not by demand weakness at a certain point in time.

Macro implications

There may be some pressure on the Government of India's budgeted fiscal deficit for 2025-26. In Q1, the nominal GDP growth, at 8.8%, was well below the budgeted GDP growth assumption of 10.1%. With the Consumer Price Index and the Wholesale Price Index both remaining low, the expectation is that unless liquidity is increased in the system, nominal GDP growth may turn out to be well below the budgeted level of 10.1%. In the first four months of 2025-26, the direct taxes have contracted by (-)4.3% as compared to 33.6% growth in the corresponding period of the previous year. At the time the Budget was presented, a revenue foregone figure of ₹1 lakh crore was estimated, arising mainly from personal income-tax reforms. With substantial revenue reduction also anticipated in the GST revenues, the realised gross tax revenues may fall well short of Budget projections. To some extent, the Reserve Bank of India's higher dividends may help.

It is important to see how the government responds to the expected revenue shortfall in 2025-26. The option is to either reduce expenditure or to increase fiscal deficit. States may have to resort to higher borrowing or cut expenditures in view of the revenue losses that they may suffer. Both these options will have an adverse impact on real growth. Monetary initiatives through repo rate reductions or liquidity expansions may result in higher inflation, opening up the possibility of monetising some fiscal deficit. Clearly, there are limits to which this option can be exercised.

Any strategy to support growth through demand stimulation spurred by tax rate reductions can be done only on a few occasions. More generally, growth will be driven by saving and investment rates. In fact, the potential growth rate would depend on the investment rate and the incremental capital output ratio.

The views expressed are personal

'Judicial experimentalism' versus the right to justice

Neeraj Tiwari

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The Supreme Court of India, in *Shivangi Bansal vs Sahib Bansal* (July 22, 2025), endorsed the guidelines by the Allahabad High Court, in *Mukesh Bansal vs State of U.P.* (2022), to prevent the misuse of Section 498A of the Indian Penal Code (now Section 85 of the Bharatiya Nyaya Sanhita). The High Court had introduced a two-month 'cooling period' for any coercive action after the registration of a first information report (FIR) or complaint to the magistrate. During the 'cooling period', the matter will be referred to a Family Welfare Committee (FWC). However, both the introduction of the 'cooling period' and the referral of the matter to the FWC undermine a victim's right to prompt access to justice and affects the functional autonomy of the criminal justice agencies.

The basis of the checks

The enactment of Section 498A was with the objective of punishing various forms of cruelty against women in a matrimonial setting. Be that as it may, the courts, in a series of cases, have lamented the increasing tendency by women to misuse the law when it concerns FIR registrations and subsequent arrests. Courts have accordingly established procedural safeguards to protect the 'innocent' husband and his family. The Supreme Court of India, in *Lalita Kumari*, has put cases arising out of matrimonial disputes in the category of 'preliminary inquiry' before the registration of the FIR. The recent criminal law reforms also place cases of cruelty by husband in the domain of 'preliminary enquiry' before registration of the FIR.

In addition to these checks to prevent the registration of an FIR in false or frivolous complaints, the courts have also addressed another area for potential abuse in case of Section 498A – rampant arrests of husbands and their family members. The power of arrest was rationalised at two levels. First, by bringing a statutory change to the Code of Criminal Procedure in 2008, and the second, by judicial dictum in *Arnesh Kumar* (2014). The 2008 amendment introduced the 'principle of necessity' in the matter of arrest. In *Arnesh Kumar*, the Supreme Court effectively plugged the unbridled exercise of arrest powers by the police in cases that saw the use of Section 498A cases, by introducing a checklist and enforcing 'notice for appearance'.

In *Satender Kumar Antil* (2022), the Court further strengthened these institutional checks by directing the release of a person on bail if arrested in non-compliance of the directions in *Arnesh Kumar*.

The top court's endorsement of the Allahabad High Court's steps to prevent the misuse of Section 498A IPC affects a victim's pursuit of justice

As an 'arrest offence'

The National Crime Record Bureau (NCRB) report, 'Crimes in India', suggests that Section 498A has remained among top five 'highest arrest' offences till 2016. Thereafter, it was within the top 10, which suggests that the steps taken at statutory and institutional levels have had an impact. Although the registered offences under this provision rose from 1,13,403 in 2015 to 1,40,019 in 2022, arrests declined from 1,87,067 to 1,45,095, as in NCRB data during the same period. This was suggestive of safeguarding the liberty of the accused without making compromises with a victim's right to her access to justice.

The proposal to introduce a quasi-judicial committee, alongside a restriction on arrests during a designated cooling period, might prove to be an ambitious step on paper. It may be attributable to the absence of a statutory authority to implement these directives as well as the undefined scope of their jurisdictional applicability. The recent ruling undermines a victim's pursuit of justice by denying her the opportunity to have her complaint addressed in a timely manner.

Despite filing an FIR/complaint, no action can be taken until the "cooling period" concludes, thereby exacerbating the victim's plight even after lodging the complaint. The idea of introducing a 'cooling period' and referring the complaint to the FWC falls outside the ambit of the statutory and institutional framework.

This reminds us of another instance of judicial experimentalism. In 2017, the Supreme Court, in *Rajesh Sharma*, gave similar directions for constituting FWCs and the forwarding of complaints to such FWCs. The one-month period provided to FWCs, in *Rajesh Sharma*, is akin to the 'cooling period' devised by the Allahabad High Court. We should not forget that the directions in *Rajesh Sharma* were not welcomed by the society at large. These were termed 'regressive' and beyond 'judicial competence'. This resulted in the rollback of the directions by the Supreme Court within a year.

A three-judge Bench, in Social Action Forum for *Manav Adhikar* (2018), overturned the directions in *Rajesh Sharma* and restored the victim's right to prompt access to justice and the supremacy of the criminal justice functionaries in the reporting of crimes and the dispensation of justice.

Revisit the ruling

It becomes crucial for the Supreme Court to revisit its ruling as the apprehension surrounding the misuse of the law by the victim and the abuse of power by the police has been addressed through legislative and judicial measures. The act of forwarding complaints to FWCs is beyond legislative intent, against the functional autonomy of the criminal justice agencies and, most importantly, dents the victim's pursuit of justice.

LETTERS TO THE EDITOR

Top court ruling

By pausing some key aspects of the contentious amendments to the Waqf Act, the Supreme Court of India has sent a clear and unequivocal message to the ruling dispensation at the Centre about the imperative need to pay scrupulous attention to due process, particularly in subjects that pertain to the religious practices of minorities (Front page, September 16). Though laws enacted by Parliament carry a presumption of constitutional validity, the onus lies on the part of the executive to ensure it does not violate constitutional principles, fundamental rights, and is not arbitrary in nature.

M. Jeyaram,
Sholavandan, Tamil Nadu

The Supreme Court took the middle ground on September 15. Judicial pragmatism is evident in this well-balanced order. Instead of directly challenging Parliament, the Court expressed support for reform while being considerate to the concerns of minorities. By doing this, it has aimed to maintain a reasonable level of satisfaction for the community and the government. The message is clear: efficiency and accountability in waqf management are desirable, but not at the expense of arbitrariness or constitutional rights.

Amir Tyagi Qasmi,
Saharanpur, Uttar Pradesh

The Waqf Act, presented as governance reform, is fraught with provisions that deepen disempowerment and impoverishment rather than promote justice. Its most contentious clauses — already stayed by the Supreme Court — require trustees to prove they are practising Muslims and restrict administration bodies to Muslims alone. The proviso demanding proof of practice is particularly absurd, reducing faith and spiritual trust to bureaucratic certification. Meanwhile, the Act's so-called "inclusivity" is itself discriminatory: it thrusts non-Muslims into waqf management, even though no equivalent laws govern non-Muslim endowments, signalling an arbitrary intrusion into community autonomy. The stay on the District Collector's powers is a welcome check on administrative overreach, but the broader judicial stay underscores the Act's structural flaws. Left uncorrected, these measures marginalise progressive voices, concentrate authority, and threaten the charitable potential of waqf assets. The Court must ultimately strike down these provisions and reconsider the Act in full in sync with the popular expectations of the community at large.

M. Jameel Ahmed,
Mysuru

September 14 match

Sport has ceased to be apolitical a long time ago. Our players not shaking hands with their Pakistani counterparts, after having played against them, was not cricket. Such an 'ungentlemanly spectacle' should have been avoided. If Pahalgam continues to be a sore point, India should not have played Pakistan. It is not a surprise that sportspersons have become 'helpless willing pawns' in the hands of politicians.

C.G. Kuriakose,
Kothamangalam, Kerala

"It is not cricket" is a phrase used to describe anything that seems unfair, ungentlemanly or unsportsmanlike. A former Indian cricket captain, in his autobiography, wrote that cricket is a hard game played with a hard bat and hard ball; but it is a game not war. All this seems to have been proven wrong on September 14 during the India-Pakistan match. Long live 'the cricket' we knew.

R. Raman,
Varanasi

Letters emailed to letters@thehindu.co.in must carry the postal address.

Portable ion chromatograph brings real-world practice to classrooms

Aquamonitrix works as a simple, low-pressure ion chromatograph that can separate anions along a relatively short column; the solution used to carry the sample into the chromatograph and facilitate the exchange of anions with the column contains only sodium chloride, so the process is also environmentally friendly

Rohini Subrahmanyam

Ion chromatography, or the process of separating ions from a sample by passing it through a long column, is usually carried out in a laboratory using expensive, sophisticated equipment. Now, scientists at the University of Tasmania in Australia have devised a simpler way to perform the technique out in the field – one that could benefit science classrooms, too.

Working with second-year undergraduate students, the scientists helped them analyse soil pore water, or water in between soil particles, immediately after collecting it using a portable ion chromatograph called Aquamonitrix. The students used it to separate and analyse concentrations of nitrate and nitrite ions in the sample as both these ions are known to be harmful for the environment in high concentrations. Then they took the samples back to the lab and analysed them using a conventional chromatograph.

Based on their findings, published in *Journal of Chemical Education*, the portable chromatograph produced results comparable to that of a conventional device in the lab.

Examples of on-site real-time analysis of nitrite and nitrate. (a) Remote analysis of trace levels of nutrients at Derwent River, Tasmania. (b) On-ship mapping of nitrate levels at different river locations and depths. (c) Long-time monitoring of nitrogen nutrients species conversion in tankwater from the underlying soil (greenhouse). J. CHEM. EDUC. 2025, 102, 2928–2938

Chemistry out of the lab

"One of the things we're always interested in is taking our chemistry out of the laboratory [and] into the field," said Brett Paull, a professor of chemistry at the University of Tasmania and the senior author of the study. "So that the students don't only learn that analytical chemistry is something you do in the lab, but it's something that you can do anywhere."

The 2023 ACS Guidelines for Undergraduate Chemistry Programmes says "hands-on" experience in separations and chromatography should be incorporated into the undergraduate chemistry lab coursework. While performing ion chromatography using lab equipment does help students get experience with handling experiments, it still doesn't equip them to apply their analytical skills in a real-world scenario.

Dr. Paull and his team collaborated with Aquamonitrix, the company that manufactures the portable ion chromatograph of the same name, to help young undergraduate students analyse samples in the field.

"Portable instruments give us the opportunity to go out into the field and do actual measurements there," said Dr. Paull.

Simplicity to its benefit

The students first obtained the soil pore water by extracting it from the soil using a portable vacuum pump. Then they filtered the water on-site and directly injected it into the chromatograph.

Aquamonitrix works as a simple, low-pressure ion chromatograph that can separate anions along a relatively short column. The solution used to carry the sample into the chromatograph and facilitate the exchange of anions with the column contains only sodium chloride, thus keeping the process environmentally friendly.

To specifically detect nitrate and nitrite ions among all the anions, the device contains a low-cost absorbance detector that uses UV light. Because both these anions absorb UV light, the students were able to see two peaks in the chromatogram corresponding to the presence of the two anions.

"Nitrite and nitrate absorb quite reasonably in that low UV region, and we don't get any interference from any other anions," Dr. Paull explained. "So [its] simplicity is to its benefit, because we don't get a big messy chromatogram with all the other material."

A simpler specialist

When the students brought the sample back to the lab and measured nitrate and nitrite levels using a conventional, commercial ion chromatograph, they found the numbers produced by the portable device were similar. This suggested the portable method provided accurate results – and for less money and time. The lab-based ion chromatograph is "much more complicated, much more expensive and advanced," Dr. Paull said, and works using longer columns and high-pressure pumps. It may also detect many other anions and produce a more complex chromatogram.

> Portable instruments give us the opportunity to go out into the field and do actual measurements there
>
> BRETT PAULL
> UNIVERSITY OF TASMANIA

"We don't want to do everything," he added. "It's not possible to take a $100,000 laboratory instrument and just take it out to the greenhouse and use it. What we do is develop a $10,000 instrument which actually can do one or two things very well, can be run by a battery, and can be used by a student who's not highly trained or highly skilled. We're not trying to replicate the lab in the field; we're trying to develop low cost, versatile instruments that can be taken into the field." The scientists have also worked on another similar instrument that they say can measure ammonia levels in the field. "So, nitrite, nitrate, and ammonia and then, [eventually] you can look at the complete nitrogen cycle in, say, water treatment plants or in soil chemistry," Dr. Paull said.

The team is also working on a similar instrument to detect arsenic. This toxic element in the soil is a major concern in countries like India and Bangladesh, where groundwater extraction is high.

'They learn more'

But the main reason the scientists worked on this instrument is to use it as an effective teaching tool. "By allowing students to perform both field and laboratory analyses, [the portable device] provides a comprehensive learning experience that combines theoretical concepts with practical applications," Vipul Gupta, a lecturer in chemistry at Deakin University in Victoria, Australia, said. "The hands-on nature of the experiment, coupled with the opportunity to address real-world environmental challenges, fosters curiosity and interest in analytical chemistry." Dr. Gupta expressed belief the exercise can be extended to a more long-term continuous monitoring on the field as well.

(Rohini Subrahmanyam is a freelance journalist in Bengaluru. roh.subb@gmail.com)

THE GIST

Scientists at the University of Tasmania in Australia have devised a way to perform ion chromatography in the field. Undergraduate students used the portable Aquamonitrix to analyse concentrations of nitrate and nitrite ions in soil pore water. The results were comparable to those of a conventional lab device

The device incorporates a low-cost absorbance detector that utilises ultraviolet light to identify nitrate and nitrite ions. Since both anions absorb ultraviolet light, the resulting chromatogram displayed two distinct peaks corresponding to their presence

Researchers emphasise that expensive laboratory instruments do not travel well. A cheap instrument that can do one or two things well is ideal. Scientists are working on an instrument that can measure ammonia. So, with the ability to sense nitrite, nitrate, and ammonia, the complete nitrogen cycle can be analysed

BIG SHOT

In a new study in *Scientific Reports*, scientists have reported that octopodes have dominant arms with which they explore their surroundings and use the other arms to move — a discovery that shows octopus intelligence includes subtle bodily strategies that divide work between different parts. H. ZELL (CC BY-SA)

QUESTION CORNER

A question of perception

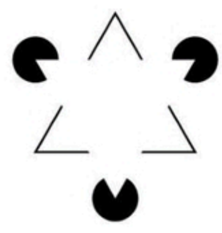
Vasudevan Mukunth

Q. Why do our brains fall for optical illusions?

A: Our brains fall for optical illusions because of the ways in which they perceive the world, including using contextual information, shortcuts, and predictions. Among other patterns, the brain assumes light comes from above, fills missing edges, and exaggerates contrasts.

While these tricks help us navigate the world, sometimes they also produce rational mistakes, where the brain interprets ambiguous information in ways that depart from physical reality. For example, identical colours may look different against different backgrounds and lines of equal length may appear unequal when framed differently.

A new study in *Nature Neuroscience* has deepened this picture. Researchers studied how the brain handles illusory contours, including shapes such as the Kanizsa triangle, where we see edges that are not there. Using advanced imaging and optogenetics in mice, the researchers found that special neurons called IC-encoders in the primary visual cortex respond to these illusory shapes as if they were real edges. The IC-encoders do this by integrating predictions from higher brain areas and broadcasting them in a process where the brain fills in missing parts to create a coherent whole. When scientists stimulated these neurons, the brain produced the illusion even without a visual stimulus, showing that illusions simply "hack" how perception normally works: by combining partial evidence with prior expectations to infer the most likely picture.



A Kanizsa triangle. FIBONACCI (CC BY-SA)

"Sensory systems are constantly faced with incomplete or ambiguous sensory information," the researchers wrote in their paper. "In these situations, successful perception depends on sensory inference."

For feedback and suggestions for 'Science', please write to **science@thehindu.co.in** with the subject 'Daily page'

Making health care safe for every Indian

Sathya Sriram
is a health-care strategist and transformation leader

On September 17, the world observes World Patient Safety Day. This is a reminder that the basic promise of health care continues to elude us. Globally, estimates show that one in ten patients experience harm while receiving care during hospitalisation, and this number rises to four in ten in outpatient care.

For India, where the burden of disease is rapidly shifting to chronic conditions such as cancer, diabetes, heart disease, and mental health disorders, the challenge is especially urgent. These conditions demand long-term frequent treatment, creating more points where safety lapses can occur. In acute care, where the complexity of treatment requires multiple specialities to come together, medical harm happens when there is insufficient coordination.

Many faces of patient harm

Patients are usually vulnerable in more complex situations, such as hospital-acquired infections, blood clots, or even unsafe injection or transfusion practices. However, patient harm can also show up in everyday situations, such as unintentional prescription of inappropriate medicine combinations, delayed diagnoses, or preventable falls.

Hospitals across India are placing higher standards on delivery, by instituting quality audits, developing protocols, running staff trainings, and strengthening infection control alongside patient safety. In practice though, systems designed to protect patients are still vulnerable to breakdowns. From the health-care provider's side, doctors, nurses, and staff often operate under extreme pressure. Staff attrition, heavy patient loads, long shifts, and inadequate staffing mean that even when they want to engage fully with every patient, time and fatigue become serious constraints. In India, unsafe care persists because of a two-way gap – overburdened providers and passive uninformed patients hesitant to ask questions. Closing this gap requires shifting mindsets, where patients must be empowered to become active partners in care, and health-care systems must welcome and enable their participation.

> In India, unsafe care persists because of overburdened providers and passive uninformed patients hesitant to ask questions

A shared responsibility

Patient safety cannot rest on the shoulders of doctors and nurses alone. Families and patients themselves play a vital role, by asking questions, maintaining personal health records, reporting adverse drug reactions, and following safe practices at home, including not self-medicating.

In recent years, India has taken important steps to build this ecosystem. The National Patient Safety Implementation Framework (2018-25) lays out a roadmap, from adverse event reporting to embedding safety into clinical programs. Professional networks like the Society of Pharmacovigilance, India monitor and report adverse drug reactions nationwide. The National Accreditation Board for Hospitals & Healthcare Providers (NABH) has raised benchmarks for patient safety by auditing and embedding practices for infection control, patient rights, and medication management. Yet, far less than 5% of hospitals in India have earned full accreditation.

Civil society has also stepped up. The Patient Safety & Access Initiative of India Foundation works on strengthening regulatory clarity of medical devices. Another non-profit, the Patients for Patient Safety Foundation reaches 14 lakh households weekly on safe health practices. It also equips over 1,100 hospitals and 52,000 professionals.

This responsibility can extend further to the media to shape public understanding by highlighting both failures and successful safety models. Higher education institutions can build safety awareness early; corporates can extend workplace programs and fund safety campaigns through CSR. Even technology innovators have a role by designing workflows that flag harmful drug interactions or aid communication during care.

Building a culture of safety

The WHO Global Patient Safety Action Plan provides a blueprint for integrating safety into all levels of health-care systems. One proven mechanism is the establishment of Patient Advisory Councils (PACs) to bring patient voices into hospital decision-making. Case studies from high-income countries show PACs improving safety, communication and trust. India can pilot and scale this model, adapting them to local realities.

As India approaches the final stretch of the National Patient Safety Implementation Framework (2018-25), governments must renew focus, mobilise resources, incorporate patient safety into medical and nursing education, and close the gap between policy and practice. Hospitals, too, must rise to the challenge, by meeting accreditation standards, embracing PACs, and co-developing technology solutions for catching errors early.

This year's focus on safe care for every newborn and every child reminds us that we need to safeguard care from the very first breath of life.

True patient safety requires integrated action across the entire ecosystem. We need to move beyond isolated efforts and build a national patient safety movement. On this World Patient Safety Day, let us make this a shared mission, with governments, hospitals, patients, and civil society working together to make safe care an everyday reality of health care in India.

With inputs from Som Mittal, Chairperson, Patients for Patient Safety Foundation (PFPSF), former Chairperson Nasscom and Nadira Chaturvedi, Co-Chairperson, PFPSF

Too many cooks, no one to stir the pot

Delhi at the crossroads of administration and accessibility

STATE OF PLAY

Somya Jain

The year 2025 is shaping up to be a milestone for accessible (disabled-friendly) public buildings in Delhi. The Central government's Sugamya Yatra Abhiyan for accessibility audits and awareness has reached the national capital. Meanwhile, the Delhi government has announced its ambitious "Purple City" plan to make public buildings accessible. This makes it the perfect moment to examine how Delhi, so uniquely complex in its administrative structure, actually fares when it comes to making accessibility a reality.

Unlike most Indian cities, Delhi's governance is a dense web of central, State, and municipal bodies, all exercising simultaneous control over different aspects of the city, including its public buildings.

For example, some departments fund and administer public buildings - the Ministry of Housing and Urban Affairs oversees the construction of the Parliament building, Indian Railways administers railway stations, and Delhi's Education Department funds the construction of government schools. Central and State public works departments handle construction and maintenance. Local bodies like the Municipal Corporation of Delhi (MCD), New Delhi Municipal Council (NDMC), and Delhi Development Authority (DDA) are responsible for constructing buildings, granting permits and completion certificates.

However, when it comes to accessibility, this fragmented structure creates a perfect storm of confusion among departments. It begins with the basics: is a department's role for ensuring accessibility even defined in law? Do officials within that department know they have such a responsibility? Are the boundaries of their jurisdiction clear, or do they assume the task falls to another department? This is the crux of Delhi's public building accessibility knot. Here's an attempt to untangle it.

Is accessibility codified?

In the simplest terms, yes. The Rights of Persons with Disabilities Act, 2016 (RPWDA) mandates all new constructions and existing public buildings to comply with accessibility standards set by the Central government. Further, Delhi's Unified Building Bye-Laws, 2016 (UBBL) also includes an entire chapter on accessibility. The UBBL requires local bodies (MCD, NDMC, and DDA) to issue permits and completion certificates only after confirming compliance with its provisions.

On clarity of roles

After the RPWDA came into force in 2016, most departments issued internal directives for its compliance. The same year, the UBBL was introduced which is considered the primary reference point for all construction in Delhi. So, at the very least, one would assume officials are aware of these mandates. On the ground, the reality seems a bit different. In *Nipun Malhotra vs GNCTD (2018)*, the Delhi High Court observed limited awareness among civic authorities regarding the rights and challenges of persons with disabilities. Similarly, in a case concerning inaccessible markets in South Delhi, the Delhi State Commissioner for Persons with Disabilities noted that civil engineers and architects require basic training on accessibility.

Jurisdictional boundaries

As recently as August 2025, the Delhi High Court, in a case concerning waterlogging, highlighted the absence of coordination and accountability among the MCD, Delhi Jal Board, Delhi Public Works Department (Delhi PWD), and DDA. This issue also percolates into accessibility. In *Himanshu Goswami vs University of Delhi (2018)*, the court noted that when public infrastructure in North Campus was found to be inaccessible, some elements were claimed to fall under the MCD's jurisdiction, while others under the Delhi PWD, resulting in fragmented and delayed implementation.

This may appear to be a common governance challenge across India, but in the context of accessibility, the stakes are much higher, as inaccessible public buildings limit participation of persons with disabilities in everyday activities. An efficient coordination mechanism is crucial in Delhi, to ensure responsibilities are not shuffled endlessly and initiatives are executed in harmony, with clarity on who will implement, who will fund and who will monitor compliance. With Delhi's recent pledge to become a model city for inclusion, this is the moment to take decisive action.

Somya Jain is a research fellow at the Vidhi Centre for Legal Policy

Indians blame the political system, not their politicians

Indians make up one of the highest shares of respondents who want complete systemic change

DATA POINT

The Hindu Data Team

A recent survey by the Pew Research Center shows that a majority of Indians feel the need for major changes in their political systems. On the other hand, more than two-thirds of the Indians surveyed believe that their elected officials are honest, ethical, and well-qualified.

More than 50% of respondents in most of the 25 surveyed countries said their political system needs major changes or complete reform. More than 70% of the surveyed Indians said their political system needs major changes or complete reform, with 34% of people vouching for complete reform. **(Chart 1)**

Respondents differed when asked about their confidence in such changes taking place. For instance, while a large majority of respondents from South Korea (87%) expressed a need for political reform, more than half of the people surveyed were not confident that those changes could be made. However, of those respondents who want political change, Indians make the largest share of those who are confident that these changes can be made. The share of respondents who were not confident that their systems could change was the lowest in India. **(Chart 2)**

While expressing a need for systemic change, a majority of Indians held positive views about their elected officials. The survey asked adults in 25 countries to rate select characteristics among the elected officials in their country **(Chart 3)**.

Only one in three respondents from India, Japan, and the Netherlands negatively rated their elected officials. It should be noted that smaller shares of respondents from Japan and the Netherlands believed that political reform was necessary, contrary to India.

Consensus on change

The data for the charts were sourced from PEW Research Center's survey titled, "People Around the World Want Political Change, but Many Doubt It Can Happen"

Chart 1: The share (%) of respondents who say the political system in their country needs varying amounts of changes. Those who did not answer are not shown

	No changes (%)	Minor changes (%)	Major changes (%)	Complete reform (%)
U.S.	3	19	52	24
Canada	8	44	34	12
Greece	3	14	51	32
France	6	20	53	22
Spain	6	20	37	36
Poland	4	23	50	21
Italy	5	26	46	22
Hungary	9	25	32	33
UK	7	33	41	17
Germany	12	39	40	8
Netherlands	16	53	23	6
Sweden	25	46	21	7
South Korea	1	11	44	43
India	9	16	37	34
Indonesia	17	18	53	11
Japan	5	31	49	14
Australia	8	45	34	12
Turkey	8	19	43	26
Israel	12	22	32	27
Nigeria	1	6	40	51
Kenya	7	13	51	29
South Africa	8	15	52	23
Brazil	5	8	62	25
Argentina	6	16	55	22
Mexico	10	29	42	17
25-country median		27	69	

Chart 2: Country-wise share (%) of those who are confident/ not confident that their system can change

	Not confident that system can change (%)	Confident that system can change (%)	Political system needs minor or no changes (%)
Greece	68	15	17
France	57	17	25
Spain	55	18	26
Italy	54	14	31
S. Korea	51	35	13
U.S.	49	27	23
Japan	48	15	35
Turkey	43	25	27
Nigeria	43	47	8
UK	42	16	41
Brazil	40	46	12
Poland	39	31	27
Australia	34	13	53
Mexico	33	25	39
Argentina	32	45	22
Germany	24	24	51
SA	23	52	24
Canada	22	24	52
Israel	22	35	34
Kenya	20	59	19
Netherlands	19	12	69
Hungary	18	47	34
Sweden	16	13	71
Indonesia	15	48	34
India	10	59	25

Chart 3 Country-wise share (%) of respondents who say few or none of the elected officials in their country show the given characteristics

	Are honest	Understand needs	Focus on problems	Are ethical	Well-qualified	Avg.
U.S.	53	54	48	48	40	48
Canada	33	26	29	23	20	26
Greece	78	73	69	68	63	70
Italy	56	62	60	56	57	58
Spain	52	51	52	46	48	50
Poland	49	45	45	42	42	45
France	45	50	41	37	33	41
Germany	45	44	39	34	37	40
Hungary	46	42	40	40	26	39
UK	41	40	39	31	31	37
Netherlands	31	30	32	25	27	29
Sweden	31	30	22	22	27	26
Australia	45	46	38	38	36	41
South Korea	38	34	33	34	34	34
Indonesia	37	34	30	23	26	30
India	33	31	27	27	23	28
Japan	28	32	27	25	24	27
Turkey	51	56	51	50	46	51
Israel	47	46	37	39	31	40
Kenya	63	64	58	56	55	59
Nigeria	68	56	62	48	48	56
South Africa	52	49	47	45	43	47
Brazil	67	60	62	64	56	62
Argentina	60	54	49	52	46	52
Mexico	56	52	47	52	44	50

1 This analysis focuses on views in 25 countries across the Asia-Pacific region, Europe, Latin America, the Middle East, North America and sub-Saharan Africa

2 For non-U.S. data, this analysis draws on nationally representative surveys of 28,333 adults conducted from Jan. 8 to April 26, 2025

Source: Spring 2025 Global Attitudes Survey
Report by Richard Wike, Janell Fetterolf, Jonathan Schulman and Sofia Hernandez Ramones.

FROM THE ARCHIVES

The Hindu.

FIFTY YEARS AGO SEPTEMBER 17, 1975

Soviet Support to Rights of Palestinians

From Batuk Gathani
LONDON, Sept. 16.

The Soviet leaders are making a fresh bid to unify the Arabs, push back Israel to pre-1967 borders and create a Palestine State.

The Russians feel hopelessly frustrated and in Kremlin's eyes, if the Egyptian President, Mr. Anwar Sadat continues in power goes with Dr. Kissinger all the way then a final settlement in West Asia can weaken the Soviet position in the area.

While most West Europeans regard the Sinai agreement initiated by the United States Secretary of State, Dr. Kissinger, as essentially "a fragile arrangement of a temporary nature," Moscow broadcasts in Arabic of the last few days leave no one in doubt that Russia is calling upon Egyptian leftists to stage a coup d'etat in Cairo. Hence it is that Mr. Sadat rebuked Moscow last night for stirring up Arab discord. He accused the Russians of pulling the strings for all the "comedies" now being played out in the Arab world.

The "comedies" were being acted by the Syrian Baath Party to cover up its internal difficulties he said and added that the Syrians were using the Palestinian cause as a "placard". Mr. Sadat said that the Palestinian leader, Mr. Yasser Arafat, also fell for such a comedy.

A HUNDRED YEARS AGO SEPTEMBER 16, 1925
NO ISSUE DATED SEPTEMBER 17

The Currency Commission

Work to begin in London
Two months for taking evidence in India
(Reuter's Agency)
LONDON, Sep. 15.

It is now arranged that Commander Hilton Young, Sir Henry Strankosch, Sir Reginald Mant and Mr. Preston will leave for Bombay on 5th November and will be preceded by a fortnight by Mr. Baxter, Joint Secretary. The six members of the Currency Commission now in India will join them and the Commission will be formally constituted and a questionnaire issued.

It is hoped that the taking of evidence in India will not last longer than two working months, enabling the Commission to reach London in the latter part of February to take further evidence before reaching conclusions.

Text&Context

THE HINDU

NEWS IN NUMBERS

Number of people who were affected by Swedish data breach

1.5 in million. Sweden's prosecution authority said on Tuesday the personal data of 1.5 million people had been leaked online after a cyberattack against an IT systems provider. Swedish media said town and city councils and private companies had been affected. The number of people targeted represents nearly 15 per cent of Sweden's population of 10.6 million. PTI

Denmark signs pact to develop Greenland's infrastructure

253 in $ million. Denmark has signed an agreement with Greenland for infrastructure development in the autonomous territory, coveted by the United States, Danish Prime Minister Mette Frederiksen said on Tuesday. In the 2026 budget proposal to parliament, Denmark's government has allocated 1.6 billion kroner ($253 million) for 2026 to 2029. AFP

Losses due to rising temperatures in Bangladesh last year

1.8 in $ billion. Rising temperatures are taking a mounting toll on Bangladesh, with heat-related illnesses and productivity losses costing the economy up to $1.78 billion — about 0.4% of GDP — in 2024, according to a World Bank report released on Tuesday. Bangladesh's capital, Dhaka, has emerged as one of the world's most heat-stressed cities. PTI

Amount in Trump's lawsuit against the *New York Times*

15 in $ billion. U.S. President Donald Trump filed a defamation lawsuit against the *New York Times* on Monday, accusing the outlet of a "decades-long pattern" of smears driven by feelings of "actual malice." The lawsuit also named four *New York Times* reporters and the publisher Penguin Random House as defendants, according to an 85-page complaint. AFP

Number of employees under CSS who staged a protest in Mizoram

15,000 Employees under the Centrally Sponsored Scheme (CSS) in Mizoram on Tuesday staged a State-wide protest demanding that the government fulfil their long-standing demand to be regularised under the State government. PTI

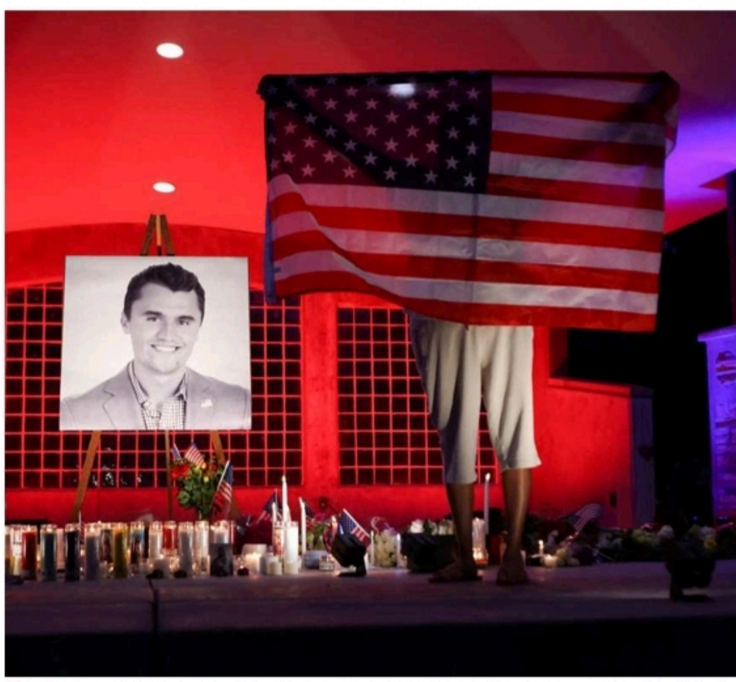
COMPILED BY THE HINDU DATA TEAM

American politics as a power keg

Observers note that the potential for political violence has now reached very dangerous levels. Deepening ideological divides, demographic shifts, social media outrage, and Donald Trump's polarising politics have accelerated an already volatile history of racial, cultural, and institutional conflict

WORLD INSIGHT

Nissim Mannathukkaren



Grim pattern: A person holds a U.S. flag during a vigil at Orem City Center Park, after U.S. right-wing activist and commentator, Charlie Kirk, an ally of U.S. President Donald Trump, was fatally shot during an event at Utah Valley University, in the U.S, on September 11. REUTERS

The story so far:

The killing of Charlie Kirk, a right-wing youth activist and an ally of MAGA nationalism and U.S. President Donald Trump, has terribly roiled American politics. Many observers note that the potential for political violence has now reached very dangerous levels. In the recent past, among Democrats, a state leader was killed and another shot at; a state governor was subject to arson attack (2025); the Speaker of the House of Representatives was attacked in which her husband suffered serious injuries (2022); and another state governor was the subject of a failed kidnapping plot (2020); among Republicans, Mr. Trump was the victim of two assassination attempts (2024) and the House majority whip was shot at (2017).

Is there ideological and political polarisation?

America has one of the highest income inequalities amongst high-income countries, which has only grown under both Democrats and Republicans in recent decades. Its racial composition has changed significantly in recent decades. In 1980, those who identified as white alone were 80% of the population. This had reduced to 58% in the 2020 census, while those who identify as Hispanic and Asian have increased from 8% to 25% (note: people do change how they identify their race, and there are also methodological changes in the census). The 2010s are the first decade in which the white population declined. There is also an increase in multi-racial families and babies.

There is a substantial change in political identification as well. Even before Mr. Trump, the political centre, with mixed liberal and conservative positions, had shrunk from 49% in 1994 to 39% in 2014, while Republicans shifted to the right, and Democrats shifted to the left, according to the Pew Survey 2014. If 16% Democrats and 17% Republicans had unfavourable views of each other in 1994, this increased to 38% and 43% respectively in 2014. There are serious ideological differences between the two partisans on issues such as immigration, gun rights, abortion and gay and transgender rights. While 76% of liberals think that it is important to have racial and ethnic diversity, only 20% conservatives think so.

At least 57% of conservatives want to live in a place with many co-religionists, whereas it is only 17% for liberals. The right-wing shows more ideological partisanship as well: 63% of strong conservatives have most of their close friends sharing political beliefs, while it is 49% for strong liberals; 50% on the right want to live where most people share their political beliefs, while it is 35% on the left. Republicans and Democrats differ vastly on gun control: 85% Democrats want a ban on assault-style weapons, 57% of Republicans oppose this.

While 74% of Republicans support teachers carrying guns, it is only 27% for the Democrats, according to the Pew Survey 2024.

Social media technologies have played a huge role in the rise of right-wing populist movements across the world, including America, generating outrage on contentious issues such as immigration, race, nationalism, etc. As scholars Berry and Sobieraj note, "outrage is virtually absent" from American newspapers in 1955 compared to the late 2000s. Powerful figures, such as Elon Musk, have weaponised polarisation through platforms like X. Addressing the recent right-wing "Unite the Kingdom" rally in Britain, he said, "Whether you choose violence or not, violence is coming to you. You either fight back, or you die." Christopher Bail, a political scientist studying polarisation, argues that there is an increasing gap between social media and reality, with the former amplifying extreme views. His research shows that 73% of tweets about politics are generated by just 6% of X users.

What is the role of Donald Trump in polarisation?

American politics took a radically new turn with the rise of Mr. Trump, an anti-establishment figure, who became a vehicle to channel white Christian nationalism and further polarise an already polarised society. He has taken the Republican Party to the extreme right. During the first term, the Varieties of Democracy (V-Dem) Index recorded American democracy as falling back to 1976 levels. In the short period of the second term itself, experts see the regime acquiring authoritarian characteristics with executive power strengthening at the expense of the Congress, abnegation of institutional autonomy, targeting of political opponents, universities, critical media and free speech, and the deployment of the army to quell protests. Mr. Trump, as President of the nation, instead of lowering the volatile emotional atmosphere following Kirk's assassination, blamed the "radical left" even before a suspect was identified and listed only the attacks against himself and the Republican leaders. He ignored the violence suffered by Democratic politicians, or that of his supporters violently storming the Capitol after the 2020 elections (Mr. Trump had pardoned 1,500 of them).

Also, critically, the accused targeting Mr. Trump had mixed/confused political leanings, which included either being a registered Republican or actually voting for Mr. Trump. While Mr. Trump constantly demonises the radical left and anti-fascist groups as solely responsible for violence, his claims are unfounded. From 1994 to 2020, there was one fatality from anti-fascist attacks, and 21 killed in left-wing violence (2010 to 2020), while there were 329 victims from right-wing violence (Center for Strategic and International Studies). Democracy requires the abjuration of violence, whether it is by the left or the right. But by refusing to acknowledge racist anti-Black mass shootings like that in Buffalo and Charleston, and that white right-wing extremism is the biggest source of domestic terrorism, Mr. Trump dangerously whitewashes violence.

Is there an historical context to the present crisis?

It would be myopic to see the present moment solely as a result of the rise of Mr. Trump and MAGA. America, as a society built on the foundations of the genocide of the native population, as well as slavery, has a long history of white supremacy, racism, gender discrimination and vigilante violence. As the historian Steven Hahn has argued, illiberalism is not an aberration but as powerful a current as liberalism, and is sometimes mixed with it. Such illiberalism was the hallmark of even Democratic politicians like George C. Wallace, an influential governor (who failed to win the Presidential nomination) in the 1960s, who espoused racial hostility and segregation of races. And illiberal currents can be seen in aspects like racial inequalities in incarceration. America has an incarceration rate which is five to eight times higher than that of France, Canada and Germany in 2021 (The Sentencing Project 2023).

If racial justice and prison reform movements have led to the reduction of the prison population by 25% since 2009, it comes after a massive 700% increase since 1972, disproportionately affecting marginalised races. Even after a reduction of the Black prison population by 39% since 2002, Blacks were imprisoned at a rate five times that of whites in 2021. Worryingly, there has also been bipartisan Democratic and Republican consensus in rolling back some of the prison reforms. Beneath the liberal exceptionalist claims of the American polity lurks its violent face, exemplified by the right to keep and bear arms sanctified by the Constitution in 1791.

The staggering nature of gun violence in America is evident in the fact that the rate of gun deaths was 340 times that of the United Kingdom and 862 times that of Japan. In 2023, there were over 700 mass shooting victims alone, double that of 2018. Ironically, Kirk defended gun rights, and termed gun deaths as an unfortunate cost for protecting other "God-given rights."

(Nissim Mannathukkaren is a professor with Dalhousie University, Canada, and he is on X @nmannathukkaren)

THE GIST

The political centre, with mixed liberal and conservative positions, had shrunk from 49% in 1994 to 39% in 2014. Republicans shifted to the right, and Democrats shifted to the left, according to the Pew Survey 2014

In 1994, 16% of Democrats and 17% of Republicans held unfavourable views of each other; by 2014, this had risen to 38% and 43%, respectively

On gun control, 85% of Democrats back a ban on assault-style weapons, opposed by 57% of Republicans. Meanwhile, 74% of Republicans support teachers carrying guns, versus 27% of Democrats, according to the Pew Survey 2024

CACHE

Automated world: A machine cannot process the meaning behind raw data. Data annotators label raw images, audio, video, and text with information that trains AI and Machine Learning (ML) models. This, then, becomes the training set for AI and ML models. ISTOCKPHOTO

Unseen labour, exploitation: the hidden human cost of Artificial Intelligence

AI's efficiency and accuracy are built on the invisible labour of low-paid workers in developing countries. From data labelling to content moderation, 'ghost workers' face exploitation, insecurity, and mental health risks. Data annotators play a major role in training LLMs like ChatGPT, Gemini, etc.

Nivedita S.

The world is gearing towards an 'automated economy' where machines relying on artificial intelligence (AI) systems produce quick, efficient and nearly error-free outputs. However, AI is not getting smarter on its own; it has been built on and continues to rely on human labour and energy resources. These systems are fed information and trained by workers who are invisibilised by large tech companies, and mainly located in developing countries.

Areas of human involvement

A machine cannot process the meaning behind raw data. Data annotators label raw images, audio, video, and text with information that trains AI and Machine Learning (ML) models. This, then, becomes the training set for AI and Machine Learning (ML) models. For example, an large-language models (LLM) cannot recognise the colour 'yellow' unless the data has been labelled as such. Similarly, self-driving cars rely on information from video footage that has been labelled to distinguish between a traffic sign and humans on the road. The higher the quality of the dataset, the better the output and the more human labour is involved in creating it.

Data annotators play a major role in training LLMs like ChatGPT, Gemini, etc. An LLM is trained in three steps: self-supervised learning, supervised learning and reinforcement learning. In the first step, the machine picks up information from large datasets on the Internet. The data labellers or annotators enter in the second and third steps, where this information is fine-tuned for the LLM to give the most accurate response. Humans give feedback on the output the AI produces for better responses to be generated over time, as well as remove errors and jailbreaks.

This meticulous annotating work is outsourced by tech companies in Silicon Valley to mainly workers in countries like Kenya, India, Pakistan, China and the Philippines for low wages and long working hours.

Data labelling can be of two types: those which do not require subject expertise and those which are more niche and require subject expertise. Several tech companies have been accused of employing non-experts for technical subjects that require prior knowledge. This is a contributing factor in the errors found in the output produced by AI. A data labeller from Kenya revealed that they were tasked with labelling medical scans for an AI system intended for use in healthcare services elsewhere, despite lacking relevant expertise.

However, due to errors resulting from this, companies are starting to ensure experts for such information being fed into the system.

Automated features requiring humans

Even features marketed as 'fully automated' are often underpinned by invisible human work. For example, our social media feeds are 'automatically' filtered to censor sensitive and graphic content. This is only possible because human moderators labelled such content as harmful by going through thousands of uncensored images, texts and audio. The exposure to such content daily has also been reported to cause severe mental health issues like **post-traumatic stress disorder**, anxiety and depression in the workers.

Similarly, there are voice actors and actors behind AI-generated audios and videos. Actors may be required to film themselves dancing or singing for these machines to recognise human movements and sounds. Children have also been reportedly engaged to perform such tasks.

In 2024, AI tech workers from Kenya sent a letter to former U.S. President Joe Biden talking about the poor working conditions they are subjected to. "In Kenya, these US companies are undermining the local labor laws, the country's justice system and violating international labor standards. Our working conditions amount to modern-day slavery," the letter read. They said the content they have to annotate can range from pornography and beheadings to bestiality for more than eight hours a day, and for less than $2 an hour, which is very low in comparison to industry standards. There are also strict deadlines to complete a task within a few seconds or minutes.

When workers raised their concerns to the companies, they were sacked and their unions dismantled.

Most AI tech workers are unaware of the large tech company they are working for and are engaged in online gig work. This is because, to minimise costs, AI companies outsource the work through intermediary digital platforms. There are subcontract workers in these digital platforms who are paid per "microtask" they perform. They are constantly surveilled, and if they fall short of the targeted output, they are fired. Hence, the labour network becomes fragmented and lacking transparency.

The advancement of AI is powered by such "ghost workers." The lack of recognition and informalisation of their work helps tech companies to perpetuate this system of labour exploitation. There is a need to bring in stricter laws and regulations on AI companies and digital platforms, not just on their content in the digital space, but also on their labour supply chains powering AI, ensuring transparency, fair pay, and dignity at work.

FROM THE ARCHIVES

Know your English

Upendran

Nice to see you again. Can you come by tomorrow and help me pack?"

"Yes, I would help you pack..."

"...you would help me pack, or you will help me pack?"

"'Would' or 'will', what difference does it make? They mean the same thing, don't they?"

"Not in that sentence. If you say, 'I would help you pack,' it implies that you want to help me pack, but for some reason or the other, you cannot."

"Good grief! That's not what I meant to say at all."

"But that's what the word 'would' implies in that sentence. It implies that you are not going to help me pack tomorrow. It's your way of saying, 'I would like to help you pack, but I can't. I have something else to do."

"Like seeing Jayashree and Prashant off at the station?"

"Maybe. Here's another example. Suppose I ask you for money and you reply. 'I would lend you Rs. 2000...'"

"...it probably means I am not going to give you the money."

"Exactly! Maybe you don't have the money. Or maybe you just don't want to part with it. Whatever the reason, I'm not getting anything. It could also mean..."

"...you know I don't have Rs. 2000." "You don't have Rs. 5! Let alone Rs. 2000. As I was saying, 'I would lend you Rs. 2000', can also mean that you are willing to give the amount provided certain conditions are met. For example, I would lend you Rs. 2000, provided you paid interest."

"I would get a hundred in Physics if I had a different teacher."

"That's an excellent example. If the speaker had said 'I would get a hundred' and stopped, you would have the feeling that the sentence is incomplete. And that the speaker wants to say something more."

"I see. Suppose I'm definite about helping you pack tomorrow. What do I say then?" "You say, 'I will help you pack tomorrow'. When you are definite or certain about something, use 'will, not 'would'."

"So when someone says. 'I will send the invitation next week', it implies that he is pretty sure of sending it next week."

"Exactly! If, on the other hand, he says, 'I would send the invitation next week'..."

"...it probably implies that though he would like to, he may not be able to send the invitation for some reason or the other"

"Right again! When you use 'would' there" is a sense of incompleteness. So if you are definite about something happening, use 'will'. The exam will be held in March."

"Elections will be held this month."

"Good."

"I will get a hundred in tomorrow's test."

"I will study for two hours today."

"Two hours today? I would like to, but I can't. Something has come up."

"What's come up?"

"I would like to tell you, but I can't. I will tell you tomorrow."

Published in The Hindu on February 17, 1998

Word of the day

Quotidian:
Found in the ordinary course of events; a placid everyday scene

Synonyms: Everyday, mundane, routine

Usage: *In the midst of her hectic schedule, she found solace in her quotidian rituals, like sipping tea and reading a book.*

Pronunciation:
newsth.live/Quotidianpro

International Phonetic Alphabet: kwəʊˈtɪdɪən

THE DAILY QUIZ

Please send in your answers to dailyquiz@thehindu.co.in

Narendra Modi was born on this day in 1950. A quiz on India's current Prime Minister.

Sindhu Nagaraj

QUESTION 1
In 2014, Prime Minister Modi led the Bharatiya Janata Party to a parliamentary majority. This was the first for the BJP since which year?

QUESTION 2
During the period of Emergency, Mr. Modi wrote a Gujarati-language book which describes events during the Emergency. What is the book called?

QUESTION 3
In December 2014, under Prime Minister Modi, which government institution was abolished and replaced by the NITI Aayog?

QUESTION 4
When Mr. Modi joined electoral politics for the first time in 2002, he entered the Gujarat State Legislature after winning a byelection in which constituency?

QUESTION 5
Mr. Modi wrote a foreword to a 2014 textbook by which Indian educationist?

QUESTION 6
Mr. Modi was a candidate in two Lok Sabha constituencies in 2014. Which were they?

Visual question:
This image signifies the launch of a new initiative of the BJP government in 2014. What is it? On which day was the initiative launched?

Questions and Anwers to the previous day's daily quiz: 1. What action sparked the 1979 International Women's Day protests in Tehran, just a month into the Iranian Revolution? **Ans: Ayatollah Khomeini ordered state-employed women to wear hijab in government offices**

2. Under whose presidency was the Guidance Patrol (Gasht-e Ershad) formally created to enforce hijab and morality codes? **Ans: Mahmoud Ahmadinejad**

3. Under Article 638 of the 1983 Islamic Penal Code, what punishments were prescribed for women appearing in public without hijab? **Ans: 74 lashes and/or imprisonment of 10 days to two months**

4. Approximately how many protesters had been killed by security forces by December 2022, according to Iran Human Rights? **Ans: At least 476 people**

5. What is the slogan or movement name that arose from the protests ignited by her death? **Ans: 'Zan, Zendegī, Āzādī' which translates as 'Woman, Life, Freedom'**

Visual: Identify the protest in this photograph taken by Iranian photographer Mohammad Sayyad. **Ans: The International Women's Day protests in Tehran, on March 8, 1979, taken out in opposition against the introduction of mandatory hijab.**

Early Birds: Siddhartha Viswanathan | Tamal Biswas | Tito Shiladitya | Suchit Narottam | Sumana Dutta

For feedback and suggestions for Text & Context, please write to **letters@thehindu.co.in** with the subject 'Text & Context'

THEIR VIEW

Trump's war on the Fed: Why did US financial markets shrug it off?

They can be myopic but it's the responsibility of others to peer into the future and assess the economic damage that's likely

BARRY EICHENGREEN
is professor of economics and political science at the University of California, Berkeley, and the author, most recently, of 'In Defense of Public Debt'

REUTERS

While President Donald Trump's attack on the US Federal Reserve Board and on a sitting governor, Lisa Cook, has elicited expressions of high alarm from economists and commentators, investors have responded with one big yawn.

This might seem like a dramatic disconnect. Actually, however, the two groups have good reasons for responding differently.

Commentators concerned with the stability and integrity of US monetary policy have every reason to be horrified by Trump's attempt to 'fire' Cook nearly 13 years before the expiry of her term. (Full disclosure: I directed Cook's Ph.D. dissertation at the University of California, Berkeley.) Members of the Board of Governors are appointed to long terms in office precisely to insulate them from political pressure.

Few laws of economics are better established than the proposition that central banks that are independent from politics do a better job of implementing monetary policy. They deliver lower and more stable inflation without visible costs in terms of higher and more variable unemployment.

There are also abundant counter-examples, mainly but not exclusively from emerging markets, where a political leader appoints a flunkey to lead the central bank, and the appointed flunkey then bows to the leader's whims. As a general rule, these episodes turn out poorly. Politicians care about the next election or public-opinion poll, and, given the power they can exercise, often try to manipulate monetary policy with such short-term goals in mind.

Central bankers, on the other hand, care about the credibility of the institution and those who run it. Credibility means consistently delivering what they promise. This anchors expectations and stabilizes economic outcomes. The credibility of the Fed's commitment to its 2% inflation target, for example, is what anchored American inflation expectations in recent years and allowed policymakers to bring inflation down without a visible increase in unemployment.

Attempting to fire sitting governors without good cause in order to replace them with flunkeys prepared to implement their political patron's pet theory does not enhance that credibility. This is as true of Trump's theory that strong economic growth justifies lowering interest rates as it is of Turkish President Recep Tayyip Erdoğan's theory that high interest rates cause inflation.

To be clear, independence does not mean lack of accountability. Nominees to the Fed Board of Governors must be confirmed by the US Senate. Members are regularly called by lawmakers to Capitol Hill in order to testify.

Still, one wonders about the readiness of the current US Congress to reject a Trump nominee or to criticize the policies of a Trump-dominated Fed. This raises the worrisome spectre of Trump being able to ram through as many as three appointments to the seven-member board of governors over the next year, depending on how the Cook case turns out and what Fed Chair Jerome Powell decides to do when his term as chairperson expires in May.

Some commentators point out that two board members, Michelle Bowman and Christopher Waller, are already aligned with Trump on the current case for interest rate cuts. This means, they suggest, that Trump needs only three additional seats before he possesses a majority on the Fed Board, allowing him to do as he pleases with US monetary policy.

That compliant majority could exercise its veto over the re-appointment of the 12 independent-minded regional Reserve Bank presidents, a rotating subset of whom serve on the interest-rate-setting Federal Open Market Committee (FOMC). At that point, dominance will be complete.

But we must not misunderstand the positions of Bowman and Waller. The FOMC's decision at its last meeting on whether to cut interest rates or hold them steady, as it did, was finely poised. The labour market is softening, which created a consistent argument for cutting rates. At the same time, inflation remains stubbornly above 2%, which is a reason for holding rates steady.

Bowman and Waller are experienced professionals who understand the importance of central-bank independence and the value of credibility. In that context, the fact that they dissented at the last meeting should be seen as reassuring, not alarming. It is a reminder that whomever Trump appoints to replace Powell as Fed chair cannot assume that other members of the Board will rubber stamp his or her decisions.

At this point, the sanguine response of financial markets comes into focus. Even if Trump secures three appointees to the Fed Board next year, it is far from clear that he will be able to force through his policies.

After that, anything may be possible, including even more 'firings' and dubious appointments. But a year is about the limit of how far into the future investors are capable of looking. Financial markets are nothing if not myopic.

The rest of us, in contrast, have a responsibility to peer further into the future, as do American lawmakers and courts. If Cook can be defenestrated, why not others? This is why Trump's attack is so alarming.

MINT CURATOR

OpenAI's $100 billion MS pact could blur its 'mission' further

The AI company's humanitarian orientation looks set to weaken

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Altman has sought freedom from Microsoft as well as OpenAI's founding ideals. AP

Months of protracted negotiations between OpenAI and Microsoft have finally led to... an agreement about an agreement that will help the AI upstart carve a path towards greater independence. "We are actively working to finalize contractual terms," OpenAI said last week, referring to a sweeping plan to restructure its powerful non-profit arm. Remember the one that fired CEO Sam Altman back in November 2023 and nearly gave Microsoft executives a collective heart attack? It's being given an equity stake worth over $100 billion that will redraw the company's future.

OpenAI has spent the better part of two years seeking greater freedom from both Microsoft and the stiff founding principles that allowed its governing board to oust its CEO. Now, a non-binding memorandum of understanding with its largest shareholder points to a future where Microsoft keeps privileged access to OpenAI's technology, but OpenAI can also court new investors and expand deals with other cloud service providers—not just Microsoft.

Microsoft, for its part, likely had more leverage than OpenAI during talks. Over the last few months, it seems to have gone out of its way to signal that it wasn't so reliant on OpenAI by releasing its own proprietary AI models under MAI-1 in August and buying technology from OpenAI's arch rival Anthropic.

Microsoft CEO Satya Nadella has always been a master of diversification, having strengthened the company's footholds in cloud computing (Azure), gaming (Xbox), office software (Windows and Office 365), professional networking (LinkedIn) and AI. Branching into other sources for AI models not only spread his bets on picking a winner, it also meant Nadella didn't need Altman as much as Altman needed Nadella.

OpenAI's CEO is, after all, concurrently dealing with tough competition from Google and Anthropic, projections to burn through $115 billion over the next four years and myriad lawsuits. One thing that might help would be for the company to drop its hollow rhetoric about building AI systems for the greater good. The non-profit entity it originally set up to "benefit humanity... unconstrained by a need to generate financial return" has turned into a moral albatross around Altman's neck.

Sure, it helped motivate OpenAI researchers racing to build super-intelligent AI systems by designating them good guys. But the obligations Altman originally put in place allowed earlier board members to fire him when they decided his duplicity imperiled OpenAI's noble mission. Now the non-profit has been offered an unprecedented gift that looks like a poisoned chalice: a $100 billion endowment that could further erode its integrity. OpenAI said that its non-profit would get a new equity stake in its for-profit business that "exceed[s] $100 billion," making it one of the world's best resourced philanthropic organizations. OpenAI has already promised $50 million in grants to charities promoting AI in education, media and civic life.

That all seems fine, except for an incentive structure that sees the non-profit's actions shaped by the company it relies on for cash. OpenAI's non-profit board legally approves some of its biggest product launches and decides whether a new model is safe to release. But the board could be put under greater pressure to rubber-stamp product launches and support growth with resources linked more tightly to OpenAI's commercial success.

OpenAI's board was already shirking its obligations after a revamp, post-Altman's firing. One example: The release of GPT-4o in May 2024 was rushed out to pre-empt Google's launch of a rival AI model and as a result, compressed months of safety tests into one week just before launch. OpenAI's board let that model go through, despite concerns from the company's safety team.

That decision was central to a recent lawsuit after a teenager died by suicide following months of interactions with ChatGPT. OpenAI had claimed its AI detected self-harm prompts 95% of the time, but the figure was based on controlled, single-prompt tests, not the multiple turns in conversations most users have. After the lawsuit, OpenAI admitted its safeguards could break down during longer exchanges.

OpenAI's restructuring still needs a sign-off from regulators in California and Delaware, who must assess whether it serves the public interest and keeps safety in check. If either attorney general (AG) objects, the deal could face delays or forced changes; checks and balances could come back to bite Altman. Still, it's hard to imagine California's AG blocking a deal that enriches one of the state's most prized exports. Till then, OpenAI's humanitarian mission looks increasingly like a branding exercise. Perhaps that was the point.

MY VIEW | CAFE ECONOMICS

Should industrial policy guide our capital allocation?

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Industrial policy had been relegated to the storeroom as free market thinking swept the world after 1980. It is now back in the reckoning. Industrial policy is essentially state intervention to shape the structure of an economy—rather than its growth rate—according to national priorities. It is thus more about the steering wheel rather than the accelerator, delivering direction rather than speed. Also, industrial policy tries to correct market failures, while economic reforms in recent decades have been more focused on government failures.

The renewed spread of industrial policy was till recently more a belief than an empirically established fact. That is now changing. For example, economists Reka Juhasz, Nathan J. Lane, Emily Oehlsen and Veronica C. Perez trained a large language model to trawl through government policy documents to measure the spread of industrial policy across the world. They found that the number of industrial policy interventions went up by an astonishing 30-fold from 2010 to 2022. This includes broader national industrial policies as well as those targeted at specific firms.

Industrial policy is likely to grow in importance as the world economy fragments, thanks to the rise of protectionism. Rising geopolitical tensions will add to its attractiveness. In an unstable world, major countries would want to build domestic capacity in strategic sectors, though hopefully not succumb to the hubris of trying to do everything at home. Given its rising popularity, it is important to examine industrial policy through a critical lens. A good place to start is to learn from a tale of two carmakers.

The South Korean conglomerate Hyundai began life as an infrastructure company, but made a bold move into car production in the second half of the 1960s. Nearly two decades later, the Malaysian government backed its own national car project to manufacture the Proton. The two initiatives had very different trajectories.

Why did Hyundai succeed while Proton struggled? There are several competing explanations, but one significant difference was that the Korean government forced Hyundai to prove its mettle in the export market to justify financial support, while the Malaysian government chose to swaddle Proton in a protectionist cover. The Hyundai versus Proton tale can be read as one that highlights the potential and pitfalls of industrial policy. How government support should be tempered with market discipline is one of the eternal questions on industrial policy.

China is now the world leader in industrial policy. A new paper by three economists at the International Monetary Fund—Daniel Garcia-Macia, Siddharth Kothari and Yifan Tao—takes a close look at the inner wiring of Chinese industrial policy. The headline result of the study is that China outspent other countries, with its outlays adding up to 4.4% of gross domestic product (GDP) in 2023. However, many of the other details that their research highlights are instructive for policymakers in other countries, including India.

Given its rising popularity, it is important to examine industrial policy through a critical lens

China pursues industrial policy in four ways—cash subsidies to firms, tax benefits to specific industries, subsidized credit and cheap land. Cash subsidies are the biggest item in the Chinese industrial policy bill. Next come tax incentives. These two account for most of the fiscal support to specific industrial activities. Subsidized credit and land are less important in the Chinese playbook.

As far as cash subsidies and corporate tax benefits go, the sectors that got most of Beijing's largesse were semiconductors, technology hardware, automobiles, pharmaceuticals, materials and software services. Consumer industries were only minimally supported through industrial policy. This approach largely aligns with the broader reality that China is busy moving up the value chain and making its mark in key intermediates as well as frontier technologies.

Recent Indian industrial policy is led by fiscal subsidies offered by production-linked incentive (PLI) schemes. Subsidized land is another incentive thrown in by state governments. Unlike in China, India's industrial policy sweep covers not just industries of strategic importance, but also consumer industries such as textiles, white goods and food processing. The most successful PLI scheme till now is the one for the assembly of mobile phones. There has also been some initial impact of incentives for chip fabrication and design under the India Semiconductor Mission.

This is the second major Indian attempt at industrial policy. The earlier version was designed in the 1950s by a newly independent country trying to add strategic depth to its industrial sector in the midst of the Cold War. It was led by the public sector. The focus was on import substitution rather than export growth. The Nehruvian gambit failed after an initial decade of success. So did similar experiments in other developing countries such as Brazil.

It must be recognized that industrial policy seeks to guide the allocation of capital among sectors. Economists will try to understand whether capital allocation guided by the government improves or diminishes growth in factor productivity. Others will argue that risk mitigation requires a large country to make some important products within its borders. Efficiency is a secondary concern. The tension between these two approaches will always remain at the heart of industrial policy debates.

OUR VIEW


BLOOMBERG

Reflection time: What's this gold rush telling us?

The dramatic run-up in its price this year reflects a spike in global uncertainty as well as its hold on the human psyche. Gold could well outlast rivals of any extraction or conception

Indians have long been known for a fascination with gold that often seems obsessive. This year, however, gold fever has been a global affair. We have seen a gold rush across the world, with individuals, investment funds, businesses and central banks making a beeline for the yellow metal. Gold prices have risen more than 30% so far this year, which suggests its annual price increase might eventually exceed what we saw during the pandemic or the West's 2007-09 recession, according to Dow Jones Market Data. Futures for the precious metal have not surged so much in a year since 1979, when an energy crisis fuelled an inflationary shock that brought the world economy to its knees. Unlike the past, though, it is not a deadly bug or financial meltdown that is drawing people to what's perhaps the earliest safe haven ever discovered. Instead, the recent run-up to a record price of almost $3,700 per troy ounce on Tuesday is the direct outcome of a spike in uncertainty after a shift in the White House. It is not just the dismal future of world trade that is to blame. Given US President Donald Trump's incessant attacks on the US Federal Reserve's leadership, the entire edifice of modern finance is at threat. The Fed, after all, is its nerve centre. Throw in turbulent geopolitics—with wars in Europe and West Asia—and it is easy to see why investors are rattled.

The fear is that we could be heading for stagflation, or a spell of high inflation and slow output growth, like in the 1970s. After the US dollar's direct convertibility into gold was nixed by Nixon in 1971, the metal's price shot up. What could be bought for just $35.50 per ounce in May 1970 was selling at $670 by September 1980. Mirroring this, the price of 24-karat gold rose from ₹184 per 10gm in 1970 to ₹1,330 a decade later. The current upshoot, which began almost three years ago, has intensified over the past few months with Western investors piling into exchange-traded funds (ETFs). The net assets of US ETFs linked to physical gold have reportedly ballooned 43% since January, according to Morningstar Direct, with March and April seeing two of the three biggest monthly inflows since at least 2014. The possibility that the US Fed will embark on a rate-cutting cycle has pushed speculators into a scramble for gold, since lower interest rates could raise its appeal—despite the fact that holding it yields no payback—relative to safe government bonds. In India, cumulative investments in gold ETFs have crossed ₹5,648 crore over the year till date. Assets under the management of gold ETFs surged nearly 94% year-on-year, rising from ₹37,390 crore last August to ₹72,496 crore last month. For many Indians, the attraction of gold lies not only in its intrinsic value, which makes it a hedge against inflation, but also in its value as collateral; as reported, gold-backed loans now account for 1.1% of total bank credit, their share nearly doubling from a year earlier.

For all the crypto hype, gold has risen more than Bitcoin (up 24%) in the year till date—a telling commentary on its hold on the human psyche. Gold is often seen as an anachronistic buy, but could well outlast rival valuables of any extraction or conception. Clearly, Shakespeare got it wrong when he warned in *The Merchant of Venice* (speaking on behalf of gold): "Many a man his life hath sold, but my outside to behold." Embossed seals on paper and digital tokens might glitter too, but gold still rules.

GUEST VIEW

Don't turn the cess rollback into a hurdle for India's auto industry

A transition mechanism could save dealerships the cess payments they've made on unsold inventory

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When the Goods and Services Tax (GST) Council unveiled GST 2.0 earlier this month, one of the headline changes was the abolition of compensation cess on automobiles. For consumers, this looks like a festive season bonanza—cars are about to get cheaper and dealers are dangling record discounts. But behind the glitter of showroom offers lies a thorny problem: the absence of a transitional credit or refund mechanism for compensation cess has left the broader auto industry nursing a tax hit of over ₹2,500 crore.

Simply put, dealers pay GST and compensation cess when they buy cars from manufacturers. Earlier, they recovered this by charging customers the same taxes, with input tax credits deducted from the bill. But unlike GST, compensation cess can only be adjusted against cess collections. With the cess abolished from 22 September, dealers cannot collect it anymore, leaving the cess already paid on unsold stock locked in their books with no way to use it.

Discounts can't plug a structural gap: In general, the belief is that GST 2.0 is a win-win for all. Car manufacturers, including Maruti, Hyundai, Mahindra, Tata and Kia, have rolled out deep discounts to move stock. While these lower MRPs and keep showrooms busy, the do not address the core issue: how to recover the cess already paid. This blocked capital sits in dealer ledgers, squeezing working capital and creating financing stress for businesses already reliant on bank credit.

MSMEs under strain: Most dealerships are family-owned businesses that fall squarely under the micro, small and medium enterprise (MSME) definition. They operate on wafer-thin margins and depend heavily on bank lines to fund inventory. With paid-up cess locked, many now face a severe liquidity squeeze that could impair their ability to service loans or invest in expansion.

As a Delhi-based dealer said, "The government has made cars cheaper for customers, but costlier for us to sell." Bankers too warn that the sudden liquidity strain could push small dealerships into distress.

Consumers may lose out too over time: For Indian automobile consumers, GST 2.0 appears to be an unqualified win—cheaper cars and record discounts. But a financially squeezed dealer network carries hidden risks. If cess credits remain locked, many MSME dealerships could cut back on expansion, shut outlets or scale down their service operations. The eventual effect would be fewer showrooms in small towns, weak after-sales support and slower rural penetration. Over time, thus, auto consumers may find that the short-term bonanza came at the cost of choice, convenience and service quality.

This policy-induced complication is unfair to an automobile industry that is not only among the largest employers in India's manufacturing sector, but also a critical driver of India's Atmanirbhar Bharat agenda. With a 7.1% contribution to GDP and 49% to the country's manufacturing output, any prolonged disruption in dealer viability risks weakening broader supply chains.

Why the government is reluctant: From the Centre's perspective, abolishing the cess was necessary to simplify GST and address industry demands for a cleaner and unified rate structure. Officials argue that providing transitional credit to overcome the problem could lead to additional revenue leakage. At the same time, there is political mileage to be gained in highlighting how consumers are paying less for cars, even if dealers are left struggling.

In principle, the amounts involved are not "new revenue forgone"—they represent a tax component already paid. Transitional relief for dealers would not dent exchequer inflows, but shore up confidence in the fairness of the regime. In fact, withholding relief risks eroding trust between Indian policymakers and MSMEs, a segment that the government identifies as a priority.

What dealers want: The Federation of Automobile Dealers Association has urged the Prime Minister's Office to look into a solution by which the balance lying in the compensation cess credit ledger as on 21 September is transferred to the integrated GST and central GST credit ledgers to use for meeting regular GST liabilities.

Transitional credit is administratively feasible. During the original GST rollout in 2017, such credit mechanisms were provided for excise and VAT-paid stocks to ensure that taxes already paid under the old regime were not left stranded. A similar framework can cushion the blow this time as well.

Other possible fixes have also been suggested: a one-time refund window for cess balances, staggered adjustment against future GST dues, or even a special dispensation for MSME dealers below a turnover threshold. Any of these could help dealers out.

Roadblock risk: The optics of cheaper cars and festive discounts may dominate headlines. Yet, the sobering reality is that manufacturers are bearing the cost of keeping demand up while auto dealers are stuck with blocked money. Unless policymakers step in with a transition solution, what began as a celebratory reform could turn into a roadblock. Dealerships should be protected to preserve supply chain stability and ensure a glitch-free rollout of GST 2.0.

10 YEARS AGO


mint
RBI issues 10 small bank licences

JUST A THOUGHT

Gold will be around. Gold will be money when the dollar and the euro and the yuan and the ringgit are mere memories.

RICHARD RUSSELL

MY VIEW | EX MACHINA

Let people control how cybernetic social systems work

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In 1948, Norbert Wiener published a work titled *Cybernetics: Or Control and Communication in the Animal and the Machine*. In it, he pointed out that all biological organisms, machines and social systems follow the same homeostatic principles when it comes to adjusting their behaviour.

The human body maintains body temperature, blood pressure, physical balance and a whole host of other essential functions by constantly scanning the environment for changes and immediately responding with appropriate adjustments if and when there is a variation from the norm. If you think about it, both mechanical and social systems follow a similar approach. Thermostats maintain a constant temperature by instructing an air-conditioning system to cool or heat the room as soon as it detects a change in the ambient air temperature. Along similar lines, central banks lower interest rates once they detect rising unemployment so that companies can access cheaper credit to invest more and hire more workers.

Each of these systems uses active feedback loops to detect deviations from the norm that trigger corrective responses that can return the system to its equilibrium state. Wiener's insight was that this approach—which is manifest in nature—can be applied to learning, adaptation and just about any goal-seeking behaviour in artificial systems.

To better describe this science of control and communication in complex systems, he coined the term 'cybernetics,' derived from the Greek word *kybernētē*, meaning a helmsman. Ancient Greeks believed that ships couldn't be steered by simply pointing them towards their destination. Instead, the helmsman has to constantly adjust course in response to shifting winds, currents and other variables. Steering is not so much about achieving dominance over the elements as skilfully nudging the vessel towards its destination through a series of micro-adjustments.

Weiner's work was ahead of its time, anticipating many of the developments in computer science, artificial intelligence (AI) and systems theory that are playing out only now. It has had an enormous influence over a range of disciplines—from engineering and computer science to psychology, biology and sociology—and helped establish 'systems thinking' as a major intellectual framework. He laid the groundwork for fields like AI, cognitive science and complexity theory and the notion that machines could learn and adapt.

Inspired by his work, economists and managers soon began to describe firms and markets in cybernetic terms, referring to flows of information, feedback circuits and correction loops. In Chile, the government implemented Project Cybersyn, a distributed decision support system to aid in the management of the national economy by creating real-time feedback loops between factories, government planners and workers, so that the government could digitally manage the national economy and enable participative decision-making. The Soviet Union established its own cybernetic project called OGAS, which established a three-tier network that collected data through thousands of terminals throughout the USSR to establish a unified economic management system.

Such systems that shape our behaviour must meet the aims of citizens rather than private businesses

While Weiner never lived to see his vision of a cybernetic society come into being, he would have been interested to learn that our lives today are influenced at every turn by invisible helmsmen. The digital applications we have come to depend on for everything we do observe our every action and draw conclusions from them that are later used to influence our actions.

This is how social media applications serve us content designed to hold our attention for as long as possible. It is what advertising engines rely on to shape our consumption choices, so that they can offer us items they know we will find hard to resist. So effective are these measures that anyone who believes that they still have 'free will' online is simply deluded.

When Weiner conceptualized cybernetic social systems, he presumed they would operate under the control of the government. That it would be the elected representatives of the people who would have their hands on the tiller and get to decide how these real-time feedback loops would be used to determine what behavioural adjustments were to be made. That is not the case. Governments can do little or nothing to shape how modern cybernetic systems function. All those decisions are made by the private enterprises that control how these digital systems operate. It is they and they alone who get to shape how society functions.

This is not how cybernetics was supposed to work. When societal behaviour is shaped by feedback loops, the direction and nature of those changes must be determined in accordance with democratic principles, not the aims of private enterprise. This means that the reins must lie firmly in the hands of elected representatives who have been given a mandate by the people and know that should they fail to deliver, they risk not being returned to office.

I am not convinced that a society under the influence of cybernetic systems is a good thing. The idea that our actions can be shaped in ways we cannot control is unnerving, to say the least. But one thing is certain. If such systems are operating in society, the least we can do is make sure they are not administered by private corporations over whom we citizens have little control.

HOW DB REALTY BOUNCED BACK AS VALOR ESTATE

Once written off, the company is raking in millions and counts India's biggest developers among its partners

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BENGALURU

Worli, India's hottest property micro-market today, where apartments sell at over ₹1 lakh a square foot, will soon see a mega slum redevelopment project. The 17-acre land parcel will have a Waldorf Astoria hotel and branded residences, a second hotel under the Hilton brand, two high-end residential towers, office and retail space. It will also rehabilitate 4,000 families that occupied the land.

At the helm of the ambitious, 4.5 million sq. ft mixed-use development project, pegged to be south Mumbai's largest, are Prestige Group and Valor Estate Ltd. In its earlier avatar, the latter was known as DB Realty, a name that became infamous after the promoters got embroiled in the 2G spectrum scam case a decade and a half ago.

Like many slum rehabilitation projects in Mumbai that went cold due to the complexities involved, the Jijamata Nagar project in Worli, conceived nearly two decades ago, was stuck. DB Realty had stepped into the project around 2010 and was to jointly execute it with Lokhandwala Infrastructure. But it remained a non-starter. With Bengaluru's Prestige buying out Lokhandwala's stake and coming in as an equal partner with Valor, the project is finally set to take off now.

In Mumbai, where building regulations and approvals are not easy to navigate, the partnership works well. Valor brings its strength in slum clearance and procuring approvals to the partnership, while Prestige brings development and execution bandwidth to the table.

After Valor Estate's promoters, Vinod Goenka and Shahid Balwa, were accused in the 2G telecom spectrum scam, the company faced a complete stoppage of its projects. Today, the real estate firm counts some of the country's largest developers as partners in prime projects. Armed with over 500 acres of land in a city known for its notoriously scarce land at skyhigh prices, and its expertise in slum redevelopment, the company slowly got back into the game.

Rendered image of Ten BKC, a residential redevelopment project near Mumbai's Bandra Kurla Complex, a business district. Valor Estate first entered into a development agreement for the project in 2010.

Like Valor, the promoters of Unitech, once India's second-largest real estate developer, were also accused in the 2G case. But Unitech's troubles were multifold. In 2020, the Supreme Court took over the company's management after it faced accusations of money laundering and fund diversion impacting thousands of homebuyers.

So, how did Valor Estate turn its fortunes around?

THE RISE AND FALL

Even before DB Realty was founded, Goenka and Balwa, both college dropouts, had a real estate connection. After joining his father's construction firm, Goenka went on to launch Dynamix Group, a real estate company. Balwa's father Usman Balwa had a hospitality business. The two went to form Dynamix Balwas Group, and eventually, DB Realty, the listed entity.

Before the 2G issue, Valor's rise as a real estate developer in Mumbai, arguably one of India's most challenging property markets, was nothing short of meteoric. The company's ₹1,500-crore initial public offering in February 2010 at ₹468 a share, continued expansion even when the markets were down after the 2008 Lehman crisis, and large-scale projects, stunned the industry.

But then came the 2G case.

Swan Telecom (later known as Etisalat DB), a relatively new company in the telecom business, was one of the many entities embroiled in the 2G case. Balwa and Goenka were among its directors. Both were arrested after the company faced accusations of being favoured in the spectrum allocation.

"From 2011, all our projects came to a grinding halt. We had a lot of land but no financial backing from any bank. There were serious cash flow issues," recalled Goenka, the chairman and managing director of Valor Estate.

With the case going on, DB Realty was in a state of paralysis. "Around 2014-15, Shahid (Balwa) and I decided we can't be just sitting on all these prime lands we had," Goenka said.

But because of the 2G case, the DB Realty brand had been battered. The promoters realized it would be impossible to develop projects on their own let alone sell them. "So, we thought, why don't we partner with a good developer brand, which has the financial backing and the capability to execute and sell," Goenka explained.

The first such deal, signed under the partnership model, was for the Arradhya project with Man Infra in 2015. Subsequently, multiple developers came on board. But the 2G taint remained and it wasn't easy. "To convince developers was difficult. The fear was: what if our properties were attached in the future or there was legal impact with the (2G) case going on," said Goenka.

Then came some good news. After almost seven years and a long legal battle, all the accused, including DB Realty's promoters, were acquitted due to lack of evidence in 2017 by a trial court.

"Things changed after that," Goenka said.

The promoters registered the company's new name, Valor Estate, in March 2024. The name was chosen with *vaastu* and numerology in mind. Even so, the 2G case continues to haunt them. In early 2022, for instance, when Godrej Properties Ltd (GPL) announced that it was planning to acquire a stake in DB Realty and set up a joint venture platform for redevelopment projects, its stakeholders and minority investors pushed back. The next day, Godrej pulled back saying that given the feedback it had received, it was not proceeding with either investment.

> Valor's potential share from six residential and commercial projects in the pipeline, in and around Mumbai, is estimated to be over ₹11,100 crore.

Meanwhile, the legal case continues. The Central Bureau of Investigation (CBI), India's crime investigating agency, appealed against the trial court's judgement and the matter is now pending before the Delhi High Court. The next hearing is scheduled on 18 November this year.

THE SECOND INNINGS

Fifteen years after facing various development setbacks, Ten BKC, a residential redevelopment project near Mumbai's prime business district, Bandra Kurla Complex (BKC), recently started handing over homes to buyers.

Valor Estate had originally entered into a development agreement for the project in 2010. After the 2G fiasco, it needed a white knight. Enter Radius Estates & Developers, which struck a joint venture with Valor to revive the project. But, Radius later defaulted on loans and faced insolvency. Eventually, Adani GoodHomes Pvt Ltd, a group company of Adani Properties, stepped in and acquired Radius' stake through the National Company Law Tribunal (NCLT) to develop and execute the project.

Valor Estate's turnaround, to a great extent, has thus been in finding the right developer partners to revive its stuck projects or monetize prime land that it could not have developed and sold on its own.

"Our model is very simple. We have the land or development rights for a land parcel. We get the approvals. A developer partner comes in, with whom we have a revenue, area or profit sharing arrangement," Goenka explained.

In recent years, Valor has teamed up with multiple developers. In January 2019, for instance, Shahid Balwa, vice-chairman and managing director of Valor Estate, was in Bengaluru for a round of meetings with top developers in the city. That was when Prestige Group chairman Irfan Razack first met him.

Prestige had signed a couple of projects in Mumbai, including a niche, luxury project in Pali Hill, but it wanted to do more. The two sat across the table and got talking, without any deal in mind. By the end of the discussion, Razack and Balwa were shaking hands for two office projects: one was a stuck Valor project in Mahalaxmi and another in BKC. After due diligence, the term sheet was signed in the presence of Deepak Parekh, former chairman of HDFC, which was also a lender to Valor.

"We are quite happy with our association, and have a good relationship with Valor. Going forward, if there are opportunities, we could work together again," Razack said.

Prestige is also a partner with Valor in a large mixed-use project at Aerocity in Delhi that will open next year.

Aside from Adani and Prestige, Valor has also formed partnerships with other developers, including L&T Realty, Rustomjee Group, Lodha Developers, and RMZ. And while Godrej Properties may not have purchased a stake in Valor, it is now jointly developing a project in Mahalaxmi with the company.

Lodha Developers, the city's largest developer, has signed a 1.3 million sq. ft project with Valor in suburban Malad (west), under a revenue and area share arrangement, according to Valor's latest investor presentation. The project's gross development value (GDV) is ₹2,770 crore, and Valor's share will be roughly ₹415 crore. In real estate, GDV is the estimated value of a completed project.

Valor's potential share from six residential and commercial projects in the pipeline, in and around Mumbai, is estimated to be over ₹11,100 crore, according to the presentation.

In the April-June quarter, revenue from operations stood at ₹898.5 crore compared to ₹93.12 crore in the corresponding year-ago quarter. The company reported a net profit of ₹13.71 crore compared to a loss of ₹13.18 crore during the period.

mint SHORT STORY

WHAT

Before the 2G issue, DB Realty's rise in the tough Mumbai market was nothing short of meteoric. The company even had a ₹1,500-crore IPO in February 2010.

BUT

The promoters got embroiled in the 2G spectrum case and were arrested. The company's various projects came to a standstill and it plunged into obscurity.

NOW

After being acquitted in 2017, the promoters rebuilt DB Realty as Valor Estate. The turnaround hinges on finding the right developer partners or monetizing prime land.

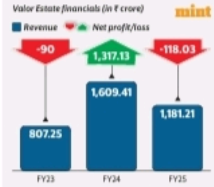
"The joint venture partnership route has proved to be a very good model for the company given that the brand had taken a beating," said Anuj Puri, chairman of property advisory Anarock Group. "It would have found it difficult to sell under the brand name. So, to tie up with developers with the ability to sell, like Prestige Group, is a win-win for Valor, the developer partner and buyers," he added.

Despite the company coming back from the brink, however, stock market investors have not been overly impressed. Valor Estate shares closed at ₹168.50 on 15 September. While the company has beaten the benchmark index, Nifty realty, in the last three years, the share price is still far below its IPO price. The stock price tumbled in 2011-2012 after the 2G fiasco, and has inched up since 2019 or so, after the company got on the path to recovery.

STEADY BUILD-UP

In the last three years, Valor Estate's stock comfortably beat the industry benchmark.

Valor Estate slipped into a loss in FY25.



Source: Bloomberg, Company filings

SATISH KUMAR/MINT

SLUMLAND MILLIONAIRES

In Mumbai, redevelopment of aging housing societies and slum pockets is the main route to expand. The redevelopment route is lengthy and involves obtaining the consent of the tenants, providing them alternative accommodation or financial compensation. Despite the complexities, society redevelopment projects have attracted many developers in recent years. But Valor has steered clear, instead focusing its energies on redeveloping slums.

"We are not in the society redevelopment race and don't want to compete with other developers. Slums are our forte, where we go in and clean up the land. In the past, we had serious competition from a few developers. But now, there are just a couple of us in slum redevelopment, which gives us an advantage," Goenka said, adding that the company's strategy is not to go and bid for a piece of clean land.

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Top slum developers such as Housing Development and Infrastructure Ltd (HDIL), Omkar Realtors and Developers and others who dominated the scene once are a shadow of their past. This has put Valor Estate in an advantageous position.

"Shahid Balwa's ability to decipher and interpret the nuances of development plans and efficiently manage them in slum redevelopment projects has been a key strength of DB Realty. The company's track record in this segment is impeccable, and its future pipeline remains promising," said Gulam Zia, senior executive director, research, advisory, infrastructure, and valuation at property advisory Knight Frank.

Not surprisingly, many developers in Mumbai or those planning to enter the city are exploring tie-ups with Valor for slum projects. With many slum redevelopment firms either shutting operations or lying dormant, DB Realty today enjoys a strong hold on this business, Zia said.

"Given that slum redevelopment contributes nearly two-thirds of the new apartment inventory in Mumbai, DB Realty's leadership position in this sector provides it with a distinct competitive edge among developers," he added.

BIGGER AMBITIONS

The debt-ridden Lavasa project, in the Sahyadri mountains in Maharashtra, which was a dream project of Hindustan Construction Company chairman Ajit Gulabchand, and once touted as a private hilltop city, is in the middle of a multi-round aggressive bidding process, as creditors try to sell it to recover their dues.

In this ongoing takeover battle, Valor Estate is one of the foremost bidders, along with two others. Whether Valor Estate ultimately wins the bid or not, what is interesting is the company participating in the mega auction for a project of Lavasa's scale.

For the next three-four years, Valor plans to continue partnering with developers, but beyond that it has bigger plans—develop projects on its own, again.

Even the current model, where Valor is mostly a silent partner, could see some changes. "We are well-funded, almost debt free, and can deploy our own money to get land ready and give it to a developer to build. Now, we can actually choose who we want to partner with. The revenue or area share ratio we can command can also go up. We may also look at co-branding some of the new projects we take up with our developer partners," Goenka said.

The company has also reorganized its verticals. This year, the hospitality business was demerged as Advent Hotels International, while Valor continues to focus on the residential and commercial business.

For any real estate developer, brand name and customer trust are key. While Valor has managed to get back into business in a new avatar, rebuilding its brand image and credibility will be crucial for a sustained recovery.

Opinion

WEDNESDAY, SEPTEMBER 17, 2025

SUSTAINABILITY PUSH

Union minister Hardeep Singh Puri

We initially set a target of 20% ethanol blending with a deadline of 2030, but we achieved it six years ahead of schedule. I will put a full stop there. We will now assess where we have to go

Russian oil dilemma

India should consider alternative sources at no additional cost

INDIA'S DEPENDENCE ON Russian oil remains contentious with the US notwithstanding President Donald Trump's friendship with Prime Minister Narendra Modi and affirmation of special relations between the two nations. Trump admits that levying 50% tariffs on Indian goods—which include secondary sanctions of 25% for buying Russian oil—was not "an easy thing to do" and caused a rift with India. These oil purchases are likely to attract even higher sanctions as the US President seeks to reduce oil revenues that fund Russia's 42 month-long war in Ukraine. During his Senate confirmation hearings, the US ambassador-designate to India, Sergio Gor, emphasised that persuading India to move away from Russian oil was a "top priority" for the Trump administration. The US President has urged North Atlantic Treaty Organization and Group of 7 allies to levy up to 100% tariffs on China and India. US commerce secretary Howard Lutnick also stated that the US will sort out the trade deal once India stops buying Russian oil.

India will therefore find it difficult to continue buying Russian oil as it seeks to ink a trade deal and bolster its special relations with the US. Discontinuing such purchases no doubt will impact its energy security as the availability of deeply discounted crude eased pressure on its external accounts. Since 2023, Moscow has provided 36% of India's requirements of 5 million barrels of oil a day. On the face of it, New Delhi's oil imports from Moscow remain resilient as volumes in the first fortnight of September surpassed imports in August as a whole. This reflects the timing of contracts fixed six-eight weeks in advance and that the true impact of US tariffs will surface from late September and October, according to Kpler's lead research analyst, refining and modelling. But there are signs of change with India seeking to balance between discounted Russian oil and reliable West Asian supplies to ensure security and avoid overexposure to geopolitical shocks. The Adani Group recently banned the entry of sanctioned vessels at its ports like Mundra.

While India has the sovereign right to access oil from any source, a favourable conjuncture exists to rationally consider non-Russian options as well. Global oil prices are heading to lower levels with Brent crude spot prices slumping to \$67 a barrel in the first fortnight of September from \$79 a barrel in January, largely due to the unwinding of voluntary production cuts by the Organization of Petroleum Exporting Countries and its allies. This decision to boost output in a market that is awash with oil supplies—to win market share at the expense of rivals—will intensify downward price pressures. Prices are likely to hit an average of \$59 a barrel in the October-December quarter and \$50 a barrel in early 2026, according to the US Energy Information Administration.

Such prices are bound to narrow, if not eliminate, the differential between Urals crude, that is favoured by Indian refiners, and Brent spot prices. The prospect of sourcing cheaper oil also exists from the US, the world's biggest oil-producing nation, as Big Oil braces for a prolonged period of lower crude prices. The dynamics of the global oil market widen the options for India, the world's third largest importer, to consider switching to alternative sources of supplies at no additional cost and reduce its dependence on Russian oil.

GREEN ENERGY

INDIA HAS MET NON-FOSSIL SOURCE TARGET, BUT ISN'T DOING ENOUGH TO ADD TO RENEWABLE CAPACITY

What after 2030?

SOMIT DASGUPTA

Senior visiting fellow, ICRIER

DURING THE DELIBERATIONS at the Conference of the Parties (COP 26) in Glasgow (2021), the Indian government had announced the "Panchamrit" where one of the targets was to have at least 50% of the generation capacity consisting of non-fossil sources by 2030. We have already achieved this target five years ahead of schedule as we have a non-fossil capacity of 242.8 gigawatts (Gw) out of a total capacity of 484.8 Gw. Seeing this, one wonders if the target was too soft to begin with. At the time of the Panchamrit announcement, we already had a non-fossil generating capacity of about 163 Gw which was almost 41% of the total capacity. So reaching a 50% share of non-fossil capacity was not that difficult, especially since our pace of coal-based plants has slowed down. The other issue is whether capacity is the right measure or should the target have been set in terms of generation from non-fossil sources. After all, renewable capacity does lie idle frequently on account of many factors. Incidentally, there is a tendency to use share in capacity and generation interchangeably, including in government documents, but this is erroneous since capacity utilisation for renewable sources like solar and wind is much lower than that of conventional generation, meaning coal. So today, while the share in capacity of solar and wind is about 35%, their share in generation is only 12.5%.

Coming back to the central theme of the piece, what should be the major policy measure beyond 2030? The government, in a way, has tacitly admitted that we are going to continue with coal-based generation till 2047 by which time, hopefully, we will achieve a developed country status. In fact, there has been a recent announcement that a fresh coal capacity of 97 Gw is being planned, and let's not forget that such plants will have a life of 40 years. So, a plant which starts generating around 2030 will be alive and kicking at least till 2070. In addition, retirement of old coal-based plants have been put on the back burner. However, if we are still serious about going net zero by 2070, the course of action would be very different. We will need to add to renewable capacity at a rate much faster than our historical growth. The problem, however, is that one cannot go on making addition to renewable capacity without adding to storage. We have already reached a stage where during solar hours, the day-ahead spot market price is reaching near-zero when the demand is low. If we add more renewable generation, sans storage, we will have to take such generation off the grid since conventional generation will already be at the technical minimum and any further back-down of conventional generation may harm the machines. Similarly, we cannot go on adding storage capacity with inadequate renewable growth since the usage of this storage will be sub-optimal and financing such a project may run into problems. In my opinion, renewable growth will have to precede storage. Once enough renewable capacity is created, investment in storage will follow almost automatically.

> **We need to revisit our policies of carrying on with the approved list of models and manufacturers and also do away with protectionist policies like imposition of basic customs duties**

Some steps have been taken in the recent past to promote storage, both of batteries and pumped storage. A viability gap funding scheme has been initiated to bring down the cost of battery storage and one is seeing the levellised cost of energy using co-located batteries drop to somewhere around ₹3.50 per unit, which is equivalent to the variable cost of coal-based generation. In addition to this, fresh guidelines have been framed to give quick approval to pumped storage plants (PSPs). Along the lines of renewable purchase obligation, something called energy storage obligation has been put in place where distribution companies will have to necessarily provide for storage for a certain percentage of their power purchase. Both battery storage or pumped storage have their own pros and cons. Battery storage may be relatively cheap but can provide a backup of two to four hours. In contrast, PSPs can provide electricity for longer hours, maybe six to eight hours. Battery storage can be built up quickly whereas PSPs may take about eight years to become functional. Batteries are mainly lithium-ion, and there are supply-side bottlenecks when it comes to lithium. Other battery technologies like sodium-ion are still a work in progress and do not enjoy the economies of scale like lithium-ion which has had a head start. Incidentally, we have made some headway in storage and projects, aggregating to about 31 Gw tendered since 2022. The preference, it seems, is for battery storage vis-à-vis PSPs (Institute for Energy Economics and Financial Analysis and JMK Research).

The moot point is whether we are doing enough to add to renewable capacity, which is a prerequisite for building up storage. The answer is no. Though we have said that we will add 50 Gw of renewable capacity every year for five years starting from 2023-24, what we have actually added in 2023-24 and 2024-25 is only 18 Gw and 28 Gw respectively. During 2025-26 (till July 2025) we have added 15 Gw. Our average for the last decade is about 11 Gw. We need to revisit our policies of carrying on with the approved list of models and manufacturers and also do away with protectionist policies like imposition of basic customs duties. Our grid infrastructure needs to be adequate to provide quick connectivity to renewable generators. State governments need to be proactive and assist the developers in land acquisition and also ensure timely payments to renewable generators. This is only an illustrative list of what needs to be done and is by no means exhaustive.

Views are personal

Earnings reports don't need to be quarterly

ALLISON SCHRAGER

Bloomberg

ONCE AGAIN, THE president is questioning what purpose is served by publicly traded companies issuing quarterly earnings reports. Not only did Donald Trump raise this issue back in 2018—so did Barack Obama in 2015.

Which just goes to show that the arguments against quarterly financial reports are neither crazy nor new. It was not until 1970 that the US Securities and Exchange Commission required quarterly reporting, and it has not been required in the UK since 2014.

I have argued that more transparency is generally better. A more frequent flow of information can lead to fewer surprises, less market volatility, and a lower cost of capital. It also leaves less room for fraud and other financial shenanigans.

But there is a cost to transparency. Proponents of semi-annual reporting (often corporate CEOs) argue that if would encourage firms to be more long-term in their thinking and strategy. If so, there is little evidence for it. Long-term investing requires thinking years ahead. Would releasing financial results and guidance just twice a year instead of four times make that big a difference?

There is a natural experiment in the UK, which went from semi-annual to quarterly reporting in 2007, and then back to semi-annual in 2014. A CFA study found no big changes in capital expenditures or research and development with either switch. Another study found no evidence of more long-term thinking from more frequent reporting. And it's worth noting that even though they are allowed to issue semi-annual financial reports, 90% of UK companies continued to report quarterly.

The CFA report did find that smaller firms were more likely to report semi-annually after 2014. Less frequent reporting would be the big benefit for them. In 2016, audit costs alone (includes quarterly and annual reporting) accounted for 0.05% of revenue of large firms and 0.33% for small firms. Most of that cost is the annual report, which firms would still have to produce, but these are only audit costs. There is also the time senior staff must devote to the reports and earnings calls, which is a larger drain on firms with fewer employees.

One of the issues facing US markets in the last several decades has been the decline in initial public offerings. There are several reasons for the drop, including a change in market structure that favours acquisition over going public, the stunning growth of private markets, and increased compliance costs with regulations that were added following the Enron bankruptcy and the financial crisis.

It's not that ditching quarterly reports could by itself revive the IPO market. But it wouldn't hurt. Things may only be getting worse for smaller companies, which will struggle to raise capital in a higher-rate environment and a more challenging private equity market, even as tariffs eat into their profits.

Letting small firms report semi-annually would be some relief. The SEC could theoretically let only small firms report less frequently—but based on the UK experience, introducing this sort of distortion is probably unnecessary. Bigger firms will probably still report quarterly, either to ensure analyst coverage or because they worry that semi-annual reporting would be a bad signal to markets.

One of the supposed drawbacks of semi-annual reporting is that it will hurt the retail investor, because institutional investors rely on other data, some of it proprietary, and will continue to get the information they need. But most US households are in the market through mutual funds; only 20% even buy individual stocks. And if less frequent reporting entices more small firms to go public, retail investors would benefit—they would have access to growing companies normally available only in the private market.

A few years ago, I might have argued that moving to semi-annual reporting was a net negative, mainly because it would reduce transparency. But the current (and likely future) financial environment is challenging for small firms, and private markets are too opaque. In that context, if less frequent reporting lures some private companies into public markets, then it could help both businesses and investors alike.

RBI must change its intervention approach

JAMAL MECKLAI

CEO, Mecklai Financial
www.mecklai.com

It needs to develop a tool based on global growth forecasts and, perhaps, some measure of domestic competitiveness to judge when to actively push the rupee weaker

WHILE THE SHOCK of Trump's tariffs is wearing out, it is unfortunate that the excitement that this could turn out to be another 1991 opportunity for the Indian economy is also rapidly subsiding. To be sure, the government has cut goods and services tax (GST) and is in wide-ranging discussions with exporters to figure out the most efficient ways to provide support in the face of the sudden obstacle to sales.

However, there is no—or very little—talk about investing in the areas that India really needs to truly build a strong economy. The list of must-haves is well known: land reform, improving agricultural productivity, meaningful employment opportunities, addressing mispricing of power and transportation, the evergreen "ease of doing business", and, of course, increasing investment in education, health, and R&D.

As it happens, we are in a reasonably good macro position with the government having done well in containing the deficit at 4.8% last year to where S&P gave us a pat on the back; again, there are signs that the government expects to hold this year's deficit to target at 4.4%. Given this, and the fact that most people expect to feel a little pain as a result of the T-crisis, I believe it is an opportune time to increase investment to bring about meaningful change, even if it results in a slightly higher deficit. (The Chief Economic Advisor appears uncomfortable with this—at a recent event, two participants raised the issue, but he was firm, pointing out that this would put the government's borrowing programme at risk. I don't agree with his reading of the balance of risks.)

I acknowledge that it is true that today is not 1991 and we do not have our backs quite to the wall—we are still pulling in excellent growth. But given that the global environment is certain to remain difficult over the next couple of years at least, it is more than time that we take a more aggressive stance to addressing structural issues in the economy.

One additional tool we can use to support this effort is exchange rate policy. Since January 20 this year, when the Big T came into our lives with a bang, the rupee has been the worst performer of 25 currencies we track (leaving out the two currency basket cases, Argentina and Türkiye). During this period, the DXY (dollar index) has fallen by 8.8% and all but three of the 23 currencies have strengthened—the three wobblers are INR (-1.8%), the Pakistani rupee (-1.1%), and the Indonesian rupiah (-0.2%).

> **When growth is uncertain and we are fighting against disproportionate tariffs, a weak rupee is actually squeezing the rest of the economy in service of exports that may not currently be in a position to add balancing value**

The rupee has not responded at all to global dollar weakness; if (since January) it was floating freely with the dollar, USDINR would have been around 78 today. This would have been of great value in terms of inflation (and interest rates), but the Reserve Bank of India (RBI), like central banks in several competing countries, has clearly been single-mindedly looking after exporters. Unfortunately, this one-horse pony of keeping the rupee weak hasn't helped at all—over the past 12 months, goods exports were more or less flat (they grew by an average of 0.2% year-on-year); this despite the fact that the rupee was nearly 9% weaker against the Euro which must have given some push to exports to Europe. On the other side, imports grew about 4% on average over the year, and since imports were more than 60% higher than exports, the impact on inflation was commensurately higher.

While the RBI has certainly managed inflation reasonably well, it would seem that a different approach to exchange rate policy—something along the lines of not pushing the rupee weaker when global growth is weak and uncertain—could further enhance inflation control which, particularly in a poor country like India, is the most crucial economic parameter.

There is no doubt that exports are critically important not just to bring in the bucks but also to push our industry to become more globally competitive. But the burning question is—and particularly since there is evidence that there are periods (and, sometimes, long periods) where rupee weakness is not correlated with export growth—are we going to keep pushing the rupee lower and lower forever into the future?

Sure, when global growth is strong, it makes sense to keep the rupee weak enough so our exporters could take advantage of the market. However, when growth is uncertain and we are fighting against the disproportionate tariffs, it seems to me that a weak rupee is actually squeezing the rest of the economy in service of exports that may not currently be in a position to add balancing value, as we have seen this year.

The RBI needs to develop a tool based on global growth forecasts and, perhaps, some measure of domestic competitiveness—AI, anyone?—to judge when to allow dollar weakness to seep into the market, strengthening the rupee, and when to actively push the rupee weaker.

LETTERS TO THE EDITOR

Educate investors lured by short-term gains

Apropos of "Overvalued market" (*FE*, September 16), a majority of the equity market is overvalued with retail investors rushing to buy stocks at high prices without commensurate returns. Foreign portfolio investors quit the market and the bubble created by retail equity shareholders. Retail investors purchase overvalued stocks while following a herd instinct rather than rationalised investment decisions based on the inherent value of stocks and their market performance. Mutual fund may be a better option instead. Retail investors should be selective in investing in equity stocks which have reasonable valuation and strong fundamentals. The way forward is to create formal structures to educate investors and prevent blindfolded entry into the market, lured by short-term gains.

—NR Nagarajan, Sivakasi

Unsportsmanlike stand

The uproar over whether India should play cricket with Pakistan was hard to top, but the no-handshake drama did it. The Asia Cup game showed how far Indian cricket has moved from the position that sport affirms the fraternity of ordinary life. It is bad enough that the International Cricket Council places the two teams in the same group, creating match-ups to go with the inordinate influence the Indian cricket board exerts on these events. Rather than intensifying artificial constructs, the Indian team should adopt a responsible path and restore handshakes. Sport is political, but it need not become bloodless battlefield. International contests might mimic warfare, but the whole point of sport is lost if players behave as puppets of political leaders seeking to inflame passions to polarise people.

—Sanjay Chopra, Mohali

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WORDLY WISE

INFORMATION IS A NEGOTIATOR'S GREATEST WEAPON. — VICTOR KIAM

The Indian EXPRESS

FOUNDED BY RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

EASE OF TRADE

To integrate more closely with global supply chains, India should lower tariffs and relax non-tariff barriers

THERE ARE SIGNS of a thaw in India-US relations. After being extremely critical of India last week, US President Donald Trump said that the two countries are "continuing negotiations to address the trade barriers". A US trade team led by Brendan Lynch, Assistant US Trade Representative for South and Central Asia, is in India to hold talks with government officials on the trade deal. But, the 50 per cent tariff levied on India's exports to the US remains in place. The pain is now beginning to show. As a report in this paper shows, 50 per cent of orders of shrimp from Andhra Pradesh have been cancelled.

Even as the uncertainty over a deal with the US lingers, the India-EU trade talks are progressing, with both sides appearing confident of concluding the deal. A few days ago, the EU's commissioner for Trade and Economic Security, Maros Sefcovic, said that "we are now maximising our efforts to finalise negotiations by the end of the year". These are welcome signs. However, Delhi's push to sign free trade agreements must be complemented by efforts to liberalise the broader trade regime, including the easing of non-tariff barriers such as the Quality Control Orders (QCO). While QCOs are ostensibly to ensure the quality of products and to protect consumers from low-quality foreign goods, they tend to act as trade barriers and lead to higher costs. As of March, 187 QCOs covering 769 products had been notified. These cover a range of goods, from water bottles and helmets to furniture, stainless steel pipes, and tubes. A majority of these have been issued on the recommendation of the Department for Promotion of Industry and Internal Trade. The effects of these protectionist interventions, which only create space for lobbying, are being felt across various product categories. The Confederation of Indian Textile Industry had, reportedly, in its pre-budget memorandum to the finance ministry, said that QCOs on inputs is impacting competitiveness. As per a report in this paper, MSMEs have reportedly also raised the issue, arguing that these are non-tariff barriers and have raised their input costs. These views have been echoed by others as well. NITI Aayog Vice Chairperson Suman Bery had earlier said that QCOs for inputs are a "malign intervention". The issue is being deliberated upon by a high-level committee on non-financial regulatory reforms led by NITI Aayog member Rajiv Gauba.

Lowering tariffs alone will not facilitate integration with global supply chains. Firms desire transparent and predictable regimes. If India wants to integrate more closely with the world, if it wants its exports not to be subject to various forms of non-tariff barriers – such as labour and environmental standards – then it should also resist the temptation to impose such barriers. The market should be the adjudicator of quality. While there may be concerns over dumping, such measures will only make it more difficult to do business in the country, complicate efforts to boost manufacturing, and align with supply chains.

HEED THE HILLS

Government's decision to review some road projects in Uttarakhand should be start of a broader course correction

IN THE CURRENT monsoon season, Uttarakhand has received more than 1,340 mm of rain, an excess of about 22 per cent. The state has been hit by cloud bursts, flash floods and landslides. The latest extreme weather incident in the state triggered landslides on Tuesday, sweeping away at least 13 people in Dehradun district. More than 100 people are reportedly trapped in Dehradun city. While there is little doubt that climate change has made the weather erratic, there is also a consensus among experts that ecosensitive planning could have made the country's high-altitude regions less vulnerable to the fury of rains. The Ministry of Road Transport and Highways' (MoRTH) decision to re-examine the safety of certain stretches of the under-construction Uttarkashi-Gangotri road – a part of the Char Dham Highway project – has, therefore, come not a day too soon.

The geology of the Himalayan region, the subterranean stress on rocks, makes it prone to instability. Cutting into mountainsides to create wide roads adds to the precarity of the slopes. As a study in the journal *Natural Hazard and Earth System Sciences* pointed out last year, rock blasting required during the road widening process can fracture rock masses, creating potential landslide-prone zones along the road corridors. In a letter to the MoRTH, after the flash floods in Dharali in August, two experts flagged similar concerns. The experts – part of the Supreme Court-appointed High-Powered Committee that examined the environmental concerns about the Char Dham project – said that the widening of the valley sides had created new landslide zones. The scientists – one of whom continues to be part of the Char Dham panel, while the other has resigned – referred to a project report they had submitted in 2023, which suggested measures to minimise tree felling. Their suggestions are significant. Trees arrest avalanches and their roots have a stabilising influence on slopes. The loss of natural stabilisers increases the surface runoff during heavy rainfall or snowmelt, saturating soil and increasing the region's susceptibility to landslides. However, the caveats suggested by the scientists were ignored.

In their zeal to expand tourism in the state, the Centre and the Uttarakhand government appear to have shown inadequate sensitivity to the idiosyncrasies of the mountains and repeatedly ignored the red flags raised by experts. The Himalayan region needs scrupulous attention to environmental due processes and the institution of better disaster warning systems. The MoRTH review should be the beginning of a long-overdue course correction.

MY OCTOPUS TEACHER

New research shows that molluscs organise their limbs with precision. It holds a lesson in balance and adaptability

A STUDY PUBLISHED in the journal *Scientific Reports* by researchers at the Marine Biological Laboratory, Woods Hole, in the US, has revealed that on the ocean floor, there is an apparent method to molluscan madness. The soft-bodied octopus has remarkable organisational skill and its eight limbs know exactly when to take the lead and when to do the heavy lifting from the background. The front arms, it turns out, are quite like diplomats — dexterous, far-reaching, and adept at navigating existential complexities. The rear ones tend to be more proletarian and useful for locomotion, propulsion, and pushing off when it's time to make a swift exit. The distinction allows the cephalopods to be adaptable to different environments.

Nature is rife with such compartmentalisation. The human brain outsources language to one hemisphere and spatial sense to the other, even though there is extensive communication between the two. Or bird wings: Symmetrical in shape but each structural mechanism fine-tuned to produce necessary lift and thrust, and provide shape and support, like dancers in perfect synchrony. The benefits of specialisation are apparent even in species such as ants and bees, where decentralised systems refine themselves into expertise.

This has implications far beyond the tide pools. For robotics engineers, it is a design note — perhaps machines don't need rigid uniformity in their programming, but smart, preferential flexibility and responsive architecture. For cognitive scientists, it offers cues about distributed intelligence, where no single node controls the whole, but patterns emerge from cooperative division. For philosophers, it lends itself to a parable: How plurality is the work of patience, balance and intuition. In a world obsessed with conformity, the octopus's adaptability speaks of an enduring wisdom — that resilience emerges not from sameness but from diversity; that harmony comes from differences that know when to lean in and lend heft and when to hold their own.

Our difficult freedoms

UN General Assembly resolution for a two-state solution speaks to morality amid brutality in Gaza

UPENDRA BAXI

A FLOTILLA OF 34 boats carrying 500 tons of humanitarian aid and 600 people from 45 countries, including Italy, Greece, Spain and Tunisia, is now poised to reach Gaza. This initiative is unique in that it includes, among others, members of the European Parliament such as Italians Annalisa Corrado and Benedetta Scuderi, Emma Fourreau from France, and Ireland's Lynn Boylan, who is accompanying the Flotilla to document any "possible breaches of human rights or international law". Although "scared", they insist they are not "intimidated". As Scuderi put it: "I think it's normal to be afraid of facing the Israeli government, which sets no limits in its destructive actions, acts contrary to international law, and has already stated it wants to treat us as terrorists [...] But we will not be intimidated." She adds that this is a mission "worth making oneself available for, even if the consequences may be heavy or difficult to manage. I cannot even imagine the fear Palestinian children feel under the bombs or when being amputated of their limbs without anaesthesia."

This haunting spectacle of human suffering brings to mind the 16th-century jurist Hugo Grotius, who argued that pain and suffering must be minimised even amidst warfare. Avoiding "unimaginable" surplus suffering is central to modern human rights principles. Yet, Gaza today faces "the largest humanitarian blockade of the 21st century", which has placed 2,44,000 people in famine conditions under IPC Phase 5, the most severe category of food insecurity.

Israel's National Security Minister Itamar Ben-Gvir has already announced that "activists will be designated as terrorists, imprisoned, and denied special privileges such as television, radio, and choice of foods". Governance becomes a tool for repression, part of a global process of "democratic backsliding" — a euphemism for righticide and democide, where even a modicum of human rights activism is recast as terrorism.

Against this backdrop, 142 nations recently voted in favour of a resolution introduced by France, with 10 against and 12 abstaining. The resolution urges "peaceful settlement of the Palestine issue and implementation of the two-state solution". Those who voted against it include Argentina, Hungary and, unsurprisingly, Israel and the US. That India has thrown its support behind the resolution, despite growing strategic and industry/trade ties with Israel, is a happy sign.

As Rabbi Israel Salanter observed in 1850: 'The material needs of my neighbour are my spiritual needs.' Yet, beyond the neighbour lies the distant third — all too often construed as a monstrous third who inspires the 'temptation to murder', a passion for killing which often results in war and renders 'morality derisory' and leads to 'the diabolical criminality of absolute evil' seen in genocide and other 'horribly perfect' forms of racism (Levinas). The foundational violence of necropolitics — the use of political power to decide who lives and who dies — must now cease.

The resolution prescribes "a single roadmap" to a two-state solution, entailing an immediate ceasefire in Gaza, the release of hostages and the establishment of a Palestinian State "that is both viable and sovereign". Crucially, it calls for "the disarmament of Hamas and its exclusion from governance in Gaza", the normalisation of ties between Israel and the Arab countries, as well as collective security guarantees. Far from being a "one-sided" declaration and "hollow gesture", as Israeli Ambassador to the UN, Danny Danon has claimed, the resolution explicitly condemns the Hamas attack of October 7, 2023, and calls for the disarmament of Hamas. To reject it as a victory for Hamas reeks of the arrogance of hard power.

Prime Minister Benjamin Netanyahu and his war cohorts would do well to read with care the work of the great Jewish theologian and philosopher Emmanuel Levinas, who spoke of the two Torahs — one being the transcendent voice of God, and the other concerning everyday human ethics. Both constrain the lust for violence and destruction and, in different ways, lead us away from "egology" towards "responsibility toward the Other." As Rabbi Israel Salanter observed in 1850: "The material needs of my neighbour are my spiritual needs."

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Israel is now combating the indictment of "genocide" before the International Court of Justice. Although the Court has never found sufficient evidence for deliberate and systematic killing or persecution of a large number of people "from a particular national or ethnic group with the aim of destroying that nation or group," Article 6 of the Genocide Convention enacts the duty of states to prevent and punish preparation for genocide. The Court must now arrive at a sound jural construction on the materials and arguments pressed before it. Already noted (in the context of Israel's military offensive in Rafah, which has led to the exodus of approximately 800,000 Palestinians) is that the steps for the security of civilians in the Gaza Strip are "insufficient". Further, Israel must now act to "take effective measures to prevent the destruction" of the relevant evidence and to ensure any UN-mandated body "unimpeded access" to the Gaza Strip. Considering the "catastrophic situation in Gaza," the ICJ has ordered the provision of "urgently needed basic services and humanitarian assistance," and reiterated its "grave concern over the fate of the hostages" held by "Hamas and other armed groups", calling for their "immediate and unconditional release".

It is ethically perverse to regard any juristic or humane concern with the plight of the Palestinians as "antisemitic"; rather, it calls for a renewed enterprise in the vein of Levinas to understand the "difficult freedoms" that we all have.

The writer is professor of law, University of Warwick, and former vice chancellor of Universities of South Gujarat and Delhi

BIRTHDAY CARD FROM FIRST VILLAGE

Mana was once India's last village. Thanks to PM, that's changed and given us hope

DHARMENDRA CHAUHAN

ON SEPTEMBER 17, when our nation celebrates the birthday of Prime Minister Narendra Modi *ji*, the people of Mana join the celebration from the very edge of India's border. With folded hands, we pray before Lord Badrinath for his long life and good health. For us, this day is not just about greetings to our Prime Minister, it is also about remembering the journey of our village, a journey from being called the "last village" of India to proudly becoming the "first village" of the country.

I was born and raised in Mana. For as long as I can remember, the signboard at our entrance read: India's Last Village, Mana. Every time we crossed it, something in our hearts would sink. It was as if we had been pushed to the edge of the nation's memory. Though we guarded the border with our lives and love for the country, we lived with the ache of being treated as "last". We endured, silently, because we had no choice.

But in our silence, there was never hopelessness. Even when Delhi felt too far, we believed that someday the wind of change would reach us. That moment came when Modi *ji* became our Prime Minister. We had seen how he rebuilt Gujarat after Bhuj, how he stood strong in Kedarnath's tragedy. We trusted that under his leadership, the forgotten corners of India would finally be seen.

Our hope turned into reality with the Vibrant Villages Programme. For the first time, we villagers felt that the government's heartbeat reached as far as our mountains. Then came the day, October 21, 2022, that will remain etched in our memories. When the Prime Minister declared that 'every border village is the first village of the country', tears rolled down our cheeks.

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In April 2023, when the signboard at Mana was changed to read First Indian Village, Mana, it felt like history had turned a page. That board is more than metal and paint, it is our pride, our recognition, our voice.

Over the last decade, the changes in our lives are visible everywhere. The road that once felt like a distant dream has now brought mainstream India to our doorstep. Safe houses have replaced fragile huts. Clean drinking water flows in every home. Women no longer cough through the smoke of *chulhas*, thanks to Ujjwala Yojana. The youth who once thought of migrating to cities now find work as guides, in homestays, or selling local produce to pilgrims who visit both Badrinath Dham and our village. Even the ITBP, which stands guard with us, now buys our vegetables and herbs, making us partners in self-reliance.

Most importantly, our hearts are no longer heavy with neglect. Ministers, officers, and officials now visit us. When disasters strike, we do not feel abandoned, the NDRF and SDRF reach us, and even our Prime Minister has come to us in times of grief, speaking not as a distant ruler but as if he were our own son.

This is what gives Mana its new spirit. We are not just a village on the map; we are the first gateway of Bharat, carrying its traditions, culture, and strength to the world. The transformation of Mana is proof that when the government cares for its farthest borders, the entire nation stands taller.

Today, as village head, I write with pride and gratitude. We, the people of Mana, know that our journey from "last" to "first" has been made possible by the vision and commitment of our Prime Minister. On his birthday, we offer not only our wishes but also our heartfelt thanks, for giving us not just development, but dignity, recognition, and hope.

From Mana, the first village of India, we send our love, prayers, and salutations to Modi *ji*.

The writer is village head, Mana, Uttarakhand

SEPTEMBER 17, 1985, FORTY YEARS AGO

INDIAN EXPRESS

PM ON TERRORISM

THE PRIME MINISTER, Rajiv Gandhi, sought votes for the Congress (I) in the Punjab elections for eliminating the menace of terrorism and ensuring peace and prosperity. Addressing a mammoth public meeting at Ropar, the PM said Punjab could not develop "without the Congress." The state's developmental strides in the past three decades were a testimony to his party's achievements, he said. During the first day of his poll campaign in Punjab, Gandhi addressed similar meetings at Amritsar and Sangrur.

ENLF TEAM ARRIVES

A NINE-MEMBER Eelam National Liberation Front (ENLF) team arrived in New Delhi from Madras for a meeting — considered crucial — with the Prime Minister, Rajiv Gandhi, on the ethnic crisis in Sri Lanka. The long-overdue meeting between Gandhi and the ENLF is likely to take place in the evening.

20 TAMILS KILLED

TWENTY TAMIL MILITANTS were killed when security forces swooped on a rebel stronghold in Sri Lanka's eastern Trincomalee district, the Defence Ministry said. A spokesman said 85 militants surrendered during the joint operation by the army and the police commandos. One soldier was injured in the battle at the Nilaveli beach resort which had been under the control of the rebels, he said.

SC ORDERS MEETING

THE SUPREME COURT directed the Union Health Ministry to convene immediately a meeting of deans of faculty of medicine of all universities and representatives of state governments to finalise the scheme for the all-India entrance examinations for medical colleges. The meeting shall be convened within a month and the "detailed and comprehensive scheme" shall be submitted to the court by October 30, according to the order passed by Chief Justice P N Bhagwati, Justice A N Sen and Justice Ranganath Misra. The meeting will consider the scheme put forward by the Medical Council of India and suggest modifications and put forward a scheme which will cause the least amount of hardship to the students.

THE IDEAS PAGE

WHAT THE OTHERS SAY

"Instead of raising the walls of the ghetto, Israel must do the opposite. It must sign a hostage deal, stop the war, say yes to a regional partnership, listen to the world and accept its willingness to be a guarantor for the 'day after' in Gaza."

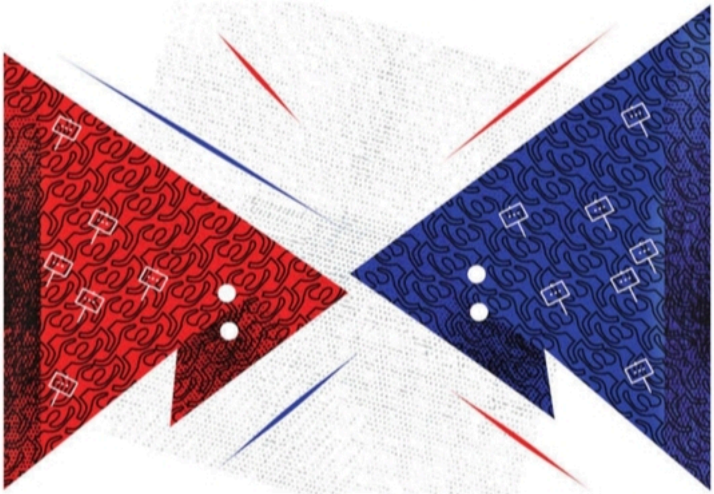
— HAARETZ, ISRAEL

The West's civil wars

In Europe and US, resentment against liberal policies of outsourcing manufacturing jobs abroad, while insourcing labour, has stoked the populist anti-immigration agenda

RAJA-MANDALA

BY C RAJA MOHAN



C R Sasikumar

AS DELHI DIGESTS the significance of the recent popular revolts in Nepal and elsewhere in the Subcontinent, it is easy to miss the significance of the conflicts now brewing within the West. Civil wars have long been seen as the tragic luxury of the Global South — the result of incomplete nation-building, riven by religious, ethnic, linguistic and regional divisions over representation, minority rights, and the distribution of power and wealth.

Yet the West has had its own history of strife, from the English Civil War to the American Civil War and the continent-wide carnage of the two World Wars. In the eight decades since 1945, economic prosperity, strong democratic institutions, wider political representation and robust welfare states that co-opted forces on the left and the right helped keep internal peace. But is that happy era now ending?

In recent years, a growing chorus across the US, the UK and Europe has begun to use the term "civil war" not as a historical reference but as a dire warning about their own societies. What was once a fringe discussion has entered the mainstream, fuelled by polarisation, anti-immigrant sentiment and a sharp clash of values between entrenched liberal elites and insurgent populist movements.

The gravity of this debate is evident in recent events. The murder of American conservative activist Charlie Kirk at a university rally in Utah last week sent shockwaves through US politics. The Trump Administration and its right-wing supporters immediately framed the killing as an act of war by the radical American Left.

In London, a massive "Patriot" rally last weekend, organised by the fiery nationalist Tommy Robinson, channelled rising anti-immigrant anger and resentment at government policies on hate speech. Charlie Kirk's name echoed through the speeches. A transatlantic convergence is visible between the MAGA movement in America and the rise of British nationalism that wants to "take back" the United Kingdom.

The new phenomenon is not limited to the Anglo-Saxon world. Across Europe, the rise of anti-immigrant and populist parties — Germany's AfD and France's National Rally — shows that these sentiments are gaining ground across the West. Together, these trends raise the question of whether post-war Western polities can still contain their internal conflicts.

A full-scale armed clash between social groups in the West may not be imminent. But the rhetoric amid intensifying polarisation increasingly resembles war talk. Steve Bannon, guru of the MAGA movement, casts US politics as warfare and urges a "call to arms" against "liberal elites" and "globalists" — language that intensified after Kirk's assassination.

Stephen Miller, another senior Trump aide, warns of a "terrorist movement" within the United States, not from foreign actors but from political opponents, accusing Democrats of fomenting terror against the Right. Beyond the incendiary rhetoric, today's civil wars in the West revolve around clashing ideologies on three fronts: Values, immigration and foreign policy.

The liberal establishment champions individual rights, multiculturalism and global cooperation. Populists, in contrast, mobilise the losers in the West in a global order run by liberal elites. They celebrate nationalism, distinct cultural traditions and state sovereignty. To populists, liberal diversity policies betray their heritage. For the liberals, populist nationalism is a dangerous form of xenophobia. A central populist theme is restoring "Judeo-Christian values" and the traditional dominance of white majorities.

Immigration is at the frontline of the civil wars. Liberals favour relatively open borders, which also serve capitalist interests in cheap labour. Populists argue that mass — particularly illegal — migration strains public services, depresses wages and erodes social cohesion. The "Great Replacement" theory, once fringe, now sits in the mainstream, alleging that elites deliberately replace native populations with foreigners to entrench their power. This grievance against immigration is also tied to the resentment against the liberal policies of outsourcing manufacturing jobs abroad while insourcing labour at home. Reversing these policies lies at the heart of the populist agenda.

The third front is foreign policy. Liberals back globalism, multilateralism, international law and the promotion of democracy and human rights, believing institutions like the EU and NATO are essential bulwarks against instability. Populists reject this liberal internationalism. Through slogans like "America First" or "Unite the Kingdom", they oppose foreign entanglements and alliances, claiming they serve international elites rather than citizens.

The Trump administration's decision to dismantle institutions such as USAID, NPR and Voice of America rests on the charge that these taxpayer-funded bodies spread liberal values abroad. MAGA leaders are even more vehement than non-Western governments in denouncing what they call the Soros-driven "NGO-industrial complex".

Whether these tensions escalate into more widespread violence or not, the traditional liberal-democratic consensus built on shared values and institutions is fracturing under populist discontent. The stability of Western societies is no longer assured. Can the Western liberal democracies bridge the widening chasm within?

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India, with its large diasporas in the West, especially in the Anglo-Saxon world, needs to pay close attention to the new dynamic. Indian elites have benefited immensely from the West's open-border policies since the 1960s, which enabled large numbers of Indian professional and skilled workers to make a living abroad. Already some of the populist ire has turned against India and its diaspora — and it is likely to intensify.

Populist anti-globalisation policies and liberal accommodation of them, will also hurt India. As a late globaliser, India (and South Asia) missed the export-led growth opportunities that other Asian countries, including China, exploited in the 20th century. Today, as the West retreats from globalisation, India faces harder choices.

During the Biden years, Indian elites fretted over contradictions with Western liberals on democracy and human rights — one reason for the Indian establishment's enthusiasm for Trump. But Delhi is now waking up to the reality that its contradictions with Western populists on immigration and economic globalisation are even more serious. The liberal bark on human rights rarely matched its bite, but populists can inflict real damage in short order.

The West today is divided both across nations and within them. India's political class and the national security establishment must, therefore, engage more closely, and at a micro-level, with the different political formations within the West. Our think tanks and academia too need to devote more resources to studying Western polities and societies.

The West's deepening internal churn also means the Indian elite must shed its simplistic assumptions about a monolithic "collective West". Understanding the deepening internal cleavages within the West will hold the key to India's longer-term engagement with the US, the Anglo-Saxon world, and Europe.

The writer is a contributing editor on international affairs for The Indian Express. He is also a Distinguished Professor at the Motwani-Jadeja Institute of American Studies, OP Jindal Global University, and holds the Korea Foundation Chair in Asian Geopolitics at the Council on Strategic and Defence Research, Delhi

Scripting the New India story

In the last 11 years, youth, scientists, women, entrepreneurs, farmers have been motivated by PM Modi to lay Viksit Bharat's foundation

M VENKAIAH NAIDU

TODAY, AS I extend my heartfelt greetings to Prime Minister Narendra Modi on his 75th birthday, I feel proud as a citizen and as the former Vice President of the remarkable progress made by the country under his helmsmanship in over a decade.

With a vision rooted in progress and national pride, India has been weaving economic reform, technological advancement, grassroots welfare initiatives and diplomatic boldness into a powerful model of exemplary governance. The unwavering resolve to keep "India First", be it about the government's foreign policy and diplomatic initiatives or internal security, is central to this model of governance.

Operation Sindoor is an example of a new Bharat, determined, sovereign, and swift in action. We find the same decisive approach when it comes to the execution of welfare schemes, infrastructure development, economic management and bringing about a cultural renaissance. Most significantly, the legacy of this government extends beyond the policies which are being implemented to the aspirations that have been awakened. Through a fearless approach to reforms, redefinition of the terms of global engagement based on mutual respect and strategic autonomy, and the conviction of putting people at the heart of national progress, what we see is purpose-driven leadership.

As it marches into Amrit Kaal, emerging as the fourth largest economy in the world, poised to become the third largest sooner than predicted, it must be noted that India is projected to be the world's fastest-growing major economy at 6.3 per cent to 6.8 per cent in 2025–26. The Goods and Services Tax (GST) unified indirect taxes. A significant number of development projects were launched in the Northeast, integrating much-neglected parts of the country into the mainstream. ISRO also notched up exemplary achievements in space, including the Chandrayaan-3 mission in 2023. There are many other milestones reached since 2014, some of which I will attempt to touch upon.

As the world has seen, the abrogation of Article 370 was a landmark legislation, and I feel proud to have presided over the Rajya Sabha during the passage of this historic Bill on August 5, 2019. In a step which empowered Muslim women and protected their rights, the Muslim Women (Protection of Rights on Marriage) Act, 2019, declared instant divorce granted by pronouncement of "talaq" three times as void and illegal.

Over the last 11 years, Vikasvaad, a powerful development-centric approach, has become the cornerstone of this government's approach. The implementation of his vision through the JAM Trinity (Jan Dhan, Aadhaar and Mobile) has revolutionised welfare schemes. This has brought in unprecedented transparency, eliminated intermediaries, and enabled direct transfer of benefits to citizens.

Some statistics from the ground for perspective: As per the revised International Poverty Line (IPL) from \$2.15/day (2017 PPP) to \$3.00/day (2021 PPP) put out by the World Bank, India's extreme poverty rate declined sharply to 5.3 per cent in 2022-23 from 27.1 per cent in 2011-12. Today, a staggering 15.59 crore rural households have tap water with 100 per cent coverage in eight states and three UTs under Jal Jeevan Mission, while 2.86 crore households have been electrified under the SAUBHAGYA scheme. Around 10.33 crore LPG connections have been distributed under the PM Ujjwala Yojana with 32.94 crore active users, as of March 2025.

Housing has been a priority since 2014, and up until now, over four crore houses have been built under Pradhan Mantri Awas Yojana (PMAY), including 92.72 lakh under PMAY-Urban (90 lakh owned by women) and 2.77 crore under PMAY-Grameen.

In what is known as the world's largest food security scheme, the Pradhan Mantri Garib Kalyan Anna Yojana delivers free rations to 81 crore people. A sanitation revolution has transformed rural areas, with more than 12 crore toilets built across the country, with more than 6 lakh villages ODF, under the Swachh Bharat Mission.

Farmers are now seen as key stakeholders, leading India toward global food leadership. The agriculture budget has seen a sharp hike by nearly five times, from Rs 27,663 crore (2013–14) to Rs 1,37,664.35 crore (2024–25). Under PM-KISAN, Rs 3.7 lakh crore were transferred to 11 crore farmers as direct financial assistance, as of May 2025, while Rs 10 lakh crore credit was provided to 7.71 crore farmers under Kisan Credit Card (KCC), and the loan limit was increased to Rs 5 lakh for 2025-26. As a result, foodgrain production grew from 265.05 million tonnes (2014–15) to 347.44 million tonnes (2024–25).

Financial and digital inclusion is one of the hallmarks of this period, with the PM Jan Dhan Yojana boasting of 55.17 crore bank accounts, Rs 2.61 lakh crore deposits, and 30.80 crore women account holders, as of March 2025. StartUp India has turned the country into the third-largest startup and Unicorn (118) ecosystem in the world. Another key milestone is the construction of 4 lakh km of rural roads and 40,000 km of highways.

The country saw a remarkable spike in FDI inflows (\$667.74 billion: FDI received in 2014-24, which equals 67 per cent of total FDI since 2000). India is the world leader in digital transactions today, with UPI processing 172 billion transactions in 2024 alone.

Posterity will record Bharat's cultural renaissance through the redevelopment of temple corridors and pilgrimage sites such as the Kashi Vishwanath corridor and the Ram Lalla temple in Ayodhya, among others.

While these highlights of accomplishments are by no means exhaustive, they present a compelling glimpse into some of the major achievements of the government since 2014. This is the story of New India, scripted by the contribution of the youth, scientists, technocrats, entrepreneurs, women and farmers, under the government led by PM Modi. These milestones serve as a foundation for continued progress on Viksit Bharat's journey into Amrit Kaal.

The writer is former Vice President of India

LETTERS TO THE EDITOR

SC ON WAQF

THIS REFERS TO the editorial, 'A welcome pause' (IE, September 16). The Supreme Court's interim order pausing key provisions of the Waqf (Amendment) Act, 2025, is a timely reminder to the government about the importance of due process, particularly when dealing with sensitive religious matters. By restricting sweeping powers granted to district collectors over waqf properties, the Court has upheld the principle of separation of powers, rightly insisting that disputes over ownership be settled by judicial or quasi-judicial authorities, not administrative officers. While the Court did not reject the entire amendment, upholding provisions like waqf-by-user, it clearly signalled that reforms affecting religious institutions must be balanced, transparent, and respectful of minority rights.

K Chidanand Kumar, *Bengaluru*

HANDSHAKE ROW

THIS REFERS TO the article, 'Different ball game' (IE, September 16). It was an error of judgment by the Indian government to allow the national team to play against Pakistan in the Asia Cup so soon after the gruesome killing of people in Pahalgam, selected based on religion, mocking and killing them in the presence of their loved ones. With Operation Sindoor still on and the emotional wounds still fresh in Indian minds, it is equally unrealistic to judge "sportsmanship spirit" by symbolic gestures. The government has blundered, the critics need not.

Y G Chouksey, *Pune*

THIS REFERS TO the article, 'Different ball game' (IE, September 16). The Asia Cup match between India and Pakistan raised troubling questions: Why was this fixture held amid heightened tensions, and what was achieved by refusing the customary handshake? While understandable that politics has seeped into every field, sport should not become another theatre for symbolic posturing. A handshake — pre- or post-match — is more than a ceremony; it's a recognition of mutual respect. Eschewing such traditions damages cricket's role as diplomacy's soft front.

Muskan Kumari, *Pasiana*

ANOTHER CHANCE

THIS REFERS TO the front-page report, 'First after Trump imposed 50% tariff, US negotiator in Delhi for trade talks' (IE, September 16). Notwithstanding the Indian Commerce Secretary optimistically relying on a "positive frame of mind" over renewed trade talks between both countries, toying with such an idea largely depends on the mandate which the visiting trade team may be carrying from Trump. One genuinely wishes that he realises the folly of sticking to his guns with respect to India's Russian oil imports.

Kumar Gupt, *via email*

Dignity of choice

Gap between rights and lived realities of queer couples must be bridged

FIROZA MEHROTRA

A SAME-SEX COUPLE has moved the Bombay High Court court, challenging the law that discriminates against them by taxing gifts received by one partner from the other. Under the Income Tax Act, no such tax on gifts is levied on heterosexual couples. This discriminates against them according to Article 14 and 15 of the Constitution. The petition has been admitted, and the next date of hearing is September 18. Even if the Bombay High Court gives a verdict in favour of the same-sex couple, how will it be implemented? The same question arises for implementing advisories issued by the Government as a follow up of the Supreme Court verdict in *Supriyo @ Supriya Chakraborty and another v Union of India*.

October 17, 2023 was indeed a very disappointing and sad day for supporters of same-sex marriages in India. On this day, while deciding on a batch of petitions seeking marriage equality for non-heterosexual couples, the Supreme Court held that there was no fundamental right to marry. However, there was unanimous consensus over acknowledging the right to be in a relationship. Leading the majority opinion on this question, Justice S Ravindra Bhat agreed with then CJI D Y Chandrachud that "all queer persons have the right to relationship and choice of partner, cohabit and live together, as an integral part of choice." The Supreme Court also recorded that the Union government will constitute a committee chaired by the Cabinet Secretary for the purpose of defining and elucidating the scope of entitlements of queer persons who are in unions.

In April 2024, Government of India, constituted a committee with the Cabinet Secretary as the chairperson and secretaries of concerned key ministries as members. After a series of meetings, amongst other interim measures, the Department of Food and Public Distribution issued an advisory to all the states and Union Territories, that partners in a queer relationship are to be treated as part of the same household for the purposes of ration card and should not be subjected to any discrimination. Similarly, the Department of Financial Services has issued an advisory that there are no restrictions for persons of the queer community to open a joint-bank account and to nominate a partner in a queer relationship as a nominee. In the same vein, the Ministry of Health and Family Welfare has issued instructions to states prohibiting discrimination to the community with relation to healthcare and claiming the body of a deceased partner.

While these seem to be baby steps in the right direction, how are these advisories and any favourable court verdicts — as in the case of the gift tax — going to be implemented? In order to operationalise these rights/facilities, one will first need to show that the two non-heterosexual persons are in a recognised relationship/association. How will the department concerned know who the partners are in a queer relationship, who are to be provided with the entitlements?

The answer may lie in making a provision for a Deed of Familial Association (DoFA), originally suggested in Justice N Anand Venkatesh judgment of the Madras High Court, dated November 17, 2023. He suggested that the Tamil Nadu government consider recognising a DoFA as a right of partners to choose to form or retain families. This could be a good way of recognising a partnership between two non-heterosexual individuals. From my decades of administrative experience in government, I feel such a DoFA would help operationalise any court orders or government advisories already issued or to follow.

Any queer couple entering into a DoFA could provide affidavits of their desire to enter into an association of their own free will to the district magistrate or any other person, who should be authorised to issue a DoFA to them. This will help queer couples in accessing the facilities and rights given in court orders/advisories/circulars/orders of government. In the absence of this documentation, how would any government department or entity identify them and provide them with their entitlements? Documentation like a DoFA will provide the much needed recognition and dignity to same-sex couples, and, to quote the Supreme Court in *Supriya Chakraborty v Union of India*, also ensure "all queer persons have the right to relationship and choice of partner, cohabit and live together, as an integral part of choice" and be treated at par with heterosexual couples.

The writer is a former IAS officer who retired from the Planning Commission, Government of India

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Topography, climate change: Behind heavy rains in Himalayas

ANJALI MARAR
BENGALURU, SEPTEMBER 16

DEHRADUN AND several other districts in Uttarakhand have experienced very heavy rainfall over the past few days, triggering landslides in multiple areas and causing rivers to swell to dangerous levels. At least 15 people have reportedly died in the region due to landslides.

A series of such incidents has occurred in Uttarakhand and Himachal Pradesh over the past month. Extreme rainfall or cloudbursts have led to landslides, mudslides, flash floods, and swollen riverbanks, resulting in large-scale destruction, loss of life, and communication disruptions.

While these types of events in the two states are not uncommon during the monsoon, the increase in their frequency and intensity over recent years has become a significant cause for concern.

Why do hilly regions receive more rainfall?

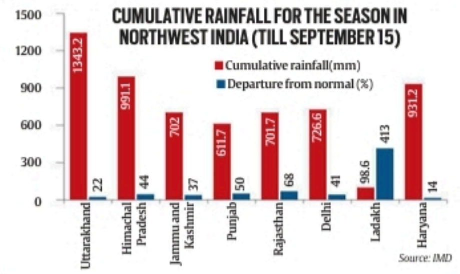
The monsoon has been quite active this season. The northwestern region of the country has been quite wet, especially in the last month and a half (*see box*).

During this time, consecutive rain-bearing low-pressure systems — formed in the Bay of Bengal — have travelled farther north than normal, causing intense rainfall in the region.

WEEK-WISE RAINFALL DEPARTURES (IN %)

Week	All-India	Northwest India
Aug 14 - 20	+22	-13
Aug 21 - 27	+39	+142
Aug 28 - Sept 3	+48	+182
Sept 4 - 10	0	+17

Extreme rainfall has triggered landslides at several regions in Uttarakhand in the past few days. *PTI*



Source: IMD

As a result, the northwestern region recorded 34% surplus rainfall in August. For the season (June-September) so far, the region has received more than 30% surplus rainfall. During the first half of September, rainfall has been more than 67% above normal.

The impact of extreme rainfall varies according to geography. For instance, 300 mm or more of rainfall over 24 hours is not unusual for some places in Goa, Konkan, coastal Karnataka, Kerala, or Meghalaya. However, rainfall of this magnitude is a recipe for disaster in the Himalayas, especially the western Himalayas spanning Jammu and Kashmir, Uttarakhand, and Himachal Pradesh.

EXPLAINED CLIMATE

In mountainous regions, favourable conditions can help the air rise swiftly, which leads to the formation of massive clouds with steep heights. These overgrown, rain-bearing clouds can, in turn, cause higher-than-normal precipitation locally over the hilly region. This represents the typical climate pattern of these mountainous areas.

For instance, Udhampur in Jammu and Kashmir recorded 630 mm of rainfall (in 24 hours) on August 27. This is equivalent to an entire year's rainfall in Rajkot, Gujarat. Leh in Ladakh received 59 mm in 48 hours between August 24 and August 26, a record since 1973. Leh usually receives just about 0 to 5 mm in August, with the highest 24-hour rainfall of 16 mm (August 8, 2018) and 12.8 mm (August 4, 2015).

Why are hilly regions more vulnerable to disasters?

Over the plains, such intense rainfall can drain out into rivers or locally available water sources. However, in mountainous regions, extreme rainfall can trigger landslides, mudslides and flash floods as the descending rainwater carries along with itself mud, loose soil, gravel, and all materials in its pathway. This happened across Mandi, Kullu, Dharali, Tharali, and Jammu over the past two weeks.

Also, when major river streams are choked, gushing water and/or mudslides and landslides are forced to enter settlements, cutting through roads and bridges, which can cause larger disasters.

However, not all cloudburst-like events lead to disasters. Several conditions have to come together to cause disasters. For example, if extreme rainfall occurs on a side of a hill that is not prone to landslides, or if debris does not fall into any river, the results are very different.

What is the role of climate change?

An emerging and worrisome meteorological observation in recent years has been the southward shifting of large-scale weather systems — in this case, western disturbances.

Originating in the Mediterranean Sea, western disturbances are streams of eastward-propagating wind bands that cause precipitation (rain or snow) along their route. Western disturbances have a pronounced impact on India, particularly northern regions, during the winter months.

However, the southward shift of western disturbances and their interaction with massive southwest monsoonal systems is adding another layer of complexity to rainfall prediction over the Himalayas.

Global warming is believed to be the main driver of this shifting trend. Meteorologists warn that extreme rainfall events will become more common in the future, particularly in hilly regions, along with longer periods of dry spells during the season.

Arctic sea ice melting could represent yet another factor in this deepening mystery of monsoon variations in the hills.

EXPLAINED SPORTS

WHAT TO KNOW ABOUT MAJOR UPCOMING RULE CHANGES IN F1

Key F1 sponsor companies are also responsible for the cars' designs. *AP*

SWEEPING NEW regulations to Formula 1 in 2026 will change how cars look, sound and run, marking one of the biggest changes in a generation.

The goal is to make them more "agile, competitive, safer and more sustainable," the governing body FIA said. Some teams all but abandoned their 2025 car designs early this year in search of the biggest boost they could get in 2026.

Performance uncertainty

While teams are guarding their development data, tire manufacturer Pirelli told the *Associated Press* that the estimated lap times it has received from teams vary by almost four seconds, an eternity in F1.

Nikolas Tombazis, director of the FIA's single-seater racing department, told the *AP* that new engine manufacturers would likely need extra development time to catch up on "15 years of know-how" from the likes of a heavyweight like Mercedes.

F1 has a rule which could theoretically rule out cars if their qualifying times aren't within 107% of the fastest car. While Tombazis views this as unlikely, he anticipates a wider level of uncertainty in performances given the combination of newcomers and new rules.

The difference to 2025 could be stark. Despite McLaren's dominance so far this season, six different teams have finished on the podium, and less than a second has separated the entire field in some qualifying sessions.

Solving a 'scare story'

One key area where rules could still adapt is how much work the drivers have to do. The new rules' emphasis on electric power means judging when and how to deploy that power could be a key skill. It's not yet clear how much of that will be automated.

Tombazis said the "extra work" of managing a car is already a key skill and forms a big part of the team radio chat that is so popular with fans, but "what we don't want to do is create a situation where it goes to the other extreme, where the driving becomes like a chess game where it's just a matter of energy management and energy deployment."

On car design

The new rules keep the turbo hybrid engine design first introduced in 2014, but with more emphasis on electrical power. Many in F1 expect Mercedes, whose engines have powered teams to nine constructors' titles since 2014, will be the manufacturer to beat.

Struggling manufacturers can get exemptions allowing them to spend above the cost cap to develop upgrades for engines which are deemed too uncompetitive or unreliable. The FIA will check every six races to see who is eligible for the boost.

Racing in the rain

Full wet tires might be the least useful item in the whole F1 paddock. When it's wet enough to use them, the tails of spray coming from the cars usually mean visibility is too poor to race.

That's partly because of the aerodynamic floors on the current cars. So the next generation could potentially mean more wet racing.

ASSOCIATED PRESS

EXPLAINED ECONOMICS

Fast-track tractor sales

Tractor sales are buoyant this year and poised to cross the one-million mark for the first time, on the back of a good monsoon. GST rate cut should further help, though there are transition problems

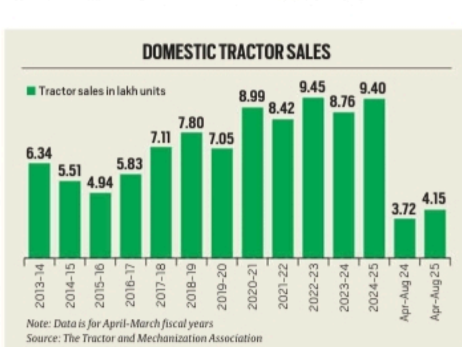
HARISH DAMODARAN

TRACTOR SALES are considered a reasonable proxy for gauging the health of India's agricultural economy and farmer sentiment.

When rainfall and crop price prospects are good, farmers feel it worthwhile to buy tractors or even rotavators, straw reapers, balers and other agricultural machinery.

Thus, when India had four consecutive normal-to-surplus monsoon seasons from 2019 to 2022, tractor sales were buoyant in those years. It was otherwise during 2014-15 to 2016-17, when sales fell consequent to two successive bad monsoon years (2014 and 2015) and a crash in global agri-commodity prices, translating into low realisations at home.

The accompanying *chart* shows domestic sales of tractors touching 9.45 lakh units in 2022-23 and dipping to 8.76 lakh the following fiscal, which was also a strong El Niño-induced poor monsoon year. But 2024-25 recorded above-par rainfall, alongside recovery in sales to 9.40 lakh units.



Note: Data is for April-March fiscal years
Source: The Tractor and Mechanization Association

Current year's trend

The southwest monsoon has been excellent this year, with all-India rainfall at 7.5% more than the long period average for the season so far from June 1 to September 16.

The rains have also been spatially and temporally well-distributed. All states — save Bihar, Assam, Meghalaya and Arunachal Pradesh — have received rainfall well within the normal range. The likes of Karnataka, Telangana, Maharashtra, Madhya Pradesh, Gujarat and Rajasthan, which usually bear the brunt of monsoon failures, have had surplus precipitation. Moreover, the monsoon this time arrived in May itself, while retaining its strength in all subsequent months to September.

The good monsoon has led to record sowing in the ongoing kharif season, especially under crops such as rice (44 million hectares) and maize (9.5 million hectares), where farmers may benefit from a higher government-declared minimum support price or remunerative open market rates.

All that is also reflected in a 11.6% jump in tractor sale volumes during April-August 2025 over April-August 2024. If the growth trend is maintained, 2025-26 could close with sales crossing the 10-lakh mark for the first time.

However, it's not just the monsoon and crop prices.

An additional factor this time has been the early onset of the festival season. It began with Raksha Bandhan (on August 9 this year, as against August 19 in 2024 and August 30 the year before) and Ganesh Chaturthi (August 27 versus September 7 and September 19), and will be followed by the first day of Navratri (September 22 versus October 3 and October 15), Dussehra (October 2 versus October 12 and October 24) and Diwali (October 20 versus October 31 and November 12).

Farmers largely align their big-ticket purchases with auspicious festivals like Ganesh Chaturthi and Dhanteras (on October 18). "As these have been pushed forward, tractor sales have picked up from August itself and will peak over Navratri through Diwali, before tapering off by October-end," said Narinder Mittal, president & managing director (India Region) of CNH, the Italian-American farm equipment multinational that makes 'New Holland' tractors and 'Case IH' sugarcane harvesters.

But even with sales slowing in November-December, he sees the monsoon as creating "positive momentum". High single-digit growth should easily take sales past one million units in the current fiscal.

GST factor

The goods and services tax (GST) rate on tractors and other agricultural machinery has been slashed from 12% to 5%.

The cut, approved at the GST Council's meeting on September 3 and effective from September 22, will make a 45-horsepower tractor, costing farmers roughly Rs 7.5 lakh now, cheaper by Rs 47,000.

There would be similar savings of around Rs 85,000 and Rs 5 lakh on square balers (which can compact loose straw into high-density bundles of 20-30 kg) and sugarcane harvesters, which currently sell at Rs 13-14 lakh and Rs 80-82 lakh respectively, inclusive of 12% GST.

"The rate cut is definitely a long-run positive for tractorisation and farm mechanisation in general. It will also encourage the adoption of new technologies, from higher horsepower tractors to larger balers," said Mittal.

Also, the timing of the rate reduction couldn't, on the face of it, be better. It comes on the back of a good monsoon (whose benefits, in terms of recharged groundwater aquifers and filled-up reservoirs, should extend to the ensuing winter-spring rabi cropping season too) and just before the main festival buying period.

There's a minor complication though.

Dealers have stocked up tractors for selling in the peak festival season, on which they have already paid 12% GST. The same machines sold from the first day of Navratri will, however, attract the lower 5% duty. Since farmers are likely to defer purchases till then — the 16-day 'shraddh' or ancestral remembrance period from September 7 will hardly see much sales — it would mean the dealers having to bear the burden of the additional (12% minus 5%) tax.

Rajat Gupta, founder of Tractor Junction, a digital marketplace for farm equipment, estimates that there are some 10,000 tractor dealers across India. Most sell 8-10 machines a month, with the bigger ones doing 20-25.

"The average dealer keeps a minimum 45-days inventory, which goes up to two months ahead of the festival season. For all those who have stocked up tractors after paying 12% GST, the losses from selling at 5% would be huge. They will have to either absorb it or not give the normal festival-time discounts to farmers," noted Gupta, whose online platform handles sale "leads" for about 1.5 lakh tractors every month, of which 5% (7,500) convert into actual transactions.

GST rules allow dealers to claim refunds if they pay a higher rate of tax on their purchase (input) than what they collect from customers on sales (output).

"Our industry has requested the government to announce refunds of the additional duty. And this should happen quickly – within 3-6 months, not 2-3 years – so that the dealers' working capital is not blocked," added Mittal.

This is, hopefully, a transition problem that shouldn't detract from the "long-run positive" of lower GST on agri machinery.

How UPS differs from other govt pension schemes, why its uptake is low

DAMINI NATH
NEW DELHI, SEPTEMBER 16

CENTRAL GOVERNMENT employees have till September 30 to opt for the Unified Pension Scheme (UPS) under the National Pension System (NPS), which was approved by the Cabinet last August and came into effect from April 1 this year. As of Monday, only some 40,000 of the about 23.94 lakh employees under NPS had opted for UPS, according to sources in the Department of Pension and Pensioners' Welfare.

On September 2, the department notified the Central Civil Services (Implementation of the Unified Pension Scheme under the National Pension System) Rules, 2025 to regulate service matters for central government employees opting for UPS.

What is the UPS?

Till the UPS was announced last year, central government employees hired before January 1, 2004, were under the Old Pension Scheme (OPS), which guarantees a fixed pension, while those employed after that were under the NPS, which is market-linked. While employee unions continue to demand a return to the OPS, the government last August announced the UPS.

While the NPS was mandatory for all central government employees joining from January 1, 2004, the UPS is optional. The scheme gives an assured payout of 50% of the average basic pay drawn by the employee in the last 12 months before retiring for a minimum service of 25 years. Upon the death of the pensioner, the spouse will be given an assured pension of up to 60% of the pension being drawn.

What are the key differences?

The first major difference is that the NPS was mandatory, while the UPS is optional. According to the rules notified by the department, employees who opt for the UPS till September 30 have a one-time option of going back to the NPS. They can exercise this option up to one year before superannuating or three months before opting for Voluntary Retirement Scheme (VRS). Once this choice is made, the employee cannot opt for the UPS again.

EXPLAINED POLICY

In a statement on Monday, the department said the option to switch "would provide more flexibility to subscriber in opting UPS and also provide them informed choice in planning their post-retirement financial security."

Under NPS, the contribution to the pension account through the Permanent Retirement Account Number (PRAN) is 10% by employee and 14% by employer of the basic pay plus dearness allowance. For UPS, the PRAN contribution is 10% each for the employee and employer of the basic plus DA. There is an assured payout of 50% of the average basic pay of the last 12 months subject to completion of 25 years in service under UPS. The NPS does not have an assured amount, but is based on the accumulated corpus.

For this assured payout, the UPS has the provision of a pool corpus that would be formed through a contribution by the government of 8.5% of the basic pay plus DA. A minimum payout of Rs 10,000 per month is guaranteed after 10 years of service under UPS. Employees being dismissed from service would not be eligible for the assured payout. The NPS does not have a lump sum payment, while UPS has one of 1/10th of the last basic pay plus DA for each completed six months of service.

Why has the uptake of UPS been slow?

Starting from April 1, the government had first given employees time till June 30 to opt for the UPS. The Finance Ministry extended the deadline to September 30 citing "representations" from stakeholders.

The Department of Pension is working on creating awareness about the UPS. On September 9, the Secretary, V Srinivas, held a meeting with all ministries to spread information among eligible employees and help them make an informed choice. However, the number of employees opting for the new scheme remains low so far.

Speaking on condition of anonymity, some employees said their demand for OPS still stands and that the UPS does not offer the same benefits.

Under the OPS, there is no contribution from the employee and the government gives an assured pension of 50% of the last drawn basic pay plus DA.

After the UPS was approved last year, the Central Secretariat Service Forum, which represents thousands of CSS employees, had said that both the UPS and NPS were not beneficial for employees and that it would continue to demand a return to the OPS for all.

Funding microfinance

Banks, FIs must loosen their purse strings for MFIs

Jiji Mammen

The microfinance sector has been in the news in recent months, and for the wrong reasons.

Issues of over-leverage, higher delinquency and unhealthy collection practices have been under discussion.

But finally, some green shoots are visible, with the microfinance portfolio performing better in terms of collections in the previous two quarters.

The latest data from the Credit bureau indicate that the worst is over. Delinquencies, which had peaked in the quarter ending December 2024, have started declining since then.

But the caution and diligence have to be maintained so that the sector does not face issues of over leverage and collection issues.

The microfinance sector, comprising NBFCs, NBFC- MFIs, other MFIs, SFBs and banks, support nearly eight crore poor households, in a hassle-free manner, at their door step and without any collateral.

It is perhaps on because of the ease with which microfinance operates that clients end up accessing credit from different institutions and end up borrowing beyond their limits.

Seeing this, the Sa-Dhan, as an SRO, came up with additional guardrails, over and above regulatory norms of RBI, limiting the borrowing of a household at ₹2 lakh and with a lender cap of three.

These decisions were taken in consultation with the CEOs of member institutions.

The additional guardrails put in place have started showing positive results in terms of overall exposure and number of lenders to the households declining. The challenge is to keep up this momentum.

The only answer is the strict adherence to the code of conduct and guardrails.

MFIs should plan their credit expansion by moving into the newer geographies; the existing ones are more or less saturated.

EXPANDING OPS

It is a known fact that MFI operations have been concentrated mostly in around 250 districts in the country.

Two thirds of our districts are still not fully penetrated. It may not possible to reach everywhere with the current model. But operational areas can be increased.

Second, there should a better assessment of household income and credit liabilities, as they are critical to credit underwriting. Third, the recent increase in non-qualifying assets or non-microfinance loan portfolio, allowed by RBI, needs to be handled prudently and with better expertise.

A new challenge being faced by the MFIs is lack of funding support.

The data shows funding from the banking system has almost halved in the last financial year and was availed of mostly by the large entities.

Microfinance institutions which are primarily dependent on debt funding, as our system do not allow mobilising savings from the members, unlike many other countries in the world.

Many banks and financial institutions have tightened their lending norms, in the recent past on account of the adverse perception the sector have due to the recent developments.

Similarly, the rating companies are reviewing the credit rating given to MFIs making funding difficult.

Any reduction will impact the operations of MFIs and affects the fund availability to poor.

Microfinance has proved in the past several times that the sector is resilient and any crisis can be converted into an opportunity for improving their operations through innovations and improved practices. This was seen on several occasions such as the Andhra crisis or demonetization or even the Covid pandemic.

So, it is time for the lenders to repose faith in MFIs and start opening their purses.

MICROFINANCE. Infusing cash /ISTOCKPHOTO

MFIs should plan their credit expansion by moving into the newer geographies

The writer is ED & CEO, Sa-Dhan. Views expressed are personal

India's missed financial bet

MILES TO GO. GIFT City has not managed to attract foreign investments. It's time to reimagine the mega financial hub model

RAM SINGH

India's GIFT City, despite its promise of international-standard regulation and tax incentives, has not scaled to the level of Dubai, Singapore, or Hong Kong in attracting global capital. By contrast, GIFT City suffers from limited global linkages, slower regulatory processes, weak lifestyle appeal for expatriates, and ambiguity in treaty usability. The issue becomes sharper given India's paradox: while foreign investment inflows rise, nearly 99 per cent ultimately flows outward as Indian companies invest abroad to secure critical resources, supply chains, and markets.

Compounding this, 5,000–8,000 millionaires leave India annually. Let us decode some of those key issues and way forward.

The challenge lies not in intent but in execution: while India offers concessional tax regimes in GIFT, policy volatility and regulatory uncertainty continue to erode investor trust. More specifically, rules around exemptions, repatriation, or forex clearances often shift unpredictably, unlike Dubai or Singapore, where concessions have remained far more liberal and consistent for decades.

Moreover, tax structures add to the complexity: although GIFT units enjoy incentives, personnel, service providers, and investors are still subject to India's broader tax regime. Ambiguity on treaty applicability further limits IFSC's usability. Beyond tax, ecosystems define competitiveness. Global investors seek not only arbitrage but clusters of law firms, custodians, fund administrators, and trustees, sectors that Cayman Islands, Luxembourg, and Dubai have cultivated. GIFT, still perceived as a developing zone, has attracted around 580 registered entities (2024), but lacks the density of global names that generate network advantages.

Talent and lifestyle considerations also play a decisive role. International finance professionals gravitate to hubs offering cosmopolitan ecosystems, global schools, cultural vibrancy, and strong connectivity. Singapore ranked the world's third most competitive financial centre in 2023, and Dubai, which saw a 62 per cent rise in family office registrations between 2018-2023, thrive in this respect. By contrast, Gandhinagar's limited expatriate infrastructure and modest cultural ecosystem deter long-term relocation.

Meanwhile, global regulatory shifts — OECD's BEPS and the Global Minimum Tax (Pillar Two) — mean pure tax arbitrage is no longer sufficient. Successful hubs are repositioning with robust compliance and innovative products. GIFT too must highlight India's comparative advantages: access to a $4 trillion economy, fintech potential, rupee-denominated products, and South-South trade connectivity.

The paradox is sharp: India attracts over $70 billion annually in FDI inflows, yet nearly 99 per cent of capital outflows are by Indian firms investing abroad. Simultaneously, an estimated 5,000–8,000 high-net-worth individuals leave India every year, favouring hubs like Dubai or Singapore that offer tax certainty, lifestyle ease, and global mobility.

High-net-worth investors choose jurisdictions not only for tax advantages but also for premier living infrastructure, elite education, cultural vibrancy

THE WAY FORWARD

Global capital is not just numbers on a balance sheet — it is inseparably tied to people, families, and networks. High-net-worth individuals, entrepreneurs, and financial professionals choose jurisdictions that ensure not only tax advantages but also premier living infrastructure, elite education, cultural vibrancy, safety, connectivity, and entertainment ecosystems.

India's policymakers must recognise that in today's competitive landscape, capital flows to comfort, certainty, and cosmopolitan ecosystems. A city that offers luxury housing, global schools, sports, clubs, healthcare, and leisure comparable to Dubai or Singapore will not just attract investments but also reverse India's millionaire exodus. Without this, Indians with capital will relocate, undermining domestic financial depth.Instead of restricting itself to Gandhinagar, India should reimagine a mega financial hub in cosmopolitan, globally appealing locations, with natural beauty, connectivity and lifestyle advantages. Coupled with a transparent mega tax haven regime, strong treaty networks, and seamless operational ease, such a hub could serve both domestic capital retention and global capital attraction.

If India wants to finance its developmental needs through global financial integration, it must look beyond a "regulatory sandbox" approach and build an ecosystem where capital feels at home as 'merchants have no country, they go, wherever is a business'.

The writer is Professor/Head, IIFT, New Delhi. Views expressed are personal

How they compare

Parameter	UAE (Dubai/ADGM)	Singapore	GIFT City (India)
Corporate Tax	0% in free zones; 9% mainland	17% (effective often <10%)	Concessional in IFSC; standard India tax otherwise
Personal Tax	0.00%	Low progressive	Regular Indian tax rates
Treaty Network	Broad and growing	Extensive	Strong globally, but IFSC usability unclear
Ecosystem	Dense, global service providers	Mature, world-class	Nascent, thin depth
Ease of Operations	Fast, one-stop approvals	Predictable, efficient	Improving but slower
Talent & Lifestyle	Expats, global hub	Top-tier	Limited attraction
Ease of Living / Regulatory Support	High-quality infrastructure; investor-friendly regulators	Very high; efficient public services and strong legal certainty	Improving; regulatory clarity rising but bureaucracy perception persists
Ease in Connectivity	Excellent global air connectivity via Dubai International; hub between East and West	Changi Airport – one of the world's best, seamless Asia-Pacific linkages	Domestic connectivity but limited direct global links
Entertainment, Sports & Fun Facilities	World-class malls, sports events (F1, golf, football), beaches, global cuisines	Vibrant food culture, Formula 1, arts, Marina Bay leisure, green public spaces	Limited; facilities growing but modest compared to global hubs
Nature of Society & People	Highly cosmopolitan, multicultural, expatriate-friendly, modern-Islamic blend	Cosmopolitan, disciplined, sophisticated, inclusive	Still evolving; more traditional, limited expatriate community, slower cosmopolitan integration

STATISTALK.

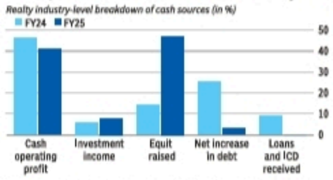
Compiled by **Dhuraivel Gunasekaran** | Graphic **Visveswaran V**

Realty sector cuts debt with equity surge in FY25: Nuvama

Nuvama's FY25 cash flow review of 23 real estate developers shows that equity fundraising gained momentum, reducing reliance on debt. The major sources of cash were operating profit, equity, and investment income. Oberoi and Sunteck derived nearly three-fourths of their inflows from operating profits. Cash was mainly deployed towards investments, interest, capex, and working capital. Despite stronger operating metrics, the industry's cash deficit widened to 6% of collections in FY25, compared with 3% in FY24, driven by higher land investments. Key takeaways:

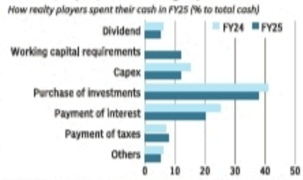
Equity contribution rose from 14% in FY24 to 47% in FY25, while reliance on debt fell from 25% to just 3%

Realty industry-level breakdown of cash sources (in %)



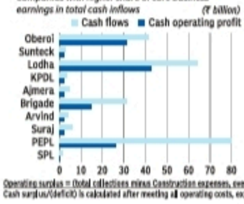
Cash mainly deployed in investments, interest, capex, and working capital

How realty players spent their cash in FY25 (% to total cash)



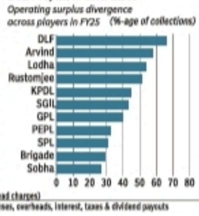
Oberoi, Sunteck, Lodha, and Kolte-Patil derived a majority of inflows from operating profits

Companies with higher share of core business earnings in total cash inflows (₹ billion)



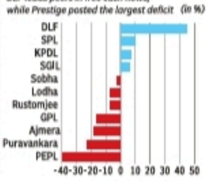
DLF led at 66%, while Sobha, Puravankara & Ajmera lagged at 27%, 22% and 22%

Operating surplus divergence across players in FY25 (%-age of collections)



Industry cash deficit widened to 6% of collections in FY25 from 3% in FY24

DLF leads peers in free cash flows, while Prestige posted the largest deficit (in %)



Operating surplus = (total collections minus Construction expenses, overhead charges)
Cash surplus/(deficit) is calculated after meeting all operating costs, expenses, overheads, interest, taxes & dividend payouts

Source: Nuvama Institutional Equities

On businessline.in

Reimagining the role of regulators

To improve bureaucratic capacity, it is vital to empower regulators with the requisite techno-economic expertise, says **MP Tangirala**

https://tinyurl.com/y6twcdcz

Merging guarantors and debtors in resolution

The proposed Section 28A allows creditors to transfer guarantee assets — personal or corporate — into the corporate debtor's resolution plan. This unsettles how the law of guarantee has worked thus far, points out **Debarshi Chakraborty**

https://tinyurl.com/35u6x5kn

Punjab must explore more avenues to raise revenues

To finance its high committed expenditure and reduce its soaring debt, Punjab must look to augment its revenue through both tax and non-tax sources, say **Sehaj Singh** and **Tanvi Vipra**

https://tinyurl.com/3xnmemrd

thehindu businessline.

TWENTY YEARS AGO TODAY.

September 17, 2005

Only professional directors can add value, says SCOPE

The controversy over appointment of politicians on boards of public sector enterprises (PSEs) as independent directors is hotting up. While there has been some opposition from political parties other than the Congress, the Standing Conference of Public Enterprises (SCOPE), an association of public sector companies, today joined the fray by saying that only professionally qualified independent directors could add value to the functioning of a company.

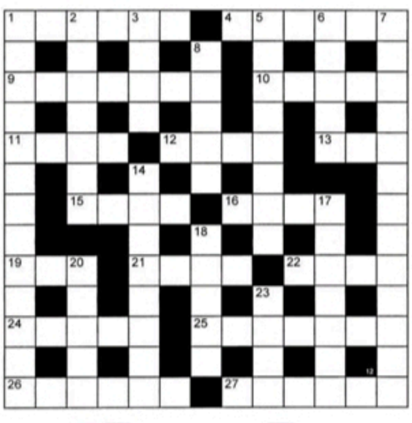
ISRO-Boeing plan to build 2-tonne satellites dropped

The ISRO-Boeing Satellite Systems dream plan to jointly make two-tonne communications satellites has more or less been dropped. Boeing, in an "informal communication", told ISRO that it had shifted its business plan towards making larger four-tonne satellites.

TRAI 'no' to misleading tariff plans

The Telecom Regulatory Authority of India (TRAI) on Friday disallowed tariff plans with misleading titles such as 'zero rentals' on the ground that operators were continuing to charge recurring hidden monthly fee.

BL TWO-WAY CROSSWORD 2784



EASY

ACROSS

01. Affectionate embrace (6)
04. Daze (6)
09. Feeling on edge (7)
10. Bend forward (5)
11. Train of feathers (4)
12. Small dog (abbr) (4)
13. Animal hair (3)
15. Outfit; toothed wheel (4)
16. Leave (4)
19. Bare rocky height (3)
21. Return sound (4)
22. Work (mus) (4)
24. Drunk; lubricated (5)
25. Bitter-orange liqueur (7)
26. Make fast (6)
27. Slops over (6)

DOWN

01. Things piled together; buildings (13)
02. Mending holes in socks etc (7)
03. Doubling of cord etc (4)
05. Showing good discrimination (8)
06. Trial print (5)
07. Reverberations; consequences (13)
08. Michaelmas daisy (5)
14. Fragrant bush (8)
17. Characteristic (7)
18. Mop of hair (5)
20. Personal memorial of saint (5)
23. Pitfall (4)

NOT SO EASY

ACROSS

01. A loving get-together to confuse with a rhyme (6)
04. It's port that could put us in a daze (6)
09. Being apprehensive, is sure no change is possible about five (7)
10. There's nothing in the halt to make one bend so low (5)
11. The end piece sounds like a story (4)
12. Small dog that will keep turning to it (4)
13. Starts feasting, unless regretting the hair of the dog (3)
15. Baffled rage makes a change for the motorist (4)
16. Take one's leave in the silence the East forgot (4)
19. Rock height laid bare by return of decay (3)
21. Say what was just said in the chorus (4)
22. Making soup is work for a composer (4)
24. Nothing will idle like this if it's lubricated (5)
25. It might occur to the AA that the island made the liqueur (7)
26. Is it safe to get hold of it? (6)
27. Loses liquid as they carry lights (6)

DOWN

01. Buildings, and the interpretations put on them (13)
02. Mending the holes in grand disorder (7)
03. Doubled line to cut off if there's nothing in it (4)
05. It shows good choice to set fault to rights (8)
06. Printer's trial demonstrates the strength of alcohol (5)
07. The consequence of making up with Ross – sincere, maybe (13)
08. Flower goes more quickly if top is removed (5)
14. Fragrant colour of lard, even when cut up (8)
17. As one would expect a clay-pit to turn out (7)
18. Propped-up group of sheaves may startle one (5)
20. What remains is right, left in ice-breaker (5)
23. A bit that's put up to catch one (4)

SOLUTION: BL TWO-WAY CROSSWORD 2783

ACROSS 1. Relegate 7. Chime 8. Rambler 9. Epistle 10. Loop 12. Deluded 14. Residue 17. Stag 18. Salient 21. Incline 22. Dregs 23. Resented

DOWN 1. Rarely 2. Lampoons 3. Gull 4. Thread 5. Mist 6. Defend 7. Chilled 11. Redeems 13. District 14. Reside 15. Entire 16. Agreed 19. Lied 20. Ache

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REIT, but not enough

Reclassifying REITs as equity not enough to attract flows

The decision by the Securities and Exchange Board of India (SEBI) in its latest Board meeting to reclassify Real Estate Investment Trusts (REITs) as equity instruments for the purpose of investment by mutual funds, is being cheered as a win-win move by both the stock market and real estate ecosystem.

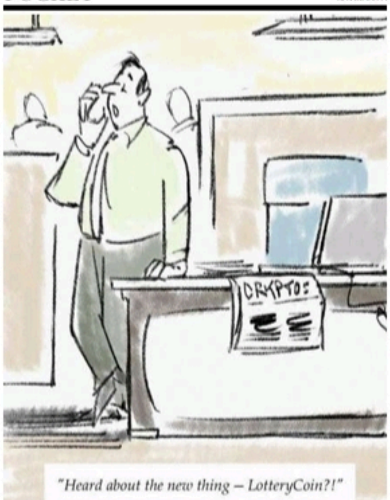
Stock market participants seem to be happy that the inclusion of REITs in the equity definition will open up an alternative, somewhat safer avenue for equity mutual funds to park their surplus cash. Most equity fund managers are today aware that stock market valuations are stretched. They find it challenging to deploy the gush of inflows from new funds and Systematic Investment Plans (SIPs), especially with earnings growth at India Inc now sharply lagging valuation multiples. REITs are generally safer instruments than stocks, as they pool investor money to invest in regular income-generating assets such as office space and commercial property which offer predictable rent. Ninety per cent of the income earned by the REIT is distributed to investors as a payout.

But opening up REITs to equity funds is unlikely to solve the mutual fund industry's problem of plenty, because there is a limit to the flows that listed REITs can absorb. In the eleven years since REIT regulations were notified in India, only five listed REITs have made a market debut. These REITs today carry a combined market capitalisation of less than ₹2 lakh crore, compared to the equity market capitalisation of ₹460 lakh crore. With only five listed players, the REIT market is also not very liquid or deep, with a daily traded value of not more than ₹500 crore. Given this context, the diversion of large equity flows into REITs can lead to distortions in their pricing. Equity funds cannot materially hike their REIT allocations without a significant expansion in the number, variety and trading volumes of listed REITs in India.

The argument that diverting equity fund flows into REITs will improve fund flow to the real estate sector also stands on rather thin ground. Given the structure of rental yields in India, only REITs investing in commercial property (and not residential property) are a viable proposition for sponsors and investors. The main constraints to the development of commercial REITs in India are the unorganised and fragmented nature of the commercial property market, the relative paucity of Grade A space and the preponderance of informal and short-term rental agreements. Mere reclassification of REITs as equity without addressing these structural constraints is unlikely to improve capital flows into this sector. REITs are unattractive relative to bonds and other fixed income instruments due to their complicated taxation. While REITs enjoy pass-through status for their rental and other income, the payouts they make to investors are segregated into dividends, interest and capital repayments and taxed at differing rates. Simplifying taxation can boost REITs in India.

POCKET

RAVIKANTH



"Heard about the new thing — LotteryCoin?!"

Q1 GDP growth good, not great

REALITY. Sectoral data, deflators and spending suggest real growth story is solid, but less spectacular than headline number

RAJIV KUMAR
KUNTALA KARKUN

India's Q1 FY 2025-26 GDP growth estimate of 7.8 per cent has sparked both celebration and scepticism. While the headline figure positions India as the world's fastest-growing major economy, a deeper dive into sectoral GVA trends, deflator anomalies, and fiscal dynamics reveals a more nuanced picture, one that demands critical reassessment. Taken together, they suggest the headline is directionally right, the economy is expanding, but likely overstated at the margin.

A detailed examination of key data points — specifically, Gross Value Added (GVA) estimates, GDP deflator dynamics, other related sectors like electricity generation, exports etc. and government spending trends — seem to suggest that the underlying growth momentum, while strong, may not be as explosive as the headline number suggests.

SOLID BUT MIXED SIGNALS

The standout sectors driving the 7.8 per cent GDP growth were services, manufacturing, construction, though the strength varies. Services, which account for around 60 per cent of GDP, posted an impressive 9.3 per cent expansion on the back of finance, real estate, transport, and government services. However, this figure may be somewhat overstated, as services inflation data is sparse and deflators often default to manufacturing proxies, limiting accuracy. Manufacturing reported 7.7 per cent YoY growth, reflecting resilient urban demand, but industrial production data suggests moderation: IIP witnessed 2.7 per cent growth in April 2025, which dipped to 1.2 per cent in May 2025, picking up to 1.5 per cent in June 2025. Merchandise exports growth remained weak, achieving a growth of 1.92 per cent YoY over the same quarter in FY 2025-26. Exports are likely to face stronger headwinds in light of the tariff escalation announced by the US.

Construction expanded 7.6 per cent, powered primarily by government infrastructure spending, underscoring the public sector's continued central role in sustaining economic activity. Central Government capex grew by 52 per cent YoY in Q1 FY 2025-26, reaching ₹2.75 trillion, which is almost 25 per cent of the annual FY 2025-26 target (Controller General of Accounts, Department of Expenditure, Ministry of Finance). Agriculture contributed a modest 3.7 per cent rise, supported by favourable monsoons.

Sectoral growth: Mixed signals

Sector	Real GVA growth (Q1 FY2025-26)	Notes
Agriculture & Allied	3.70%	Rebound from 1.5% last year
Manufacturing	7.70%	Steady, but nominal growth lagged
Construction	7.60%	Driven by infra push
Services (Tertiary)	9.30%	Led by trade, finance, and public admin
Mining & Quarrying	-3.10%	Sectoral drag
Utilities	0.50%	Stagnant

Source: MoSPI, PIB Q1 GDP and GVA estimates

CRACKS IN THE NARRATIVE

Industrial momentum weakened, with IIP growth easing from 2.7 per cent in April to 1.2 per cent in May and 1.5 per cent in June, raising questions about its alignment with the reported 7.7 per cent manufacturing GVA growth. The slowdown is corroborated by electricity consumption trends, a proxy for industrial activity, which rose only 1.4 per cent YoY in H1 2025 (IEA), well below previous years. Together, weaker IIP and power demand suggest caution in reading the manufacturing sector GVA at face value.

Trade data also highlighted underlying stress: despite overall exports growing by 6 per cent YoY to reach $210 billion in Q1 FY 2025-26, merchandise goods exports were largely flat (1.9 per cent YoY growth) and the goods trade deficit widened to $67 billion in April-June 2025 from $62 billion in April-June 2024.

Meanwhile, inflation collapsed, with CPI easing to 1.7 per cent in June and WPI slipping into negative territory, pulling the GDP deflator down to just 1 per cent, far below its historical 3-5 per cent range. This unusually low deflator mechanically boosted real growth, inflating activity estimates without a commensurate pickup in volumes.

Put simply, some of the "growth" is maybe more statistical than real.

> At the heart of the current debate is the GDP deflator — India's primary statistical instrument for removing price effects to estimate "real" growth

THE DEFLATOR DILEMMA

At the heart of the current debate is the GDP deflator — India's primary statistical instrument for removing price effects to estimate "real" growth. By design, the official methodology blends roughly 60 per cent Wholesale Price Index (WPI) and 40 per cent Consumer Price Index (CPI). This approach creates blind spots: the WPI, while useful for capturing commodity and manufacturing trends, excludes services altogether, while CPI coverage of services is narrow and often under-measured. The result is that service-sector deflators frequently default to proxies drawn from manufacturing or commodity baskets, which risks overstating real activity when goods inflation is unusually soft.

In the first quarter of FY 2025-26, this issue was magnified as the deflator sank to its lowest in nearly six years, just 0.9 per cent, thanks to falling commodity prices, negative wholesale inflation, and flat input costs in manufacturing. With nominal growth at 8.8 per cent, this unusually low deflator automatically inflated real GDP to 7.8 per cent. The result: manufacturing appeared far stronger than industrial output data like the IIP would suggest; while services, where price tracking is patchy, enjoyed an outsized gain. It's a reminder that growth headlines can sometimes be more about statistical quirks than genuine economic momentum.

THE FISCAL CUSHION

The final piece of the puzzle is government expenditure. While private consumption growth has been decent at 7 per cent, a key driver of the Q1 FY 2025-26 growth has been the significant jump in Government Final Consumption Expenditure (GFCE). The nominal growth rate of GFCE was a staggering 9.7 per cent in Q1 FY 2025-26, more than double the growth of 4 per cent in Q1 FY2024-25. This suggests that a substantial portion of the growth impetus is coming from public consumption spending rather than a broad-based revival in private consumption, which is often a more sustainable driver of long-term economic expansion.

The government's continued focus on capital expenditure, evidenced by a 7.8 per cent growth in GFCF, is a positive sign for future productive capacity. Recent trends indicate public sector GFCF expansion has driven India's total GFCF growth since FY 2022. Private capex growth has remained subdued or even contracted in some years.

India's Q1 FY 2025-26 GDP growth is commendable, demonstrating resilience amid global uncertainty and tariff shocks. Yet, the exuberance of 7.8 per cent risks obscuring underlying realities. The growth is real but inflated by price measurement complexities and government spending.

For economists and policymakers, the imperative is clear: focus on improving inflation deflators for the services sector, and refine high-frequency economic indicators to check if these are in sync with aggregate growth numbers. Investors and businesses should calibrate expectations accordingly; India's economy is accelerating steadily but is not yet sprinting. Understanding these nuances is necessary for crafting fiscal and monetary policy calibrated to actual economic conditions.

Kumar is Chairman, and Karkun is a Senior Fellow, Pahle India Foundation

Maintaining social peace: US' knottiest problem

Charlie Kirk's killing is reflective of intolerance to ideological differences. The 'new normal' is to endorse disruption

RK Raghavan

The killing last week in Utah of Charlie Kirk, a young political activist and a radical Trump supporter, raises several questions with regard to social stability in the US. Days after the incident London of all places saw a large rally condemning the murder. It may not stop with London. I predict that this will snowball into a major conflagration not merely in the US but across Europe as well. One factor that is relevant here is the unstoppable migration from the underdeveloped nations to the more developed ones. Migrants bring in a new culture to different parts of the world that does not gel with what is already well rooted.

There are millions of disgruntled and frustrated youths the world over looking for an occasion to vent their grievances and choosing indiscriminate targets to attack. What is fundamental is the growing disregard for peace and order. The 'new normal' that is enchanting many is endorsing disruption in our daily lives.

Years ago, famous academic Samuel Huntington wrote a ponderous essay, 'The clash of civilizations', that raised the spectre of a world order that split the world into an Islamic and a non-population. The London protest is a harbinger difficult to ignore. We may soon see a schism that splits the globe into fascist and anti-fascist segments. It is an entirely different matter that 'fascism' means different things to different people.

DIFFERENT PROPOSITION

The Kirk killing is a different proposition. It questions assumptions that were once based on mutual respect and a peaceful pursuit of one's own convictions. President Trump and Vice-President Vance are not exactly promoting peace and harmony in American society. They are divisive and are talking the language of violence that could lead to more violence. Ideological division among people is understandable, but not when it is accompanied by violence and by guns in the streets. This is what is happening in the US.

TOLERANCE. On the decline

Kirk was driven by passion in his fight against the Left. But he was grossly indiscreet in using language, which was often inflammatory. The motive of the assassin, Tyler Robinson (22), an engineering apprentice in a Utah technical institution, is still not known. The presumption of his guilt is derived from his scribbling on a towel used to wrap his gun and his own alleged confession. What is generally known is his antipathy to the Left. This was compounded by his sexual moorings. He was suspected to be having a questionable relationship with a transgender room-mate. Robinson's was an unmitigated act of terror. There is no evidence that he belonged to any specific group. He fitted the definition of a "lone wolf". Accusing any official of a slip-up in not having identified him and foiled his dastardly act is meaningless. We have had far too many acts like this wherein a motivated youth goes berserk. This phenomenon of an unstable youth drawn to terror makes the law enforcement official's job all the more difficult. We can at best blame the family for not having kept a tab on a a youth drawing inspiration from a violent ideology. Many parents do not have a clue of what their wards are doing.

We grieve for Kirk's young family. We don't however approve of his reckless rhetoric. There is a lesson here for public figures: Freedom of speech has clear contours. If there is no sensitivity here, we will witness many more assassinations leading to fear, especially among the moderates.

The writer is a former CBI Director and a former Visiting Fellow at Harvard Law School

LETTERS TO EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

Exports to US

Referring to 'Aug exports rise 6.7% on rush in US shipments to beat tariffs' (September 16), while year-on-year exports to the US shows growth, the sequential dip due to tariff hikes is a cause of concern. This trend may continue, at least till the tariff issues are ironed out, warranting immediate attention from the Finance Ministry and the RBI. Exporters with US commitments face an awkward predicament as their pre-shipment credit facilities from banks will cross the 90-day norm and end up as NPAs despite no fault of theirs. The RBI must swiftly introduce relief measures to support these exporters with confirmed order to the US, so as to ensure that the quality of banks' credit exposure remains secure without slippage. Timely intervention will avert potential losses and safeguard the export sector.

R Mohan
Kumbakonam, TN

US on a peace mission?

This refers to 'India is coming to the table: White House Trade Advisor Peter Navarro' (September 16). While re-opening talks may be a step in the right direction, it goes without saying that no trade deal worth its name can be signed as long as the tariff gun is kept on India's head. Moreover, those living in a glasshouse should not throw stones at others. What else could explain Trump unabatedly supplying various modern military hardware to Ukraine via the NATO route. Is this a 'peace' oriented move to end the Russia-Ukraine war?

Kumar Gupt
Panchkula, Haryana

Green credits

Apropos 'Credit for planting trees' (September 16), indeed the Green Credit Scheme for planting trees promotes afforestation, leading to biodiversity, conservation and ecosystem restoration. To make this scheme a success, distortion in selling green credit must be removed and companies must be prevented from indulging in deceptive greenwashing tactics.

NR Nagarajan
Sivakasi, TN

GST on tobacco

This refers to 'GST 2.0 shouldn't reduce effective tobacco rates' (September 16). It is indeed a very sensitive subject. Health experts are absolutely right that *bidis* are as harmful as cigarettes, but the government wants to protect the rural workforce, mainly women, and that is why tax on Tendu leaves, which are used to make *bidis*, have been slashed from 18 per cent to 5 per cent.

In this debate of livelihood versus public health some sort of pragmatism should come into play, like giving a time frame to *bidi* manufacturers to recover and, thereafter, have a uniform tax rate for all tobacco products.

Bal Govind
Noida

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