

Whose Budget is it anyway?

The wheels of growth are in non-government hands, yet this annual exercise attracts eyeballs.



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In the years that the government was exiting one business after another, the Budget was a huge event. There was money to be made punting on which these sectors would be and which business would make the most of it. Tax rates were so high that hiding one's income from the taxman was the biggest concern. We are well past the days of such drama.



GETTY IMAGES

The biggest difference between a household budget and a government budget is that while a household begins with income and plans to spend within that income, the government plans its spending and budgets to find the income. Both have to borrow if they have a deficit, that is, spend more than their income. While discussing the Union Budget, our focus, therefore, is about the government's plans for spending and how it will raise the required funds, primarily through taxes.

What is the government spending money on, and why? The government is responsible for infrastructure development, as well as for paying a substantial salary and pension to its workforce. The former is capital expenditure, and the latter is revenue expenditure. Additionally, it spends on defence and pays interest on the borrowings it takes to fund deficits. When the government spends, it puts the money it collected as taxes back into the system. Or, it redirects the money that would otherwise be in private hands—individuals and businesses earn income, and buy goods and services with that income. When a portion of it is collected as taxes, the money is used as prioritised by the government.

Defining economic growth

Is it enough for economic growth? When the basket of all goods and services produced by an economy keeps growing over time, we call it economic growth. We make more goods, offer more services, consume and pay for these, more people are employed in these activities, earnings increase, and so does the ability to spend more of the earnings, which increases the demand for these goods and services, and we make more goods and offer more services.

That is how the virtuous cycle of economic growth works. When we say India's gross domestic product (GDP) has grown by 6.8%, that is how much the rupee value of this basket of goods and services has grown this year

compared to the previous year, after adjusting for inflation. Keep in mind that value is price times quantity and price can go up just due to inflation.

How the marketplace opened up

Let's have a look at our post-independence model of economic growth, for which the government was the primary driver. We had five-year plans, where the government laid down the goods that would be made and the services that would be offered. We then moved to the public sector undertaking model, where the government created and owned businesses for many goods and services. Think of the large steel plants, and the rule that no one but the government could set these up. Or, when the government took over (nationalised) services provided by private businesses. Think of the bank nationalisation era. The government dominated and controlled that virtuous economic cycle, and our economic growth rates were very low. We didn't make enough or earn enough, while control over what could be bought and at what prices meant short supplies. In order to fund the government budgets, we paid higher taxes and banks lent most of their money to the government.

Economic liberalisation has, over time, moved the wheels of growth from the government to the private sector (it is customary and technically correct to call anything that is not government, private, even if the term can irk some). We now have a free economy, where one can set up a business and produce goods or offer services, sell them in the free marketplace, and create job opportunities, leading to incomes and profits that can be used to buy and consume whatever people need or desire. Economic growth in these modern times is driven by a more comprehensive set of components. What are these?

What drives economic growth?

Investment by the private sector is one component. Not all businesses now need the govern-

ment to set up and run them. Infrastructure projects and capital investments are created and funded not by the government, but by raising money in capital markets through equity shares and borrowings by the private sector.

Private consumption is the next component. We use our incomes to buy clothes, food and groceries, as well as pay for rent, Internet and education. We spend what we earn, and there's no government intervention in what we earn and how we use it.

Then there is the external sector. We buy and sell some goods and services through trade with other countries (imports and exports). If we sell more than we buy (exports greater than imports), it adds to our economic growth.

We now live in a world where government spending is not a big deal: less than 10% of our GDP. Our economy is driven primarily by consumption and private investment. As we depend on the world for oil, our global trade is in a deficit. That is the summary picture.

Now, let's return to the Budget. In the years that the government was exiting one business after another, the Budget was a huge event. There was money to be made punting on which these sectors would be and which business would make the most of it. We are well past the days of such drama.

There was a time when tax rates were so high that hiding one's income from the taxman was the biggest concern, creating a huge cash economy. The Budget scared the minority of salaried income taxpayers, as well as pensioners dependent on government schemes. In today's digitised world, vegetable vendors are taking their cash-flow statements to banks for low-cost loans, and GST is filling government coffers much faster than income tax. Boomer uncles are doing systematic transfer plans and looking at the NAV of their holdings marked to market every day. Swiping that phone to buy and spend is an act of patriotism as consumption is the biggest contributor to our economic growth. So, what is the Budget doing these days?

The report card

The government submits a report card. Every announcement is linked to what it does to those four components of growth: concessions to business is more private investment; lower taxes is more money to spend or cheaper goods and services to buy; modifications to duties is tinkering with imports and exports in a volatile global environment; and government spending is the residual block it tries to move when other components are sluggish. A lot of analysis and fineprint reading will happen before everyone settles down to the details about capital gains and standard deduction. The wheels of growth are firmly in non-government (ours or private, as you choose to look at it) hands now, even if we fret about the Budget from the sheer habit of the past.

NPS Swasthya Pension Scheme

Now, use NPS to build a medical fund

by Sanket Dhanorkar

The National Pension System (NPS) will soon roll out a pilot NPS Swasthya Pension Scheme, which will exclusively cover subscribers' medical expenses. It will be launched by pension funds initially as a 'proof of concept', operating for a limited time duration under a regulatory sandbox.

Here's how it will work. An individual can contribute any amount to the Swasthya account with any pension fund manager of their choice, who will invest the money in accordance with investment guidelines prescribed under the existing NPS Multiple Scheme Framework (MSF).

For new subscribers to the NPS, a Common Scheme Account shall mandatorily be opened along with the NPS Swasthya Pension Scheme Account. The existing non-government NPS subscribers aged above 40 years can transfer up to 30% of their total contributions from the Common Scheme Account to the NPS Swasthya Pension Scheme Account.

Subscribers can make partial withdraw-



als at any time to meet outpatient or inpatient medical expenses. There is no limit on how many times one can make these partial withdrawals. However, the subscriber can withdraw up to 25% of his own contributions at any given time.

Further, one must first accumulate a corpus of ₹50,000 to be eligible for the first partial withdrawal. However, for critical inpatient medical treatment, where the hospital bill exceeds 70% of the total account corpus, one can exit and withdraw the full amount

to cover that treatment. Note that this money will be remitted directly to the Health Benefit Administrator (HBA) / Third Party Administrator (TPA) against valid claims and bills. Any surplus left after the settlement of medical expenses will be transferred to the subscriber's main NPS account.

Fees and charges for the NPS Swasthya scheme will be disclosed later. These charges shall include those payable to the HBA. Essentially, the PFRDA will be testing if a health-linked plan can be built into the NPS.

If the scheme's viability is not established, the subscribers onboarded during the pilot will be given the option to transfer their accumulated corpus to their main NPS account.

Experts reckon that if this works out, NPS Swasthya could provide the much-needed financial buffer for individuals' medical needs. It can act as a back-stop for expenses that may not get covered under a mediclaim policy or for claims that get rejected by insurers.

Pranay Dwivedi, CEO & MD, SBI Pension Fund, says, "In health insurance, sometimes the reimbursement is not up to 100% and subscribers end up paying from their savings or taking loans. This scheme will complement health insurance and help them to copay."

To be sure, a separate medical corpus can also be built using investments in mutual funds. So a dedicated NPS health scheme may not add much value, apart from its medical expense-linked withdrawals from the accumulated corpus.

What is a realistic way to calculate one's retirement corpus given the longer life expectancy, rising post-retirement medical expenses, and patchy insurance covers? Which assumptions do most Indians still go wrong with while making calculations?

— Rachna Sharma

Covering outpatient department (OPD) expenses at retirement is crucial as these costs tend to be frequent and unavoidable, and remain largely uncovered by most health insurance policies.

We recommend estimating the current costs of visiting doctors, routine consultations, regular health check-ups, emergency hospitalisation, and other out-of-pocket medical expenses for yourself, your spouse, and dependent parents from the retirement start date, and treating these as recurring annual costs.

Since OPD and preventive care expenses typically rise steadily with age, factoring in medical inflation is essential to avoid underestimating the required corpus. For example, if the yearly estimate for doctors' visits and health check-ups is ₹5 lakh per annum, and this amount is required on an inflation-adjusted basis from 60 to, say, 90 years, a corpus of ₹1,10,39,000 would need to be set aside.

This can be either as a lump sum or through a mutual fund systematic investment plan (SIP) of approximately ₹53,000 per month for a 50-year-old retiring in 10 years, with expenses commencing from 60 and lasting till 90.



Dilshad Billimoria
MD & Chief Financial Planner,
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Our panel of experts will answer questions related to any aspect of personal finance.

I have been living in the UK with my family for the past 50 years and all of us have OCI cards. My parents, who had bought two properties in Delhi, passed away recently. Their will states that the wealth is to be distributed equally among all three children. Which documents do we need to sell the properties and repatriate the amount to the UK?

— R. Ranjan

All three children must have PAN cards and NRO bank accounts in India. Based on the will, all the siblings will need to file a probate petition in the competent court having jurisdiction in Delhi. While one can act as the petitioner, other siblings can submit consent affidavits. Following the document scrutiny, court-mandated advertisements, and completion of procedural formalities, the probate order will be granted. On the strength of the probate order, a registered transfer deed must be executed with the office of the sub-registrar/registrar of assurances, recording all three children as joint owners of the properties.

The sale process can then be initiated, with the sale consideration—net of applicable TDS—received by each co-owner in his/her bank account. The siblings will be required to file individual income tax returns in India to report the capital gains from the sale. Under FEMA regulations, an NRI can repatriate up to USD 1 million per financial year from the sale of inherited assets, after payment of all applicable Indian taxes. The authorised dealer bank will require submission of a chartered accountant's certificate along with Form 15CA/CB to process the remittance.



Rajat Dutta
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How should investors decide which mutual funds to continue with, pause, or exit? Which red flags signal it's time to move on?

— Kishan Gupta

When equity markets are near record highs, investors should avoid reacting to index levels and, instead, evaluate each mutual fund in their portfolio based on its role, fit and investment style. The first question should not be, 'Has the fund done well?' It should be, 'What role does it play in my portfolio?'

Diversified equity funds that are aligned with long-term goals should usually be continued even at highs. High levels of equity markets test asset allocation, not conviction; your decisions should flow from goals, time horizon and risk tolerance, not market headlines.

Exiting a fund is justified only when there are structural red flags. Clear signals include persistent multi-year underperformance versus the right benchmark, process changes, style drift, rising concentration, capacity issues from large fund sizes, or tax inefficiencies that no longer make sense. If a fund no longer behaves as expected, or if its volatility makes it impossible for you to stay disciplined, it's time to move on.

When the markets are at record highs, success doesn't come from guessing what will happen next, but from following a clear plan. Retain funds that still make sense, slow down where your allocation is high, and sell those that no longer work.



Ravi Kumar TV
Director, Gaining Ground
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REFORMS MINUS THE FIREWORKS

A low-key Budget doubles down on growth, investment, and reform momentum

FINANCE MINISTER NIRMALA Sitharaman's Budget for 2026-27 may be short on tax giveaways and big-bang announcements, but it reinforces the government's growth push through targeted financial benefits and steps to ease procedural bottlenecks. Higher spending on manufacturing and infrastructure is envisaged, alongside incentives for data centres, global capability centres, and contract manufacturing. The overarching objective, which was articulated in the Economic Survey, is to build resilience and self-reliance while embedding India more deeply into global supply chains. From electronics components and biopharma to semiconductors, rare earth magnets, and chemical parks, the Budget signals intent with sectoral focus and sizeable outlays. If manufacturing is being boosted through the revival of legacy clusters, the semiconductor mission and support for seven strategic sectors, the Budget also sets a modest ambition for India to command a 10% share of the global services market by 2047.

In the near term, the stress in exports is being addressed with targeted support for labour-intensive sectors such as textiles and leather, including a one-time permission for units in special economic zones to sell in the domestic tariff area at concessional duties. There is also a welcome effort to make tax compliance less onerous through simpler disclosure norms. The extension of the tax holiday at GIFT City to 20 years adds to India's pitch as a

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financial and services hub. All this holds the promise of a faster-growing economy, but success will ultimately hinge on job creation. Employment generation has fallen well short of the country's needs over the past decade, and the quality of jobs has often been mediocre. Growth without adequate and decent employment will remain politically and socially fragile.

The government, for its part, continues to stretch within tight fiscal constraints. Some argue that the fiscal deficit could have been pegged at 4.2% rather than 4.3%, especially with Pay Commission pressures looming from 2027-28.

Overall, however, the Budget math is conservative—appropriately so given a hostile global environment. Assuming nominal GDP growth of 10% (which may prove optimistic), total expenditure for 2026-27 is set to rise by just 7.7% to ₹53.47 lakh crore. This restraint reflects modest gross tax revenue growth of 8% to ₹44.04 lakh crore, implying a tax buoyancy of 0.8—a realistic assumption after the substantial income tax and goods and services tax cuts in 2025. Notably, capital expenditure has been budgeted at a robust ₹12.2 lakh crore, an increase of 11.5% over revised estimates.

The Centre is also relying heavily on bond markets and a larger dividend payout from the Reserve Bank of India (RBI) to meet its financing needs. While net borrowing at ₹11.73 lakh crore is broadly unchanged from this year, the sharp rise in gross borrowings is a concern. Without the RBI's intervention, bond yields could remain elevated, keeping the cost of capital high not just for the government but also for corporates and micro, small, and medium enterprises (MSMEs), potentially slowing credit flows. The Budget had been expected to rationalise customs duties and lower the weighted average rate. While this appears to have been deferred—partly due to revenue considerations and partly to protect domestic industry—duty cuts have been announced for several items, accompanied by measures aimed at easing exporters' pain points.

Markets were disappointed by the sharp hike in securities transaction tax on derivatives and the absence of tax concessions for foreign portfolio investors or relief on capital gains for domestic investors. Yet, investors must recognise that sustained corporate earnings growth ultimately depends on durable economic momentum and investment, which this Budget seeks to underpin. Even within constraints, there was room to do more for the social sector. Education spending rises marginally to 0.35% of GDP from 0.34%, while health outlays inch up to 0.27% from 0.26%. Defence spending, meanwhile, declines to 1.51% of GDP from 1.59% in 2025-26. For a country where even access to decent education can be transformative, these modest increases underline the limits of fiscal space—and the scale of unfinished work.

If the Budget's overall growth blueprint is to move beyond paper, the private sector must step up investment so that public resources can support other priorities, including the MSME sector, for which there is a growth fund of ₹10,000 crore. Taken together, this is a Budget that prefers continuity to big-bang changes. In a world marked by external shocks and fragile confidence, that choice has its logic. The measures may not dazzle markets or voters, but they seek to keep the reform engine running, nudge private investment, and preserve fiscal credibility.



ONE WAY FOR BUDGET TO TACKLE THE TENSION WAS TO BE CONSERVATIVE FISCALLY AND EXPANSIVE ON POLICY REFORMS. IT ACHIEVED THE FIRST TASK

NEED OFFENCE & DEFENCE

SAJJID Z CHINOY HEAD OF ASIA ECONOMICS, JPMORGAN

THIS YEAR'S BUDGET was presented against an extraordinary global backdrop. An (albeit imperfect) rules-based global order is rapidly unravelling. This creates both near-term uncertainties and medium-term concerns. Near-term uncertainties because as the rules of the game get suddenly, and arbitrarily, rewritten, markets are getting whiplashed on a daily basis. Which country will be the victim of the next set of tariffs? Is there any risk-free asset left in the world? Will muscular industrial policy in developed economies successfully jawbone global capital back? Medium-term concerns because the political and economic balkanisation that this will inevitably engender is inimical to specialisation and exchange that underpinned the last 80 years of prosperity, notwithstanding the accompanying warts of heightened inequality and unsustainable imbalances. Generating growth in a world that is splintered will be hard.

So how should economies respond to these impulses? Heightened near-term uncertainty would argue for hunkering down: to build buffers and be fiscally and monetarily conservative to weather the external storm. But a more bleak medium-term global growth outlook would argue for the opposite—be more adventurous and expansive to avoid getting dragged down into mediocrity. This is especially so because economic heft is the key to geopolitical leverage in this brave new world.

This, then, was the tension confronting this year's Budget. To be conservative and aggressive at the same time. One way to achieve this division of labour was to be conservative on the fiscal math but more expansive and adventurous on policy reforms.

The first task was achieved. Despite direct and indirect tax cuts, and a lower-than-expected nominal GDP, policymakers met this year's fiscal deficit target of 4.4% of GDP and signalled a modest consolidation towards 4.3% of GDP next year. Furthermore, the fiscal assumptions going forward are relative conservative such that consolidation does not seem in any threat.



SUNEESH K

The first box was checked, but medium-term fiscal sustainability involves many more moving parts: it depends crucially on how growth pans out and whether state finances can be reined in. If nominal GDP growth averages 10% over the next five years, the Centre will have to reduce its deficit further to about 3.6% of GDP over four years to meet its debt target of 50% of GDP by FY31. But unless state deficits are reined in, state debt will continue to climb, such that combined public debt—which is what matters for the economy—will barely move from 82% to 79% of GDP by 2031.

Things get more hairy if nominal GDP growth slips to 9%, eminently possible in a world with ever-growing Chinese excess capacity that is creating disinflationary pressures across Asia. The Centre will have to reduce its deficit all the way to 3% of GDP by FY31, and this is keeping in mind that the 8th Pay Commission is expected to kick in from FY28. Furthermore, if state deficits remain at current levels, public debt to GDP will barely move in the next five years.

So despite the recent progress, the economy has its fiscal work cut out in the coming years. This will inevitably curb the quantum of support the fiscal can keep providing to the economy. First signs of this are visible. Public capex was a key driver of the post-pandemic recovery, with central capex growing 30% annually (in nominal terms) for the first four years. Things have inevitably slowed. Central capex slowed to 11% in FY25 and if the revised estimates for FY26 are met, central capex growth would have slowed to 4.2% this year. To be sure, authorities budget a 11.5% growth in FY27 but, over a two-year period, this would still suggest a compound annual growth rate (CAGR) of less than 8% (nominal) growth. Meanwhile, central PSU capex growth has averaged 8% over the last three years, undershooting nominal GDP growth. Finally, state capex growth between April-December 2025—the latest data available—has grown at a CAGR of just 6% (nominal) over the last two years.

So public sector capex—as a driver of growth—is inevitably slowing, as both fiscal space and absorptive capacity become constraints. The implication: the capex baton will have to progressively, and rapidly, pass

to the private sector. This is where aggressive, expansive policy reform intent becomes crucial to jump-starting animal spirits, amongst domestic and foreign investors.

On its part, the Budget identified seven strategic sectors and proposed several measures for each. It also provided a tax holiday for the next two decades to any foreign firms that provides cloud services to customers globally by using data centre services from India. It created a safe harbour for the IT sector to protect it from tax uncertainty, and signalled setting up a high-level banking committee to review the sector.

These are all encouraging steps but reforms are an ongoing process and the structural task is long. Policymakers will thus need to be consumed with key questions. How does India jump-start FDI to shore up capital flows and safely finance its current account deficit? How does India balance investments in strategic sectors—which tend to be much more capital-intensive—with energising labour-intensive sectors that are key to generating employment and harnessing India's large, and aspirational, labour endowment? How does India ensure the raft of FTAs signed recently—for which policymakers must be commended for not succumbing to export pessimism—move the needle on exports? The Budget made a slew of announcements on customs duties, but will a more overarching simplification and rationalisation of import duties eventually be needed to attract FDI and boost exports in a world of global value chains? What will it take for India's private sector to undertake broad-based capex cycle in a world floating with Chinese excess capacity?

India is witnessing a smart cyclical upswing on the back of a raft of supports over the last year (income and GST cuts, monetary and regulatory easing, strong monsoon, and low inflation). But these will eventually fade, and we need to plan for the morning after. At that point, it's crucial that cyclical supports are replaced with structurally underpinnings. Sustained policy reform translating into consistently strong growth will be India's best insulation mechanism in the current global storm.



Accelerating Reform Express

KUMAR MANGALAM BIRLA CHAIRMAN, ADITYA BIRLA GROUP

EVERY BUDGET SIGNALS the direction of travel. Budget 2026-27 makes it clear that India is choosing the path of long-term growth. This is not growth by impulse or short-term stimulus, but by deliberate investment in the institutions, infrastructure, skills, and industrial capacity that define a rapidly developing economy. Total expenditure stands at ₹53.5 lakh crore, the fiscal deficit is estimated at 4.3% of GDP, and effective capital expenditure including grants to states reaches ₹17.1 lakh crore. In a fractured global order, the government has chosen to keep building.

Manufacturing forms the core of this strategy. Seven strategic sectors, including biopharmaceuticals, semiconductors, electronics components, rare earth magnets, chemical parks, capital goods, and textiles, receive focused support. The India Semiconductor Mission 2.0 widens its scope to equipment, materials, and design capability. The electronics component manufacturing scheme already shows strong private response, and the expanded outlay reflects that traction. The rare earth initiative addresses a vulnerability that many advanced economies are now racing to close. Invest-

ments in hi-tech tool rooms, container manufacturing, and textiles point to a deeper objective of strengthening the industrial base.

Small and medium enterprises (SMEs) also receive serious attention. The ₹10,000 crore SME Growth Fund seeks to nurture future champions. Mandating the Trade Receivables Discounting System for government procurement can ease liquidity constraints that often hold back expansion. The Corporate Mitras initiative brings professional advisory support to entrepreneurs outside major metros. Equity support, improved liquidity, and access to expertise together address structural hurdles that SMEs face in scaling up.

The services sector emerges as a parallel engine of growth. India's pool of young, educated professionals is large, yet the bridge from education to enterprise has been uneven. The proposed standing committee on Education to Employment and Enterprise aims to identify high-potential services segments and clear regulatory bottle-

necks. Healthcare services expand through allied health professional institutions, medical tourism hubs, and a broader care ecosystem. For the IT sector, safe harbour rationalisation and faster advance pricing processes aim to preserve competitiveness as global firms evaluate new operating bases. Tourism initiatives, including hospitality training and digital documentation of destinations, recognise the employment and foreign exchange potential of the sector.

Fiscal discipline underpins these ambitions. The deficit estimate of 4.3% of GDP and a debt-to-GDP ratio easing to 55.6% provide macroeconomic stability. Net market borrowing estimates at ₹11.7 lakh crore strike the right balance: large enough to fund ambitious public investment, disciplined enough to protect India's sovereign credit profile. The government threads a genuinely difficult needle here, allocating more to productive assets while estimating lower borrowings relative to the economy. That combination strengthens India's hand in global capital markets at precisely

the moment when investors seek stability.

The Budget also speaks fluently to the future. A tax holiday stretching to 2047 for foreign companies providing cloud services through Indian data centres positions India as a serious destination for digital infrastructure investment. The ₹1,000-crore allocation for the India AI Mission and the launch of Bharat-VISTAAR bring artificial intelligence to agriculture and public services. These allocations signal that India intends to shape the next technological wave. The Carbon Capture Utilisation and Storage scheme targets five industrial sectors—power, steel, cement, fertiliser, and refining—with clear timelines. Allocations for battery energy storage, solar manufacturing, nuclear power extensions, and the PM Surya Ghar scheme collectively build an energy transition strategy with depth.

This is a Budget that accelerates the Modi government's unstoppable reform express. And coming on the back of the mega goods and services tax reform and labour code overhaul, it locks in the architecture for sustained expansion. If industry and entrepreneurs respond with equal commitment, India's productive capacity can expand at a scale that matches its ambitions.

Transforming cities and rail travel

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THE UNION BUDGET's focus on infrastructure has two dominant themes—rejuvenating cities and high-speed rail (HSR). The finance minister spoke at

length to outline the attention to tier-II and -III cities (population below 5 lakh) and a series of measures for their rejuvenation. She said, "This Budget aims to further amplify the potential of cities to deliver the economic power of agglomerations by mapping City Economic Regions (CER) based on their specific growth drivers. An allocation of ₹5,000 crore per CER over five years is proposed for implementing their plans." Municipal bonds too have been incentivised with an attractive package of ₹100 crore for a single-bond issue greater than

₹1,000 crore. Smaller issue sizes continue to be incentivised under the Atal Mission for Rejuvenation and Urban Transformation.

The other dominant area was the announcement of seven HSR corridors (Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi, and Varanasi-Siliguri). Discussed for over half-a-decade, the announcement now grabs the railway bull by the horns and forces the ministry to transform how India travels.

The Budget also emphasises inland water transport and coastal shipping; social infrastructure; financial facilities; and tax breaks and incentives for emergent areas.

Over the next five years, 20 new national waterways are to be developed along with a

Coastal Cargo Promotion Scheme for incentivising a modal shift from rail and road to water to increase the share of inland waterways and coastal shipping from 6% to 12% by 2047. On logistics, India will get another dedicated freight corridor (Dankuni-Surat).

In financial facilities, the setting up of an Infrastructure Risk Guarantee Fund has been proposed to "provide prudently calibrated partial credit guarantees to lenders". Dedicated real estate investment trusts for monetising real-estate assets of central public enterprises are also on the cards. The proposition to "restructure" the Power Finance Corporation and the Rural Electrification Corporation will be keenly watched by infra developers. (Does it smell like a merger?!) Social infrastructure has been given gr-

anular attention. This includes five regional medical hubs, five varsity townships, and 15 archaeological sites as well as sports training institutes and tourism circuits.

Tax breaks, customs duty exemptions, incentives, and facilities for emergent areas have been listed and encompass data centres, nuclear power, aircraft repair and assembly, construction and infrastructure equipment, container manufacturing, lithium-ion cells for battery energy storage systems and sodium antimonate used in solar glass. Rejuvenating legacy industrial clusters through infrastructure

upgrade is welcome, as is setting up three dedicated chemical and mega textile parks.

The FM said the overall outlay for public expenditure for infrastructure was ₹12.2 lakh crore, 11% higher than FY26. But the last word is awaited as the fine print will reveal other outlay-related heads like "grant-in-aid to states" and social infra investments. The number could well cross the ₹13-lakh crore mark, sufficient to keep pump-priming the economy.

Have some expectations not been met? Yes, a few areas deserved inclusion. There was no special emphasis on PPPs, the nat-

ional infra pipeline, and the national monetisation pipeline. Also, there was no mention of pension funds being allowed to directly invest in infra projects. The exercise for a fresh "harmonised list of infrastructure sectors" has been pending for long, as is the strident request from private sector infra developers to allow the group consolidation of infra special purpose vehicles for taxation.

The ₹1-lakh crore Urban Challenge Fund—one of the highlights of last year's Budget—also didn't find mention. Hopefully, these missing pieces will be addressed. Overall, this Budget includes fresh and insightful brush strokes, adequate allocations, and many areas where the man on the street can relate to in terms of improving quality of life.



NK SINGH & NICHOLAS STERN

PRESIDENT, INSTITUTE OF ECONOMIC GROWTH, & CHAIRMAN, GRANTHAM RESEARCH INSTITUTE ON CLIMATE CHANGE & THE ENVIRONMENT

A blueprint for India in a turbulent world

NAN EARLIER article ("History doesn't end today, our old compass has run its course", *IE*, December 31, 2025), we examined India's policy challenges in an unsettled global environment. This article revisits that framework. Assessing the Union Budget against the templates we had outlined, we find that it has been marked by much greater openness to recognising trade as an engine of growth. The Finance Minister's mantra this year has been capital, technology, and export competitiveness. This philosophy was behind the trade agreements with the EU and the UK, as well as Australia, the UAE and Oman.

Yet, geopolitical uncertainty has intensified debates on inflation and growth, capital flows, currency management, and India's attractiveness as an investment destination. The US and China deploy tariffs, export controls, and licensing regimes, while restrictions on advanced technologies signal a fragmented order.

The Economic Survey cautions that a persistent current account deficit (CAD) raises India's macro risk premium and keeps interest rates elevated. But eliminating the CAD of 1.3% of GDP in Q2 FY26 by running down reserves would be counterproductive. India has sustained larger deficits in the past while maintaining adequate

reserve buffers. During the chairmanship of the FRBM Review Committee, we placed sustainable CAD at around 2.3% of GDP.

While real activity outpaces nominal growth, revenue buoyancy has weakened even as fiscal demands intensify. This strains the exchequer at a time when debt sustainability and macroeconomic management are becoming more binding. The challenges of India's "Goldilocks" economy call for the following blueprint.

First, fiscal credibility must be judged not only by headline deficit reduction but by the composition and economy-wide effects of public spending. The Centre's adjustment since FY21 has been substantial, with the deficit reduced from 9.2% of GDP to 4.8% in FY25 and 4.4% for FY26. Public capex has risen to ₹11.21 lakh crore, while the general government debt-to-GDP ratio has declined by over seven percentage points.

GST provides a new source of information as well as revenue, and encourages movement from informal to formal. Yet the fiscal stance must also be assessed against the domestic savings constraint. Government borrowing absorbs a large share of net household financial savings, which corporations no longer rely on. The shift in household savings towards greater risks on the stock market could raise borrowing costs rather



SHAM KUMAR PRASAD

than larger deficits. This is particularly relevant for manufacturing and smaller firms, where the cost of capital remains elevated. Fiscal discipline must crowd in private investment rather than pre-empt it. Public investment in efficient and clean infrastructure can open up opportunities for new private investment.

Second, state finances reinforce this concern. State deficits have risen since FY22, reaching around 3.2% of GDP in FY25,

while state debt remains close to 28% of GDP. In integrated sovereign debt markets, sub-national slippages raise borrowing costs for all. Cooperative fiscal federalism must move beyond transfers towards shared discipline and credible rules.

Third, private investment remains the bridge between macroeconomic stability and sustained growth. The Centre is leading by example with additional grants of ₹1.6 lakh crore to raise

states' capex. States must play a larger role, though capex cannot remain the primary growth engine. The investment rate has stabilised near 30% of GDP, corporate balance sheets have strengthened, and capacity utilisation has improved. The Budget emphasises simplified regulations, faster contract enforcement, and lowering the economy-wide cost of capital.

Fourth, competitiveness and trade access are increasingly

shaped by climate. Industrial GVA grew by 7% in the first half of FY26, with medium- and high-technology manufacturing accounting for nearly half of this.

The Budget strengthens competitiveness through rationalised customs duties, correction of inverted duty structures, faster MSME payments, and stronger private R&D. Climate risks to manufacturing now need to be addressed directly. Reducing emissions from cement and steel, supported by the Budget's focus on carbon capture utilisation and storage, will be good for India while enabling exports to Europe and elsewhere.

India must preserve *atmanirbharta* while deepening ties with trusted partners, particularly in the Asian economy. Call it Carney-ism: A blunt warning that we are living through a rupture, the old order is dead, and the transition disorderly. Influence will accrue to those capable of forming agile alliances across trade, energy, and security. The challenges will include finance, investment, energy, climate, biodiversity, and security. The Budget implicitly acknowledges these as it seeks to protect growth.

Finally, human capital and cities will determine whether growth remains durable. India's workforce exceeds 56 crore, unemployment has declined to 4.8%, and female labour force participation has crossed 41%. AI is

expected to lift productivity, with the Economic Survey projecting total factor productivity growth of 1.9% annually.

Cities generate a disproportionate share of output and FDI. The FM's Budget speech highlighted the development of City Economic Regions (CERs), with funding of ₹5,000 crore per CER over five years linked to results. Between 2017 and 2025, municipal bonds—further incentivised in this Budget—raised ₹2,834 crore. Property taxes now account for about 60% of urban local body revenues. Without stronger municipal finance and governance, India risks losing agglomeration benefits in labour absorption and capital attraction. Pollution and congestion are a major constraint on talent, investment, and growth. Urban infrastructure needs reforms that reduce emissions, manage mobility, and improve service delivery. Stronger, cleaner public transport spurs inclusion and creates opportunities for poor people to benefit from urban growth.

In a harsher global environment, this Budget positions India not merely to grow, but to govern growth with judgement and resilience. We are in the classic Schumpeterian case, often associated with "creative destruction". This Budget provides new opportunities for investing in the new and enhancing India's creativity.



Sustaining growth momentum

NILESH SHAH MANAGING DIRECTOR, KOTAK AMC

BUDGET FY27 REINFORCES India's medium-term investment-led growth framework with a continued emphasis on infrastructure and capital expenditure alongside a credible commitment to fiscal discipline. The balancing act between the need to support growth and maintain fiscal prudence is of great importance, especially amid rising global uncertainties. Much like a well-paced cricket innings—where early discipline allows the run rate to accelerate later—the government's steady focus on public investment over recent years is now creating the conditions for sustained growth.

While supporting growth, the focus on fiscal consolidation is unwavering. The fiscal deficit framework moves towards targeting a lower debt-to-GDP ratio with the aim of reaching 50% (+/- 1%) by FY31 (as compared to 56.1% in FY26), resulting in the budget targeting a gross fiscal deficit of 4.3% of GDP.

Overall, the Budget strengthens the foundations for economic growth, which in turn would result in a broader and more durable corporate earnings cycle. Steps such as setting up a high-level committee on banking for *Viksit Bharat* to align the sector with India's

next phase of growth is a step in this direction. A structural addition in FY27 is the continued strengthening of India's Semiconductor Mission, reflecting the government's intent to position semiconductors as a strategic pillar of manufacturing sovereignty.

The Budget recognises that while consumption demand has remained resilient, private sector capital expenditure is yet to broaden meaningfully across the economy.

Public capex therefore continues to play a catalytic role. The focus remains firmly on productive asset creation with the Budget, targeting growth in capex at 11.5% over the FY26 revised estimates and with effective capital expenditure growth of 22.1% over the FY26-RE. The defence capex is also budgeted to grow at 17% over FY26-RE in line with the focus on indigenising defence spends.

Another notable feature of the Budget is its continued emphasis on technology-driven growth, with policy attention on digital infrastructure, data ecosystems, and AI. A tax holiday till 2047 for foreign

companies providing global cloud services using data centres located in India appears to be aimed at attracting investments into AI.

Similar to the technology sector, the FY27 Budget stands out, given the continued strengthening of healthcare as a growth and employment sector. The

government outlined several structural steps aimed at expanding healthcare capacity, improving service delivery, and building domestic manufacturing and research capabilities.

While the Budget focuses on boosting high-technology industries, there is also an effort to support legacy industries by launching schemes concerning the revival of 200 legacy industrial clusters to improve their cost competitiveness and efficiency through infrastructure and technology upgrade.

Despite growth in capital outlays, the Budget maintains a clear glide path towards fiscal consolidation. Fiscal deficit is set at 4.3% of GDP and provides some fiscal impetus, given a slower pace of fiscal consolidation as

compared to previous years. The nominal GDP growth is budgeted at 10% in FY27-budget estimates and the net tax revenue growth is budgeted at 7.2%, which appears realistic. While gross borrowings are higher, the increase in net borrowings seems manageable. The actual borrowing over the year would need close monitoring, especially if the trajectory of collections from other sources of financing trend higher than budgeted.

For equity investors, even while there is some short-term sentiment disappointment due to the hike in securities transaction tax on futures and options, this balance between growth and discipline is critical from a medium- to long-term perspective. The Budget also brings buyback as an option for a preferred mode of returning capital. Overall, the Budget stays focused on strengthening the foundations of growth through infrastructure creation, capex, and fiscal discipline. Over time, stronger potential economic growth improves debt sustainability, which is supportive of equity risk premiums and is important for investors. This consistency is reassuring and reinforces confidence in India's medium-term earnings trajectory as well.

Three *kartavyas*, one direction in tax



DINESH KANABAR & ASHISH AGRAWAL

CHAIRMAN AND CEO & PARTNER, DHRUVA ADVISORS

BUDGET 2026-27 MARKS a decisive shift in India's fiscal and tax policy narrative—from expansion and experimentation towards consolidation and credibility. Anchored around three *kartavyas*—accelerating growth, meeting citizen aspirations, and ensuring inclusion—it signals a clear directional intent: India is now optimising its economic architecture for durability, predictability, and long-term capital formation.

The FM has remained committed to the consolidation path, with the fiscal deficit estimated at 4.3% and central government debt placed on a declining trajectory at 55.6% of GDP in FY27. This macroeconomic stability forms the bedrock of the Budget's investment-led growth strategy. Public capital expenditure has been raised to a record ₹12.2 lakh crore, complemented by targeted policy support and measures aimed at easing MSME liquidity constraints.

The Budget also introduces calibrated steps affecting securities markets and corporate distributions. Securities transaction tax on futures and options has been increased to moderate retail-driven volatility while consciously preserving market depth and India's competitiveness as a trading hub. In direct tax, the taxation of share buybacks has been restructured. The return to a capital gains-based approach brings greater clarity, with corporate and non-corporate promoters being taxed at 22% and 30% respectively, and other shareholders being taxed at standard capital gains rates. This will likely influence corporate capital allocation and payout strategies while curbing promoter-led arbitrage.

Targeted income tax holidays continue to underscore India's global ambitions. Foreign cloud service providers using Indian data centres to serve global markets will enjoy tax exemptions until 2047, while non-resident suppliers to bonded-zone electronics makers are granted a five-year exemption. These are for positioning India as a credible hub for global tech, manufacturing, and digital infra.

Transfer pricing reforms provide long-awaited certainty to the IT and R&D ecosystem. Software development, IT-enabled services, and knowledge process outsourcing have been consolidated under one safe harbour

regime with a uniform margin of 15.5%. The eligibility threshold has been raised significantly from ₹300 crore to ₹2,000 crore, providing meaningful relief to mid-sized IT firms. Fully automated approvals, five-year lock-in of safe harbour terms, and a two-year timeline for Unilateral Advance Pricing Agreements in IT services address one of the most persistent sources of tax disputes for multinational enterprises.

Recognising the challenges of global employee mobility, the Budget introduces the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (FAST-DS). The scheme covers two categories—taxpayers with undisclosed foreign income or assets up to ₹1 crore, and those who disclosed income but failed to report foreign assets up to ₹5 crore. The scheme reflects a pragmatic recognition of cross-border reporting complexities while safeguarding revenue interests.

Several long-pending procedural

uncertainties have been addressed through "retrospective" clarification amendments. While retrospective amendments are generally viewed with caution, these changes seek to resolve conflicting judicial interpretations and provide procedural certainty going forward.

A major structural

Confidence through continuity

KALYAN KRISHNAMURTHY CEO, FLIPKART GROUP

ECONOMIC CONFIDENCE IS rarely built through dramatic announcements. More often, it is the result of decisions taken consistently over time. Union Budget 2026-27 fits that model. It demonstrates quiet confidence in India's potential, and assurance that India's growth strategy remains stable, disciplined, and focused on long-term outcomes.

In a global environment marked by uncertainty and fragmentation, that matters. By maintaining reform momentum and announcing targeted steps to maximise youth potential, empower MSMEs to scale the next frontier, deepen infrastructure and logistics support, and expand digital public infrastructure, the FM is reinforcing the pillars for a *Viksit Bharat* and beyond.

A defining feature is the Budget's continued emphasis on digital public infrastructure and rule-based governance. In the last decade, India has invested heavily in digital systems in taxation, payments, logistics, and compliance. The Budget takes it further by expanding automation, reducing discretion, and simplifying processes across customs, services, and regulatory interfaces.

These changes may appear technical, but their impact is structural. Predictable prices lower the cost of doing business,

improve planning certainty, and encourage more participants to operate formally. Over time, this improves economic velocity, data quality, and access to credit, all of which are essential for sustaining growth at scale. For businesses and investors, this predictability reduces risk and improves long-term planning.

Consumption remains a central driver of the economy. But rather than focus on headline-driven stimulus, the Budget eases the frictions facing individuals and businesses. Simpler procedures, clearer timelines, and fewer compliance hurdles help release liquidity and confidence into the system. The result is not a short-term surge, but steadier, more resilient demand better aligned with long-term growth. This is particularly crucial as consumption growth increasingly comes from beyond metros. Aspirational households in tier-II and -III cities respond less to one-time incentives and more to stability, access, and predictability.

Support for MSMEs reflects a similar philosophy. Access to working capital through invoice financing, credit guarantees, and stronger market linkages addresses

one of the most persistent constraints for small businesses. The increased pool of risk capital available for micro enterprises and a separate fund to incentivise "Champion MSMEs" not only build on measures declared in the last Budget, but also advance their impact. Together, they address capital and capability constraints that have historically limited MSME scale.

Equally important is the focus on affordable professional support outside major cities through Corporate Mitra, which curbs the compliance burden that often discourages formal growth. By empowering MSMEs with access to finance, tech, and resources, the Budget is equipping them to scale and integrate into the global value chain. This will mean deeper supply chains, more job creation, and greater resilience, while enhancing the quality of domestic value creation.

Demographic dividend is one of India's greatest strengths. The Budget seeks to tap *yuvashakti* better through expanded skilling initiatives like setting up animation, visual effects, gaming, and comics content creator Labs and university townships.

It provides for greater participation of girls in STEM by setting up girls' hostels in every district and encouraging skilling at scale through hybrid modes. The Budget underscores the importance of skilling to maintain India's growth trajectory in services and manufacturing, aligning skilling schemes with industry demand and bridging the education-employability gap.

Infrastructure continues to serve as a productivity multiplier. Sustained investment in freight corridors, waterways, urban economic regions, and non-metro connectivity lowers logistics costs and improves reliability. These help decentralise growth, boost manufacturing, and support more balanced economic development.

Continued shift towards trust-based governance is another important signal. Decriminalisation of minor procedural lapses, longer validity of advance rulings, and greater reliance on self-declaration and risk-based audits hint at a maturing regulatory system. Formalisation is being encouraged through ease and clarity, not fear.

The Budget does not seek to alter India's growth narrative; it reinforces it by strengthening the conditions that allow growth to compound. In a volatile global context, that consistency is not just reassuring, it is a definite competitive advantage.

These changes provide long-awaited certainty to the IT and R&D ecosystem. Software development, IT-enabled services, and knowledge process outsourcing have been consolidated under one safe harbour

regime with a uniform margin of 15.5%. The eligibility threshold has been raised significantly from ₹300 crore to ₹2,000 crore, providing meaningful relief to mid-sized IT firms. Fully automated approvals, five-year lock-in of safe harbour terms, and a two-year timeline for Unilateral Advance Pricing Agreements in IT services address one of the most persistent sources of tax disputes for multinational enterprises.

Recognising the challenges of global employee mobility, the Budget introduces the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (FAST-DS). The scheme covers two categories—taxpayers with undisclosed foreign income or assets up to ₹1 crore, and those who disclosed income but failed to report foreign assets up to ₹5 crore. The scheme reflects a pragmatic recognition of cross-border reporting complexities while safeguarding revenue interests.

A major structural

reform is visible in the rationalisation of the penalty and prosecution framework under the Income Tax Act. To encourage companies to move to the new tax regime, the Budget proposes to restrict the use of accumulated minimum alternate tax credits only to companies that opt for the new regime.

Budget 2026 advances India's structural and tax reforms with a clear emphasis on certainty, stability, and institutional credibility. However, some long-standing expectations remain unaddressed. There is no extension of manufacturing-linked tax incentives under the Make in India framework, limited movement on mechanisms to resolve protracted tax litigation, and a relatively modest focus on emerging areas such as AI. The absence of a clear road map for a comprehensive overhaul of the Income Tax Act also leaves deeper structural reform for another day.

How these gaps are addressed will shape the next phase of India's tax and growth architecture.



Credible, creditable

The Budget chose prudence over adventurism, and multipronged measures over Big Bang reforms

Here Budget 2025 was largely dominated by the income-tax rate and slab relaxations. Budget 2026 has done away with Big Bang measures. Instead, its scatter-shot approach, through various sectoral and issue-based measures, when taken together, is aimed at propelling India's growth over the medium term. Given the level of geo-economic and geopolitical uncertainties that the Indian economy faces, this diffused approach is likely a more effective policy than targeted Big Bang announcements would be. This is not the time for further disruption. Budget 2026 contains announcements for the manufacturing sector, various services sectors, as well as particular provisions to help labour-intensive sectors such as textiles and leather. In terms of manufacturing, the Budget includes measures covering seven well thought-out areas: biopharma, semiconductors, electronics, rare earths, chemicals, capital goods and textiles. Semiconductor and electronics manufacturing are the few sectors that have gained from the government's existing PLI schemes. The India Semiconductor Mission 2.0 and the increased allocation under the Electronics Component Manufacturing Scheme are appropriate follow-ups to this. These are sectors where India needs to become globally competitive. The Biopharma SHAKTI scheme is aimed at making India a global biopharma manufacturing hub with an allocation of ₹10,000 crore over the next five years. Pharmaceuticals, already a sector that India does well in, are exempt from the U.S.'s 50% tariffs. It is also important to support those sectors that are currently hit by those same tariffs. The National Export Promotion Mission announced in the last Budget was implemented only by December 2025, nine months into the financial year. The Centre should ensure that this Budget's integrated programme for the textiles sector does not face similar delays. Also, the various measures aimed at creating 'Champion MSMEs', providing them equity, liquidity, and professional support, must be implemented quickly. MSMEs account for 48.6% of India's exports, and the EU FTA, even if it is implemented soon, will not kick in quick enough to offset the ongoing pain caused by the U.S. tariffs. The services sector, too, stands to benefit from Budget 2026. The high-powered 'education to employment and enterprise' standing committee, announced by the Finance Minister, should get off the ground soon. The focus on health care and medical tourism, where India is

already developing strengths, is a good start. In keeping with the Budget's multipronged approach, the Centre has sought to cater to the election-bound States this year through several smaller announcements – such as dedicated rare earth corridors to benefit Odisha, Kerala, Andhra Pradesh and Tamil Nadu, a Coconut Promotion Scheme for Kerala, an integrated East Coast Industrial Corridor for West Bengal, and the first of the new national waterways to begin in Odisha – rather than through the consolidated packages of the past.

As for the Centre's finances, Budget 2026 offers a mix of expenditure enthusiasm and revenue sobriety. The capital expenditure push, especially with regard to infrastructure creation, has continued, perhaps in reaction to the realisation that current conditions do not encourage private investment. Overall, capital expenditure is set to grow to ₹12.2 lakh crore in 2026-27, amounting to 4.4% of GDP, the highest in at least the last 10 years. This includes the announcement of dedicated freight corridors and training institutes for the manpower needed. These rail corridors are also to be supplemented by a Coastal Cargo Promotion Scheme to incentivise increasing the share of inland waterways and coastal shipping. It is noteworthy that the Centre has revised downwards its capital expenditure for 2025-26 to ₹10.9 lakh crore from the ₹11.2 lakh crore initially budgeted. It remains to be seen if this year's target will be met, but even coming close will provide a substantial fillip to the economy. On the revenue front, the Centre did not announce any major tax cuts for individuals or corporations. In 2019 and 2025, respectively, corporations and individuals received substantial tax relief. To announce more would have put undue stress on central finances at a time when its expenditure commitments – known and anticipated – are substantial. However, while direct taxes have largely received procedural improvements, the Budget has included a slew of indirect tax relaxations for the promotion of marine, leather and textile products exports, and speeding up India's energy transition. The tax revenue projections are largely sober. Corporate tax revenue is projected to grow nearly 14% over the Budget estimates of 2025-26. This is broadly in line with the revised estimates for 2025-26 coming in 12.4% higher than the actuals of the previous year. Income-tax revenue has been budgeted to grow 1.9% over the BE of 2025-26 – an expected outcome following last Budget's substantial rate relaxations. Gross GST revenue has been projected to contract 13.5% in 2026-27, a reflection of the September 2025 rate rationalisation and the end of the Compensation Cess. Taken together, the Centre's fiscal deficit has been projected at 4.3% of GDP in 2026-27, down from 4.4% estimated for 2025-26. While the Centre's fiscal consolidation path since the COVID-19 pandemic has been admirable, continued aggression in reducing the deficit deserves some questioning. Even the Economic Survey argued for some fiscal flexibility for the Centre given the geo-economic and geopolitical conditions. Overall, Budget 2026 may disappoint those looking for massive tax relief or subsidies, but is nevertheless a credible and creditable effort.

Debating Budget 2026 as turning point or tinkering

As is widely understood, the annual Budget is a political document responding to short to medium-term economic challenges. Formally, it is an annual revenue and expenditure statement outlining the government's priorities. As with any financial statement, the fine print matters the most, not obvious from the media headlines. Yet, it is useful to read the Budget closely to glean the broad direction of economic policy, especially as there are no other long-term policy documents or explicit economic targets in the public domain to locate the annual Budget.

Setting to the Budget

The proximate context of the Budget is the recent eruption of geopolitical turmoil triggered during the second term of the Donald Trump presidency in the United States. Many political and economic arrangements – or, the rules and norms of international relations that have been in place since the fall of the Berlin Wall – are now upended. India's long-term economic and security arrangements with Russia are under threat. Mr. Trump's steep tariffs on India's labour-intensive goods have dashed hopes of a closer economic relationship with the U.S. In response, India is seeking closer ties with the European Union in the form of "mother of all" free trade agreement (FTA), though its details are still unclear. India's import dependence on China continues despite the policy efforts taken, since 2020, to correct this. Diplomatic relations remain strained. For instance, China has imposed restrictions on the exports of critical minerals, tunnel boring machines and the services of skilled workers for the electric vehicle (EV) industry.

Budget 2026-27 needs to be read in this context. Unlike previously, this Budget highlights the urgency of strengthening domestic manufacturing. It also aims to streamline import duties and procedures in order to reduce imports and achieve self-reliance, and to speed up exports.

Factually speaking, the Indian manufacturing sector has not performed satisfactorily for a while now, despite headline GDP growth of 6.5% to 7% annually in real terms (net of inflation). India has deindustrialised prematurely; the share of manufacturing in GDP has declined or, at best, has remained constant. Manufacturing employment in total employment has also



R. Nagaraj
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declined. The official GDP numbers for manufacturing seem overstated due to infirmities in estimation. Alternative figures, based on the more reliable Annual Survey of Industries (ASI), based on time-tested production accounts of factories, show distinctly slower output growth rates. With very modest growth in fixed investment (or gross fixed capital formation), industrial capacity has eroded during the last decade.

Rising import dependence for most capital and intermediate goods is a reason for modest industrial performance. An inverted duty structure wherein intermediate goods face higher tariffs than final goods seems to be responsible for the poor industrial investments. Policy initiatives such as 'Make in India' (2014), Atma Nirbhar Bharat (or Self-Reliant India Movement) in 2020 and Production Linked Incentives (2021) seem to have largely failed to dent India's rising import dependence in manufactured goods despite some widely applauded successes in mobile phone assembly (with high import content, best exemplified by Apple iPhone exports).

Hence, the Budget aims to tackle domestic vulnerabilities.

The tariff modifications seem to correct for the inverted duty structures (IDS) by reducing basic customs duties on capital and intermediate goods in order to encourage domestic value addition. Likewise, rationalising procedures at points of entry of goods would perhaps reduce delays, thus improving ease of production and exports.

Focus on electronics, the China factor
The Budget makes substantial provision for augmenting the production of electronics parts and sub-assemblies, which form the single largest product-group of dependence on China. The same holds for rare earth materials (used in the production of EVs and electronic goods) – a choke point as the Economic Survey recently and rightly highlighted. To tackle it, the Budget proposes to create a dedicated rare earths corridor running through "mineral-rich States of Odisha, Kerala, Andhra Pradesh and Tamil Nadu ... to promote mining, processing, research and manufacturing". Similar to encouraging the production of lithium-ion cells for battery storage, the Budget proposes to extend the tax exemption on capital goods to produce these items.

Budget 2026-27 needs to be read in the context of much geopolitical turmoil

Policymakers perceive India's trade integration has to begin with labour-intensive goods. Now, with the Trump tariffs on India's exports, there is an acute need to enhance the productivity of such goods to overcome these tariffs and ensure diversification away from the U.S. In line with this view, the Budget has laid emphasis on promoting new Micro, Small, and Medium Enterprises (MSME) clusters, modernising the old or "legacy" clusters (about 120 of them), and providing financial assistance to MSMEs to tap the capital market. In principle, these measures are welcome.

However, the Budget seems to fall short in efforts to boost fixed investment. To augment industrial capabilities, India needs to encourage investments in high-tech industries. Such technologies are mostly proprietary items of multinational corporations that often come bundled with foreign direct investment (FDI). In recent years, net FDI, as a ratio of GDP, has become practically zero. The Budget seems to make little effort to correct for the decline in foreign high-tech investments. Geopolitical uncertainties perhaps make it difficult to attract such technology-intensive investments, at least for now.

While the government is committed to promoting exports, the Budget has permitted firms located in special economic zones (SEZs) to sell a part of their output in domestic territory. This seems regressive. The government should tackle their hurdles to augment exports, rather than choose the softer option of allowing sales in the domestic market.

A silence on Centre-State fiscal issues

The Budget, which has been presented in a difficult global context, seems well-intentioned to tackle import dependence in domestic manufacturing to attain greater self-reliance. However, considering the uncertainties, the Budget seems silent on many difficult issues. Centre-State fiscal issues have also been overlooked, considering the impending implementation of the recommendations of the Sixteenth Finance Commission. Whether the proposed measures would yield desired results to reverse India's industrial decline and import dependence (especially on China, a strategic threat) would depend on the specifics of the proposals (which we have not seen) and how they are implemented.

Budget 2026 bets big on industrial growth

Budget 2026-27 comes at a time when the economy is experiencing a rare goldilocks period of high economic growth and low inflation. The Indian economy has become the fourth largest, overtaking Japan, retaining its tag of being one of the fastest growing economies. Beneath the headline numbers lie some inherent challenges, which could be amplified by the uncertainty emanating from the geopolitical crises and tariff wars, and have the potential to hinder long-term growth. A fine balance between optimism and realistic assessment is needed at this juncture to sustain growth and enhance welfare. The Budget attempts this with a slew of long- and short-term measures. It lays out a grand vision, skips specificities and maintains continuity over short-term policy stimuli.

The raise in the capex target to ₹12.2 lakh crore for FY27 from ₹11.2 lakh crore earmarked for the current fiscal signals continuity in maintaining growth primarily fuelled by public infrastructure expenditure. Reaffirming a commitment to fiscal consolidation while continuing to prioritise capital spending to support growth, the fiscal deficit target has been set at 4.3% of GDP for 2026-27.

Sticking to fiscal prudence

The Budget shows that the overarching macro policy objective is to stick to fiscal prudence as the proposed numbers seem to be on the path of targeting the debt-to-GDP ratio of 50% in the midterm though it would be at 55.6% this year. Fiscal deficit involves a gross borrowing of ₹17.2 trillion and a net borrowing of ₹11.7 trillion.

Though the net outflow from the market is the same, the gross borrowing is higher than last year. Growth in nominal GDP has been assumed to be above 10%, which appears more realistic. When we assume growth of 6.8%-7.2% in real GDP, as in the Economic Survey, inflation will be at 2.9%-3.2% in terms of the GDP deflator. This tends to indicate an average CPI inflation of closer to 4%-plus in the year ahead. These numbers will change when the new series of GDP is published.

However, there may not be too much room for



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further rate cuts in this scenario, given the larger borrowing programme.

Support for frontier sectors

Marking a stark departure from earlier Budgets, the focus on the manufacturing sector was right in the beginning of the Finance Minister's Budget speech. There is a concerted attempt to push industrial growth by targeting the emerging, legacy and the Micro, Small, and Medium Enterprises (MSME) including the khadi and handicrafts sectors.

The expansion of support for seven strategic and frontier manufacturing sectors, which includes semiconductors, electronics components, biopharma, chemicals, capital goods and textiles, is an intent to move beyond Production Linked Incentives. The Electronics Component Manufacturing Scheme outlay was increased to ₹40,000 crore, while the India Semiconductor Mission 2.0 was announced to deepen domestic chip manufacturing and reduce reliance on vulnerable global supply chains.

The Budget also announced ₹10,000 crore for a new container manufacturing scheme and reinforced the logistics backbone that is critical to export competitiveness through major freight corridors and transport investments. It also responded to disruptions caused by the tariff conflict between China and the United States, which has tightened access to critical minerals, most of which are inputs for electronics, defence equipment, electric vehicles and renewable energy systems.

Measures are addressed towards the export sectors hit by higher U.S. duties, particularly textiles, leather and seafood. The announcements related to MSMEs signal a shift toward a structural strengthening of financing. The proposed ₹10,000 crore small and medium enterprises (SME) Growth Fund is expected to complement bank credit by addressing the equity gap for scalable enterprises.

The Budget sprang some surprises. First, despite the huge gap between intention and execution of disinvestments, there is an

The Budget has a slew of long- and short-term measures with a view to maintaining continuity over short-term policy stimuli

expectation of revenue realisation from disinvestments. The target for last year was ₹47,000 crore of which only ₹8,768 crore was realised. Second, it laid out a proposal for global cloud service providers such as Microsoft, Google and Amazon to use more Indian data centres, promising zero tax until 2047 on global cloud services provided by them through an Indian entity and from an Indian data centre. Twenty-two years of tax concession is one of the longest ever. Third, despite the low employment elasticity of the services sector, it anticipates higher employment generation in this sector. This seems contradictory as we see Artificial Intelligence and other technologies pushing jobs out of segments within services. Fourth, the push for more data centres does not seem to be backed by more thrust on power generation, as these centres consume more power.

Finally, though the Economic Survey pointed out the paradox in the system, that is a very good economy coexisting with a rather volatile rupee, the Budget maintains a silence on this.

The gaps

Though the Budget starts with a thrust on the manufacturing sector, it needs to be complemented with a comprehensive industrial policy. Otherwise, these announcements would remain disjointed parts of a larger package. The focus on industrial growth also need sustained domestic demand, on which there is little discussion. The effective capital expenditure for 2025-26 was budgeted at ₹15,48,282 crore but the actual has only been ₹14,03,906 crore. This shortfall affects the assumed multipliers and demand generation thereof. As external demand is volatile, domestic employment and income growth are crucial for expansion of the manufacturing sector. This has the potential of turning out to be the weak link especially during a period of price rise. Ensuring this would be the challenge for 2026-27, for which we need to run a marathon and a sprint at the same time

The views expressed are personal

LETTERS TO THE EDITOR

Budget 2026-27

The proposal in Budget 2026 to extend the income-tax return (ITR) revision deadline from December 31 to March 31 is a masterstroke in terms of administrative empathy. For years, the end-of-year deadline was a wall, often leaving tax-payers in a state of panic if they discovered errors in their filings after the new year – especially since updated financial statements or a revised Form 16 often trickle in late. By allowing taxpayers to correct their returns until

the very end of the financial year (with a nominal fee), the government is effectively reducing the "tax-filing anxiety" that grips millions. This is not just about more time; it is about accuracy. It gives honest citizens a chance to self-correct rather than waiting for a formal notice from the department, which in turn reduces unnecessary litigation and the administrative burden on tax-officers. We are finally moving away from a "one size fits all" approach

toward a system that respects the time and the complexity involved in different types of income.

Aarchi Verma,
Rajpura, Punjab

The Budget is devoid of any populism but squarely dwells on strengthening the fundamentals of the economy. The focus on sustained economic growth, scaling up manufacturing in seven strategic and frontier sectors, industrial clusters, SME growth, a powerful push toward infrastructure, long-term energy security,

high-speed rail corridors, measures intended to raise the farmer's income and other simplified procedures are steps to becoming a more powerful economy.

S.N. Srinivasan,
Bengaluru

Amid global turbulence and geopolitical distractions, the Finance Minister has resisted reactive fiscal postures and instead focused on domestic growth and employment. The total proposed capital expenditure represents a roughly 9% increase in

public investment, aimed at infrastructure and growth-enabling projects. The figure for market borrowings reflects a calibrated financing strategy that balances fiscal discipline with elevated capex outlays, and without a commensurate spike in market borrowing. This provides for improved revenue buoyancy, asset monetisation and better expenditure quality to fund growth, rather than leaning on debt markets.

R. Narayanan,
Navi Mumbai

The Budget reflects a clear preference for consolidation and structural deepening over short-term populism, protecting macroeconomic credibility amid softening global demand. The absence of income-tax slab changes or rebates leaves the middle-class salaried segment overwhelmed, making the reform narrative feel distant for ordinary households.

N. Sadhasiva Reddy,
Bengaluru

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

Building on a tax gamble that did not pay off

The government should have gone back to the drawing board if its existing strategies were not working



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One interesting thing about the Budget is that people usually do not do a reality check vis-à-vis the previous Budget because the current one takes centre stage. Since Budget 2026-27 is quite run of the mill, it will not be out of place to start with the last Budget.

If there is one thing you would recall about Budget 2025-26, it was the big-ticket announcement of an unprecedented tax cut for the "middle class". The government assumed that despite the tax cut, income tax revenues would go up because of higher compliance and rise in middle-class incomes. But did that happen?

Looking back
As we had argued last year in these columns, the tax gamble may not pay off and it has not. Income tax revenues have fallen woefully short of the estimated 14.38 lakh crore. In the Revised Estimate (RE), the collection is 13.12 lakh crore, so a shortfall of 1.26 lakh crore. Add to that a similar shortfall of 1.31 lakh crore in GST collections. But for a marginally better than expected performance from corporate tax, union and excise duties, the shortfall in the overall

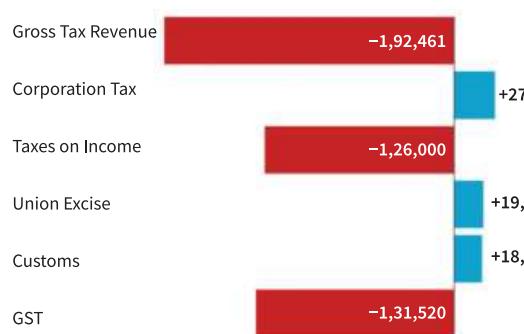
gross tax revenue would have been much higher than 1.92 lakh crore (tax part of the chart).

To be sure, this shortfall in itself could be dismissed as a mistake in expectations. But when expenditures are linked to tax collections (which they strictly are under the rules of fiscal deficit targets), the matter is far more serious. When spending is directly tied to revenue collections, a shortfall of this magnitude inevitably results in sharp expenditure cuts. Not surprisingly, there has almost been an across-the-board cut in expenditure (expenditure part of the chart). Even the much-touted capital expenditure (capex) saw a cut, as did agriculture, education, health, rural as well as urban development. A mistake in the government's expectations cost the poor their income, their employment, their education and, their health.

Not for 2026
Budget 2026-27 needs to be evaluated in light of this. This is going to be an uncertain year, both politically and economically. India is precariously placed between a current account surplus with the U.S. but a deficit with China. If its exports get affected as a result of President Donald Trump's tariff war,

A whopping shortfall in tax revenue

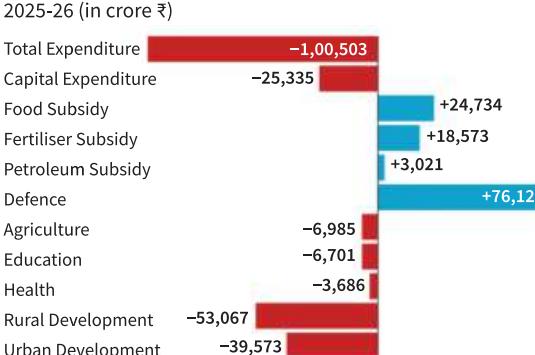
Revised estimate (RE) minus budget estimates (BE) of Budget 2025-26 (in crores ₹)



Source: Union Budget documents 2026-27

Expenditure shortfall

Revised estimate (RE) minus budget estimates (BE) of Budget 2025-26 (in crores ₹)



Source: Union Budget documents 2026-27

capex against the other, this would not have been an issue. But if capex in infrastructure comes at the cost of capex in the form of development expenditures, and that too in an economy where gainful employment is limited, there is a serious problem. We keep boasting about our demographic dividend, which is going to peak in 2030, but we have lost most of it already with a high unemployment rate among the youth. For women, particularly in the urban areas, it is even worse.

Missing targets

What could the Budget have done instead? First, it should have kept its hawkish fiscal stance in abeyance, especially for an uncertain year such as this. It should have prioritised employment intensive development expenditure, and welfare expenditure, which also have a multi-round demand generating capacity. And second, this was perhaps the year to take the pollution bull by the horn. People were on the streets of Delhi demanding action. For the first time, it became a political issue. We needed a war on pollution but it does not even find a mention, let alone allocation. It is an opportunity lost.

without its imports countering the fall, the external situation for India may actually worsen. The Economic Survey at least acknowledged this possibility, although with a low probability of 10%. In a fundamentally uncertain world that we currently find ourselves in, you don't want to take refuge in probability theory.

The Budget seems to have taken this probability a little too literally. It has been planned as if we are still in 2025 and such a worsening of the external sector may not happen. If the external demand actually worsens, it is important for

the government to focus on domestic demand as well, at least as plan B. A run-of-the-mill Budget like this one would have been fine in normal times but not this year. The focus remains on fiscal prudence, capex, supply-side measures for employment, and credit guarantees to MSMEs, much like the previous Budget or the ones before. Despite the same macroeconomic approach in earlier Budgets, employment numbers, particularly among the youth, have not been encouraging at all. Corporate investment has not been either. Should not the government

have gone back to the drawing board if their existing strategies were not working? And yet what we got is more of the same. This lack of imagination comes from a blinkered vision of how the economy works. Supply-side measures work only when complemented with demand, not on their own.

Let us again take the case of public capex as a demand measure. All capex are not the same. Capex in agriculture or health or education is not the same as capex in highways. The first creates jobs along with boosting demand. Now in a world where you don't pit one

Pushing welfare towards the States

The arena of welfare spending has now shifted to the States, while the Centre continues to drive the agenda by legislating and setting norms



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Views expressed
are personal

Budget 2026-27 for the social sector is unusual, as it does not contain any new flagship schemes, which had become part of the course.

Low allocations and spending
However, the neglect of the sector in actual allocations continues. Schemes targeted at the most vulnerable sections of the population – children, pregnant women, the aged, single women and the disabled – such as the National Social Assistance Programme (NSAP) providing social security pensions; SAMARTHYA, which includes maternity entitlements; PALNA for crèches; PM POSHAN, which provides mid-day meals in schools; and Saksham Anganwadi, for young children have for long received low allocations, often declining in real terms. This year too, the trend continues, with allocations increasing between 0.2% (NSAP) to 5.2% (Saksham Anganwadi) in nominal terms. Further, for all these schemes, revised estimates (RE) for 2025-26 are lower than budget estimates (BE), indicating that even what is budgeted

is not spent.

The story remains the same for bigger sectors such as health and education, where 2026-27 BE allocations increase by only 6.4% and 8.3% over 2025-26 BE. Even these minimal increases need to be taken with a pinch of salt as 2025-26 RE for both sectors fall below BE by 3.7% and 5.2%.

The RE for 2025-26 are lower than what was initially allocated across the board for most social sector heads. The largest declines are in Urban Development (41%), Rural Development (20%), Development of the North-East (24%), and Social Welfare (17%). Schemes which were hyped in previous budget announcements see poor spending. For instance, allocation for the Jal Jeevan Mission has fallen from ₹67,000 crore in the 2025-26 BE to just ₹17,000 crore in the RE. The 2025-26 BE for PMAY-Gramene was ₹54,832 crore and PMAY-Urban was ₹19,794 crore. The RE for these schemes is much lower at ₹32,500 crore and ₹7,500 crore, respectively; yet, the allocations in Budget 2026-27 are once again around the same amounts as the previous year.



Students eat lunch under the mid-day meal scheme, in Kadapa, Andhra Pradesh.
SPECIAL ARRANGEMENT

As a share of total expenditure, allocations to these sectors and schemes remain around the same. Overall, centrally sponsored schemes (CSS) show significant underspending, with total allocations falling from ₹5,41,850 crore in the 2025-26 BE to ₹4,20,078 crore in the RE (the 2026-27 BE stands at ₹5,48,798 crore).

Misplaced focus

The emphasis on capex to reduce

slackness in the economy continues, with over ₹12 lakh crore being allocated this time. A thorough assessment of its efficacy in creating employment or crowding in private investment is still missing. The challenges facing the Indian economy remain the same – lack of gainful employment opportunities (especially for the educated youth), a stunted structural transformation, low productivity and hence low wages and incomes, re-

sulting in poor purchasing power. Addressing these requires more sustained policy interventions and the Budget alone cannot do much.

Yet, the priorities signalled by the Budget remain unchanged, focusing entirely on supply-side measures in the hope of a market response. While this has not happened so far, the relevance of education, nutrition, health and social security for economic policy, and hence budgets, remains unacknowledged.

Shifting the burden

A trend in the social sector that Budget 2026-27 consolidates is that spending on welfare is increasingly in the domain of State governments. Following the 2015 reforms, cost-sharing norms were changed for most CSS, with greater spending shifted to States. While some major schemes continued to be entirely centrally sponsored, with the repealing of the MGNREGA and the introduction of the VB-G RAM G, that too has now changed drastically. The allocation of over ₹96,000 crore for VB-G RAM G in this Budget, for instance, would only fructify if the States

put in around ₹56,000 crore (with the new cost-sharing ratio of 60:40). Therefore, to get a true understanding of welfare spending in the country, a granular analysis of State budgets is required.

Do the States have the wherewithal to spend? While the burden of spending is increasing, the Centre's support to the States is declining. The States' share in total tax revenue receipts is only around 34%, much less than the Finance Commission-recommended 41%, because of the increasing prevalence of cesses and surcharges in the Centre's revenue receipts. The Finance Commission's grants to States have also declined slightly from ₹1,32,767 crore in the 2025-26 BE to ₹1,29,397 crore in the 2026-27 BE.

The arena of welfare spending has now shifted to the States, while the Centre continues to drive the agenda by legislating and setting norms. How are States balancing their own priorities with the requirements of spending on central schemes? And what are the implications for people's access to social services? These are the questions we should be asking.

What the new fiscal rule means for growth and spending

Deficit reduction in FY27 is driven largely by cuts in development expenditure, particularly in the rural and agricultural sectors



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The direction of fiscal policy is influenced by the nature of fiscal policy rules. The present fiscal policy rule of the Union government is informed by what can be termed as sound finance rules, where the government typically aims to meet a given borrowing target. While India has been largely following sound finance rules since the implementation of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, there have been two modifications since the last year.

First, in contrast to the FRBM Act, where the fiscal deficit-GDP ratio acted as the primary policy target, it is the debt-GDP ratio which appears as the primary policy target in the new policy rule. Second, the targeted level of debt-GDP ratio in the new rule stands at around 50%, which the government proposes to meet by 2031. The new rule allows the government to sustain higher debt-GDP ratio as compared to the level suggested in the FRBM Act (40%).

There are at least two implications of the present variant of

sound finance rule for this year's Budget. First, since the present level of debt-GDP ratio stands above the targeted level, the government has aimed to reduce its debt-ratio by reducing the primary deficits and fiscal deficits from 0.8% and 4.4% in FY 2026 to 0.7% and 4.3% respectively in FY 2027. The fiscal consolidation strategy is similar to one pursued since FY 2022.

Second, the new target of debt-GDP ratio has provided greater fiscal space to the government as compared to the FRBM Act. While both the primary and the fiscal deficits have been reduced for FY27, the magnitude by which they have been reduced is less severe compared to the period since FY22.

Meeting the fiscal target
Any reduction in primary deficits and fiscal deficits requires the government to reduce its expenditures as compared to the non-debt receipts. The Budget Estimate (BE) of FY27 indicates a fall in the government's share of non-debt receipts in GDP to 9.3% as compared to 9.5% in FY26. This is largely on



A farmer walks past his wheat and sugarcane field on the outskirts of Amritsar. AFP

account of the fall in the share of indirect taxes and GST, both of which indicate a decline by 0.3% points in FY27 as compared to FY26.

Amid lower non-debt receipts,

the reduction in deficits in FY27 is brought about by a more than proportionate fall in the share of total expenditure in GDP. As compared to 13.9% in FY26, the BE of expenditure-GDP ratio indicates a decline in FY27 to 13.6%. While the capital expenditure-GDP ratio remains roughly at the same level (3.1%), the reduction in expenditure ratio is brought about by the reduction in revenue expenditure. This trend is similar to the previous years, where the government has aimed to change the composition of expenditures in fa-

vour of capital expenditure on account of its high multiplier value.

The burden of adjustment of this reduction in total expenditures has fallen on development expenditures. The latter is the sum of government expenditures on the social sector and economic services. The Annual Financial Statement indicates a reduction in the BE of the share of development expenditures in GDP to 5.7% in FY27 as compared to 6.1% in FY26. The reduction in the share of development expenditures is largely on account of a similar fall in the expenditures on rural development and agriculture and allied activities, the share of which indicates a decline to 1.2% in FY27 as compared to 1.5% in FY26. The fall in rural development expenditures was on account of sharp fall in the expenditures in the revenue account of rural employment.

In short, the stimulating positive effect of the reduction in the GST and the indirect taxes on demand has been completely nullified by the adverse demand effect from the reduction in the agricultural and rural expenditures.

While the recent changes in the fiscal rules by the government are welcome, the continuity of fiscal consolidation strategy brings about at least two key concerns.

Two concerns

The first concern relates to stimulus for investments in an uncertain global economy. The investment-capital ratio of the corporate sector in the recent period has remained low in the midst of low global demand and exports. The present fiscal strategy hardly provides any stimulating role to corporate investments.

The second concern involves the distribution question in India's growth process. The burden of adjustment of the fiscal consolidation strategy of the government has been largely borne by the development and agricultural expenditures in the recent period. This is in contrast to the corporate tax-GDP ratio, the level of which remains largely the same as the pre-covid level. While meeting its debt targets, the present fiscal strategy has largely bypassed these two challenges.

Text & Context

THE HINDU

NEWS IN NUMBERS

The decrease in funds for the National Intelligence Grid

27 In per cent. Funds for the National Intelligence Grid, which connects databases of security and intelligence agencies to provide real-time access to crucial datasets to combat terrorism, have been slashed by a massive 27.11% in the Union Budget 2026-27. PTI

The amount allocated for the Ministry of Minority Affairs

3,400 In ₹ crore. A total of ₹3,400 crore is the budgetary estimate for the Ministry of Minority Affairs in the Union Budget this year, which is ₹50 crore more than the budgetary estimate of the previous financial year. PTI

Number of persons feared dead in a landslide in the DRC

200 The Democratic Republic of Congo's (DRC) government said it feared "at least 200 dead" in a landslide that struck a militia-held mine in the country's east. Since its resurgence in 2021, the M23 armed group has seized vast tracts of the DRC's resource-rich east. AFP

The expected investment in data centres in India

200 In \$ billion. The government expects investment in data centres to cross \$200 billion, Union Electronics and IT Minister Ashwini Vaishnaw said on Sunday. The Minister said the sector has already received an investment proposal of \$90 billion. PTI

Funds for Ministry of Skill Development and Entrepreneurship

9,886 In ₹ crore. The government proposed a ₹9,885.80 crore budget for the Ministry of Skill Development and Entrepreneurship for the next fiscal, a sharp increase from the allocation made for 2025-26. PTI

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What does the Budget offer urban India?

The Union Budget 2026 has cut urban development allocations by 11.6%, lowering funding from ₹96,777 crore to ₹85,522 crore. This reduction raises concerns about the sustainability of essential services amid rising challenges such as mass migration, climate change and infrastructure stagnation in cities

ECONOMIC NOTES

Tikender Singh Panwar

As the Union Budget 2026 was placed before Parliament, the Finance Minister once again invoked the familiar triad of capital investment, growth momentum and the long-held vision of 'Viksit Bharat'. Cities were spoken of as engines of development, enablers of productivity and sites of future opportunity. Yet when one moves from rhetoric to arithmetic, urban India emerges not as a priority but as a sector quietly absorbing fiscal contraction.

The headline fact is stark: the total central outlay for urban development has fallen from ₹96,777 crore in the previous year to ₹85,522 crore in 2026-27. This is a reduction of ₹1,255 crore, amounting to a shrinkage of about 11.6%. When inflation is factored in, the real cut is even sharper. In effect, urban India is being asked to do more with less, at precisely the moment when cities face mounting pressures of migration, climate stress, infrastructure fatigue and job creation.

This contraction also signals a deeper problem: while the government continues to foreground capital expenditure at the macro level, urban development is no longer seen as a growth-critical investment space, but rather as a residual category to be adjusted once larger fiscal priorities are met.

The centrality of the metro rail
Within this shrinking envelope, the structure of spending remains deeply skewed. Metro rail projects continue to dominate urban allocations, even as overall urban spending contracts. The allocation for metro and mass rapid transit projects has declined from ₹31,239.28 crore to ₹28,740 crore, a reduction of ₹2,499.28 crore. In percentage terms, this is a cut of roughly 8%. While this appears as moderate, the larger picture tells a different story.

Out of the total urban outlay of ₹85,522 crore, metro rail alone accounts for ₹28,740 crore, which translates to approximately 33.6% of all central urban spending. In other words, one-third of India's urban budget continues to be absorbed by a single transport mode.

This is not a neutral policy choice. Metro systems are capital-intensive, spatially limited and socially selective. They primarily serve dense corridors in large cities and cater disproportionately to formal, middle-class commuters. They are important, but they are neither the most inclusive nor the most scalable solution for India's urban mobility crisis. What is missing is proportional investment in bus-based public transport, non-motorised transport, suburban rail, and last-mile connectivity – modes that actually carry the urban majority. By continuing to privilege metros even within a shrinking budget, the state reinforces an urban imagination that prioritises visibility over universality.

The persistence in metro-centric planning reveals a deeper policy blind spot. Public transport is being equated with rail projects, while buses, walking and cycling – the modes that actually move most urban Indians – remain peripheral. Metros cannot be the sole answer in a country where a majority of urban trips are short, income-constrained and highly sensitive to fare increases. A fraction of metro spending redirected towards city bus systems or non-motorised infrastructure would yield far higher social returns. Yet the Budget



Narrow vision: People are seen hanging on the door of a Mumbai local train approaching the central railway's Thane station in 2025. EMMANUEL YOGINI

does not reflect such a rebalancing.

Urban mobility, in this fiscal design, is treated as an engineering problem rather than a social one.

The retreat of flagship urban schemes
If the metro rail represents continuity, the treatment of flagship urban welfare and service schemes represents retreat. Every major centrally sponsored urban programme has seen a reduction in allocation.

The allocation for the Pradhan Mantri Awas Yojana (Urban) (PMAY-U) has declined from ₹19,794 crore to ₹18,625 crore, a reduction of ₹1,169 crore – nearly a 5.9% cut. This comes at a time when urban housing shortage remains acute, affordability is worsening, and informal settlements continue to expand at the peripheries of cities. A cut in housing support is not fiscally neutral – it directly translates into prolonged informality, overcrowding and exclusion from basic services.

The sharpest cut has been reserved for sanitation. The allocation for the Swachh Bharat Mission (Urban) (SBM-U) has been halved from ₹5,000 crore to ₹2,500 crore, a 50% reduction. This is not a marginal adjustment; it is a fundamental rollback. Urban sanitation is not a one-time achievement but a continuous service requiring sustained investment – particularly for waste processing, sewage treatment, faecal sludge management and worker safety. Cutting sanitation funding by half signals that urban cleanliness and public health are no longer seen as urgent policy domains.

Additionally, the allocation for the Atal Mission for Rejuvenation and Urban

Transformation (AMRUT) scheme has also fallen from ₹10,000 crore to ₹8,000 crore, a 20% cut. This reduction is especially troubling in an era of acute urban water stress. Cities across India are grappling with groundwater depletion, inequitable access, ageing pipelines and climate-induced variability. AMRUT was meant to be the backbone of universal water and sewerage access. A fifth of its budget disappearing weakens the very foundations of urban sustainability.

Shrinking commitments

Taken together, the picture is unambiguous. Centrally sponsored urban schemes have received major cuts, reinforcing the 11.6% nominal contraction in central support for cities.

This contraction is not offset by any new institutional architecture, fiscal devolution or empowered municipal financing frameworks. Urban local bodies remain fiscally weak, dependent on tied transfers, and constrained in their ability to plan long-term infrastructure or service delivery.

What makes this particularly consequential is the timing. Urban India is currently absorbing large-scale migration and demographic churn; rising urban unemployment and informalisation of the workspace; climate shocks such as heat waves, floods, and water scarcity; and infrastructure backlog in transport, housing and sanitation.

Against this backdrop, reducing real urban spending is not fiscal prudence; it is strategic short-sightedness.

The empty promise of development
The government's vision of Viksit Bharat

rests on growth, productivity and global competitiveness.

But no country has achieved high-income status without strong, well-funded, inclusive cities. Urban India generates the bulk of GDP, absorbs labour, and anchors innovation ecosystems. Weakening its fiscal base undermines the very ambition the Budget claims to advance.

What this Budget ultimately reflects is a contradiction: cities are celebrated rhetorically but constrained fiscally.

The emphasis remains on select capital-heavy projects rather than everyday systems that determine whether cities are liveable, equitable and resilient.

The Union Budget 2026 does not abandon urban India – but it unmistakably pulls back. With an 11.6% cut in total urban allocations, steep reductions in sanitation, water and housing, and one-third of remaining funds locked in metro projects, the Budget signals caution where urgency is required.

Urban India is expected to carry the weight of future growth, climate adaptation and social transformation. Yet the fiscal imagination on display treats cities as cost centres rather than engines of national renewal.

If India is serious about its development trajectory, urban budgets must expand, diversify and decentralise – not shrink, narrow and centralise.

Anything less risks turning the promise of Viksit Bharat into a slogan built on under-funded cities and deferred futures.

Tikender Singh Panwar is a former Deputy Mayor of Shimla and currently a member of the Kerala Urban Commission.

THE GIST

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From field to screen: the changing landscape of ecology research

The physical presence of ecologists and biologists in forests is no longer required to conduct fieldwork; the point of knowledge production is now being transformed into *in silico* work, which is carried out through computers and AI systems, it helps produce results faster than long-term field studies, yet crucial challenges remain

Biju Dharmapalan

For centuries, ecology and biology have been built on muddy boots, mosquito bites and long days spent in forests, wetlands and oceans. Fieldwork was not just a method; it was an identity. To be an ecologist meant to be outdoors, immersed in nature, observing life in its raw, unpredictable complexity. But the age of artificial intelligence is quietly – and decisively – redrawing this relationship. Today, fieldwork is increasingly transforming into *in silico* work, carried out on computer screens, powered by algorithms, sensors, and automated systems.

The shift is neither accidental nor trivial. It is driven by an unprecedented explosion of data. More than a billion natural history specimens have been digitised globally, many linked with genetic information. Citizen scientists upload millions of observations to platforms such as iNaturalist, while satellites, drones, camera traps, acoustic sensors, and environmental DNA samplers stream data continuously from land, sea, and air. AI systems now classify species, track migration, model distributions, and even predict ecological futures – which are all tasks that once demanded years of painstaking field observations.

Screen ecology

In this context, the romantic ideal of physically walking through forests to document biodiversity begins to look inefficient, even unnecessary. Why trek through dense jungles, risking logistics, health and carbon emissions, when sophisticated robotic cameras can sit silently for years, capturing images day and night? Why manually count insects when AI-enabled camera traps can identify thousands of species automatically? And why rely on sporadic human visits when sensors never sleep?

Robotic and automated systems do offer clear advantages. They reduce human disturbance to sensitive habitats. They can operate in extreme or inaccessible environments – including the deep ocean and from amid dense canopies – and where human presence is limited or dangerous. They generate standardised, high-resolution data across vast spatial and temporal scales, something no individual researcher could ever achieve. In many cases, insisting on physical presence may add little scientific value while consuming time and resources better spent analysing the data.

Indeed, the very idea that ecological understanding must come from direct bodily immersion is being challenged. Some of the most influential ecological insights of recent years have emerged from computer-based analyses rather than hands-on field studies. Researchers



Robotic and automated systems generate standardised, high-resolution data across vast spatial and temporal scales, something no individual researcher could ever achieve. SIBOREY SEAN/UNSPLASH

studying flowering times, invasive species or insect declines increasingly work indoors, writing code rather than field notes.

From this perspective, physically going to a forest can appear almost irrelevant. Forests today are already saturated with technologies: camera traps fixed to trees, microphones recording soundscapes, drones scanning canopies, satellites tracking phenology from space. AI does not merely supplement fieldwork but replaces large parts of it. The forest, in effect, comes to the scientist as streams of data. What matters is not where the scientist stands but how intelligently she is able to interpret the data.

Not without discomfort

There is also a pragmatic argument. Modern academic careers reward speed and publication volume. *In silico* research driven by data often produces results faster than long-term field studies. In a competitive environment, spending years inside a forest may be career-limiting compared with analysing global datasets from a laptop. The incentives of science increasingly favour algorithms rather than adventures.

Yet to be sure this transformation is not without discomfort. Many ecologists worry about an extinction of experience, i.e. a gradual loss of direct engagement with nature that could erode ecological intuition, contextual understanding and ethical responsibility. They argue that algorithms trained without deep field knowledge risk bias and misinterpretation. Data after all are not

As ecological research enters this new phase, the challenge is to ensure that *in silico* science remains grounded in ecological realities, ethical responsibility and conservation goals

neutral: they reflect how, where, and why they were collected.

But even these concerns must be weighed against reality. Ecology, like physics or genomics, has reached a level of complexity that demands specialisation. Not every physicist builds detectors and not every biologist needs to chase animals through forests. Expecting all ecologists to be field naturalists may be nostalgic rather than rational. As the field matures, its exponents must consider division of labour more seriously and sensitively.

Science, *in silico*

Moreover, the idea that physical presence automatically guarantees better understanding is itself questionable. Human observation is limited, subjective, and intermittent. Robotic cameras don't tire, and they don't forget or notice selectively.

AI systems can also reveal patterns that are invisible to the naked eye, uncovering relationships across scales that fieldwork alone could never capture. In this sense, *in silico* ecology need not be the retreat from reality that many make it out to be a way for human researchers to perceive more.

This does not mean that forests, wetlands or reefs have become scientifically irrelevant – only that scientists no longer need to be physically present to study them, traversing the dangers involved in it. The point of knowledge production has shifted. Nature is increasingly mediated through technology and scientific understanding can now emerge from synthesis rather than sensory immersion.

The future is in turn not a simple choice between boots on the ground and laptops but rather an opportunity to redefine what 'fieldwork' could mean. A camera trap bolted to a tree is as much a field instrument as a notebook once was. A machine-learning model trained on millions of observations is as much a lens on nature as a pair of binoculars. In the AI world, the forest still matters; it's just that it no longer demands our constant physical presence.

And as ecological research enters this new phase, the challenge is not to mourn the decline of traditional fieldwork but to ensure that *in silico* science remains grounded in ecological realities, ethical responsibility and conservation goals.

The mud may be gone from our boots but the responsibility to understand and protect the living world remains firmly under our feet, even if those feet now rest under a desk.

(Dr. Biju Dharmapalan is Dean, Academic Affairs, Garden City University, Bengaluru, and an adjunct faculty member at the National Institute of Advanced Studies, Bengaluru. bijudharmapalan@gmail.com)

THE GIST

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Robotic and automated systems reduce human disturbance to sensitive habitats. They can operate in extreme or inaccessible environments and places where human presence is limited or dangerous

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BIG SHOT



French spatial scientist Marie-Anne Blanchet examines bear cubs before taking adipose tissue biopsies and blood samples from their sedated mother, in eastern Spitsbergen, in the Svalbard archipelago, on April 6, 2025. The Norwegian Polar Institute, an Arctic research organisation, organised a five-week expedition aboard the high-tech research vessel and icebreaker Kronprins Haakon to collect adipose tissue biopsies and blood samples from polar bears in order to study the impact of pollutants on their health. AFP

QUESTION CORNER

What is waste-to-energy?



A: Waste-to-energy (WtE) is a technology to convert non-recyclable waste materials into usable fuel, typically heat or electricity. A common method is incineration in which trash is burned at a high temperature to boil the water off, creating steam that turns a turbine to generate power. Other methods include gasification, which uses a large quantity of heat with little oxygen to turn waste into gas, and anaerobic digestion, where bacteria break down organic waste to produce biogas.

The impact of WtE on the environment involves both benefits and drawbacks and is a subject of ongoing debate. Waste reduction facilities can reduce the volume of waste by around 90%, significantly extending the life of existing landfills and reducing the need for new ones. By diverting organic waste from landfills, WtE can also prevent the release of methane, a potent greenhouse gas, into the atmosphere.

On the flip side, burning waste releases carbon dioxide and – especially in poorly controlled environments – pollutants like dioxins, furans, and heavy metals. Some contemporary facilities use advanced scrubbing and filtration systems to trap these toxins. Critics have



A view of a waste-to-energy plant at Bidadi, near Bengaluru. RAVICHANDRAN N.

also argued that WtE may discourage more sustainable practices like recycling and composting by creating a constant demand for trash. India currently has at least 21 WtE plants in operation and 133 biogas facilities. The plants come under the purview of the Solid Waste Management Rules 2026, which mandate waste segregation and encourage refuse-derived fuel (RDF) in order to reduce the burden on landfills.

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

Change and continuity

Budget 2026 gives a push to frontier sectors

Finance Minister Nirmala Sitharaman's ninth Budget exudes a sense of quiet confidence — both political and economic. In its third term and on a political winning streak after the 2024 general elections, the Modi's government's Budget for FY27 is remarkably free of overt populist intent or rhetoric. Of course, there are infrastructure, logistics (railways and waterways) and farm-sector related schemes for regions that are headed for polls soon, but they do not reveal themselves as 'packages' for a particular State. On the economy, the Budget has backed growth to continue on its own steam.

After having given a consumption boost last year through tax breaks (and with corporate tax cuts having come into force before the pandemic), there are no blunt investment (or consumption) incentives on offer for the short term. So, this is a Budget for the medium to long term. It pushes for strategic autonomy, export promotion, ease of doing business and digital superiority — responding to a world order where trade and investment are being weaponised by the day. An investment focus on critical minerals, semi-conductors, electronic components manufacturing and AI-related technologies forms the kernel of the Budget. Rare earth corridors have been envisaged in Kerala, Tamil Nadu, Andhra Pradesh and Odisha, while expenditure on critical minerals exploration will be amortised over five years. Another important strategic investment pertains to a scheme for container manufacturing with an outlay of ₹10,000 crore. The focus on biopharma, with an outlay of ₹10,000 crore over five years is aimed at creating a global hub. There is surprising attention to detail as well. For instance, a ₹200 crore scheme has been announced for making lifts, fire-fighting equipment and tunnel-boring machines, for which we are import-dependent. Customs duty exemptions or rebates for critical areas include capital goods for manufacturing lithium-ion batteries, monazite for EVs and raw materials for making defence aircraft parts. A dominant investment thrust pertains to the safe harbour benefit for the IT-AI universe. Meanwhile, customs duties have also been aligned with a view to trade pacts of the present and future.

The fiscal architecture of the Budget is credible and conservative. It follows the path of recent years of reconciling fiscal consolidation with an increase in quality spending through capital expenditure. Nominal GDP growth for FY27 has been estimated at 10 per cent, which is plausible in view of the anticipated rise in inflation from very low levels this fiscal. This, in turn, suppressed nominal GDP growth, and with it direct tax collections. Gross tax collections growth has been pegged at 8 per cent (₹44 lakh crore) for FY27, against 10.8 per cent last year. Notably, direct tax collections fell short by ₹1 lakh crore this fiscal, with respect to the budgeted ₹25.2 lakh crore. GST collections are expected to fall in FY27, while income tax and corporate tax collections are expected to grow above 11 per cent. Matching the modest tax outlook is an expenditure increase of 7.7 per cent to ₹5.35 lakh crore for FY27 (7.4 per cent this year, which was undershot). However, budgeted capital expenditure is up nearly 11 per cent to ₹12.2 lakh crore. A fiscal deficit of 4.3 per cent of GDP in FY27 will be financed by net market borrowings of ₹11.7 lakh crore, similar to the current year's level, so there is no real reason for the bond markets to be alarmed. While the numbers do hold, there are certain nagging worries, such as climbing interest payments (₹14 lakh crore in FY27, against ₹12.7 lakh crore this fiscal), and its rising share in revenue receipts. Amidst this debt overhang, fiscal discipline is unavoidable.

If the Budget has not enthused markets, it should not be a concern. The higher imposition of securities transaction tax as well as the correction in buyback rules to plug anomalies are valid steps. In its attempt to woo overseas NRI investors, there is an attempt to offset fickleness in capital flows. Indeed, there is a need to address the BoP concerns arising out of a savings-investment gap. Overall, the Budget ticks the right boxes. But a focus on grassroots infrastructure in education and health is missing, even as it has focused on high-end research. The former is a pre-requisite for the latter to click.

Holding up fiscal rectitude

The government has stuck to fiscal consolidation and it is also investing more than borrowing for the first time



ASHIMA GOYAL

The Budget follows the trifecta that has worked over the past few years: Simplify taxes, reduce debt and deficits and improve the composition of expenditure.

OBJECTIVES AND PROCESS
Simplifying taxes focuses largely on process reform since the major rate changes have been done. The new emphasis is on customs. Fiscal consolidation continues. The debt ratio is falling towards 55 per cent. The Budget estimate (BE) fiscal deficit has decreased to 4.3 per cent of GDP compared to 4.4 per cent last year. But the share of capital expenditure including grants in aid to states for capex has gone up from 3.9 per cent last year to 4.4 per cent in the BE for FY27. For the first time the central government is investing more than it is borrowing.

This is known as the golden rule. Since investment raises growth the rule helps bring down deficit and debt ratios and reduce the share of interest payments — still at 20 per cent of revenue for the Centre.

Many governments worldwide have attempted this rule but have not been able to sustain it. Most need to borrow for current expenditure in bad times and are tempted to spend more in good times. The Centre needs to be complimented for sticking to fiscal discipline when most governments today are unable to do so.

Although the Centre's net borrowing is in line with market expectations, large expected State borrowing is said to be keeping GSecs rates high. Debt needs to reduce in outlier States. They are creating externalities pushing up costs for all borrowers.

Despite the discipline, better composition of expenditure stimulates the economy and raises productivity. Apart from the rise in capex share, expenditure is focused and targeted on well-thought-through schemes, reducing wastage. Although the expected share of



FISCAL MATH. Some States need to rein in their spending BLOOMBERG

taxes in GDP falls to 11.2 per cent from 11.4 per cent last year, and the fiscal deficit also falls, the absolute resources available are ₹35.3 lakh crore up from ₹33.4 last year, showing how high growth gives the government more to spend even after sharing buoyancy with the tax-payer through tax cuts.

PREDICTABILITY VS DEMANDS
The principles needed to implement the trifecta are to respond to current needs while remaining largely consistent with continuing efficiency-increasing reforms and better incentives.

Therefore a response to the many demands for tax cuts and expenditure allocation to specific sectors in the pre-Budget debate was only feasible if they met the above conditions. Principles make the Budget more predictable. It follows that hyping up of arbitrary demands needs to reduce.

There was a strong push for cuts in capital gains taxation to help investing households and removing withholding tax for FPIs to compensate for losses from rupee depreciation and to build confidence in nervous markets. But FPIs that make large profits in good times should not expect to be rescued in bad.

The Centre needs to be complimented for sticking to fiscal discipline when most governments today are unable to do so

That would create moral hazard. And reducing capital gains taxes would go against the principle of moving towards low and equitable taxes across a wider tax base.

There are reform-consistent incentives for markets such as easier buyback and to attract FDI such as safe harbour rules that also benefit those earning foreign incomes. Leveraging a richer set of financial instruments for MSMEs, infrastructure and municipal financing are all pro financial reform and deepening.

The rise in STT on futures could have been avoided since it went against expectations of tax cuts the markets had built up. The motive of discouraging excessive retail participation and losses in future could have been met by stiffening entry rules and households could be given higher exemption limits for capital gains tax. But then banks want similar exemptions for tax on deposits.

DIVERSITY AND RESILIENCE
India's economic diversity was important in sustaining growth despite geo-economic shocks. It needs to be further increased to boost resilience to continuing global shocks. The Budget rightly supports manufacturing, services as well as agriculture in incentive-compatible ways.

It gives special attention to high tech and employment intensive sectors to leverage our comparative advantages as well as meet needs. Examples are AI

being used for skilling farmers and youths. There are tax holidays for high tech data centres and some exporting firms to encourage entry. Temporary or conditional tax changes improve incentives without creating a perpetual liability.

Reforms raise potential growth, but it is necessary to sustain demand to keep growth at potential. Since export growth cannot be the only source of demand for India, rising labour productivity and incomes are essential sources of demand. The Budget has many initiatives for empowerment and inclusion.

PERFORMANCE

Turning to performance beyond the big ratios, effective capex grew at 6.5 per cent this year, reversing the softening to 3.7 per cent last year, but was still below the promised double digit growth. Expenditure on major schemes also improved to 5.3 per cent compared to 5 per cent last year but was lower than the 7 per cent promised.

Spending on subsidies rose by 9.1 per cent and on social welfare and development only at 4.6 per cent. Spending on urban development fell for the last three years, although needs are urgent.

The proposed emphasis on tier 2 and 3 cities is very welcome and could help to reverse this. Despite rising public sector investment since the pandemic there is no shortage of suitable projects given India's vast size and needs. But proper planning and implementation are essential. The test of the many proposed schemes and incentives will be in their success in delivering.

It is necessary to shift from just allocating funds to designing and monitoring the actual spending. PPP will help but instead of assured funding organisations need to compete for funds on the basis of skill and delivery.

The Finance Minister began her speech by thanking the people for their support. Indeed, achieving the objective of *Viksit Bharat* despite continuing external pressures can bring us together. Perhaps we can rise above special interests and demands and support principled policies that help us reach our collective potential.

The writer was a member of the previous MPC

Important amendments to tax laws

The 63 amendments announced is surprising — some of them are necessary and some are purely administrative in nature



MOHAN R LAVI

The Finance Minister opened Part B of her Budget 2026 speech by confirming that the new Income Tax Act would come into effect from April 2026. Rules and forms are expected to be released soon.

One would have thought the Budget would not contain too many amendments to the present provisions since a new one is only months away. Surprisingly, the Finance Minister has proposed about 63 amendments to various tax provisions (see table).

ICDS
Taxpayers would welcome the proposal to constitute a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (Ind AS) itself.

Separate accounting requirement based on ICDS will be done away with from the tax year 2027-28. It would be interesting to see how the Joint Committee goes about this because amending the Ind AS standards to include ICDS provisions could mean

Tax amendments

Area	Number of proposed amendments
Ease of living	14
Rationalising penalty and prosecution	10
Cooperatives	3
Supporting IT sector as India's growth engine	1
Attracting global business and investment	7
Corporate tax	1
Others	25
Total	61

year in which normal tax is more than MAT.

These amendments will allow companies to make a smooth transition from the old tax regime (with deductions and exemptions) to the new tax regime.

In order to ensure similar treatment among all the different specified businesses of non-residents opting for presumptive taxation, it is proposed that the business of operation of cruise ships and the business of providing services or technology for the setting up an electronics manufacturing facility in India to a resident company shall also be excluded from the applicability of MAT.

Set off of MAT credit may be allowed only in the new tax regime for domestic companies to the extent of 25 per cent of the tax liability. In the case of foreign companies, set off is proposed to be allowed to the extent of the difference between the tax on the total income and the minimum alternate tax, for the tax

BLACK MONEY ACT

There are many Indian taxpayers who hold assets abroad. The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 was enacted to address the issue of undisclosed foreign income and assets held by resident taxpayers.

In order to facilitate voluntary compliance and enable resolution of such legacy cases of small taxpayers, it is proposed to introduce a time-bound scheme for declaration of foreign assets and foreign-sourced income, with payment of tax or fee based on the nature and source of acquisition and grant of limited immunity from penalty and prosecution under the Black Money Act in respect of matters covered by the declaration. Cases involving prosecution or proceeds of crime are proposed to be excluded. The threshold to prosecute taxpayers under the Act is proposed to be ₹25 lakh for foreign assets excluding immovable property.

Budget 2026 has also fixed one of the issues with the Advance Pricing Agreement (APA) by permitting the associated enterprise also to modify their return based on the APA agreement entered into by the taxpayer.

In summary, Budget 2026 proposes a *pot-pourri* of amendments to tax laws — some good, some necessary and some that are purely administrative in nature.

The writer is a chartered accountant

Furthering the ease of doing business agenda

Simplifying tax rules, decriminalising economic offences, digitising Customs operation are the highlights



CHANDRAJIT BANERJEE

Building on momentum from earlier initiatives, Union Budget 2026-27 reinforces the government's continuing efforts to advance Ease of Doing Business through several announcements aimed at greater emphasis on enabling trust-based framework, simplifying regulatory compliance, reducing litigation risks and enhancing certainty for industry.

During her Budget speech, the Finance Minister highlighted the extensive reform efforts undertaken since the

Prime Minister's Independence Day address in 2025, covering GST process simplification, labour code notifications, rationalisation of mandatory quality control registrations, etc. She further noted that the Centre has also been working closely with State governments to reduce compliance requirements and advance deregulation, underscoring a whole-of-government approach to improving the business environment.

By building upon last year's regulatory reforms, the Budget further enhances the policy framework through targeted measures, especially the direct tax reforms and modernisation of customs procedures. These improvements translate recommendations into concrete measures, demonstrating both consistency and adaptability to

stakeholder feedback. A key aspect of the 2026-27 Budget from the EoDB lens is the simplification of regulatory processes and enhancing dispute avoidance. New, simpler income tax rules and forms will be released soon, giving businesses enough time to adapt. Filing deadlines are being staggered to relieve pressure on non-audit cases and an automated system will let eligible taxpayers obtain lower or nil tax deduction certificates without needing to contact officials directly. Importantly, taxpayers shall now have the option to update returns even after reassessment has begun, reducing litigation.

The Budget reforms penalties and prosecutions under the Income Tax Act, reinforcing a trust-based and risk-oriented regulatory framework.

Minor technical breaches, such as late audit reports or financial statements, will now attract fees instead of penalties, while several procedural offences shall be decriminalised. CII has been advocating for continuing the decriminalisation of minor offences.

Further, Customs reform was another important area that saw the Budget's efforts to improve the business environment. The government has set out plans to make customs operations more digital and user-centric.

Overall, from the lens of ease of doing business, Budget 2026-27 provides a greater momentum to further make India's business environment conducive and industry-friendly.

The writer is Director General, CII

RBI will have to support govt's large borrowing

A CHALLENGE. The nervousness in the bond market in recent times reflects the increasing concerns that absorbing this large supply of paper may be an uphill task



LOKESWARRI SK

That the Centre has continued on the path of fiscal prudence in the Budget for FY27, despite the pressure to vie with States in cash transfers and other welfare measures ahead of the upcoming assembly elections, comes as a relief. But despite the Centre's attempt to cut expenditure to keep deficit under check, the gross market borrowing for FY27 is still budgeted at ₹17.2 lakh crore, 16 per cent higher than the budget estimates for FY26. The palpable nervousness in the bond market in recent times reflects the increasing concerns that absorbing this large supply of paper may be an uphill task.

FOCUS ON DEBT TO GDP
The Centre's debt which spiked during Covid has continued to remain elevated due to the need for higher capital expenditure and inability to cut revenue expenditure. The Central government had outstanding dated securities worth ₹121.37 lakh crore towards the end of September 2025. State government securities accounted for ₹67.21 lakh crore. This is almost double the outstanding stock of Centre's borrowings of ₹63.14 lakh crore in September 2019; the Centre has been growing its market borrowing at a CAGR of 11.5 per cent while market

borrowings of States have grown at a faster rate of 13.8 per cent in the same period.

But India is not alone in witnessing a sharp jump in debt stock after the pandemic with most other countries in the same boat. Continued geopolitical uncertainties reining growth, coupled with the need to support the economy have resulted in the governments struggling to check deficits. The IMF had projected global debt to cross \$100 trillion by the end of 2025.

It is therefore well that the Centre has made the debt to GDP ratio as the fiscal anchor in FY26. It gives the Centre more room to spend and increase the fiscal deficit if the GDP growth is strong. The gradual reduction in the debt to GDP ratio of the Centre for FY26 and FY27 at 56.1 and 55.6 per cent, respectively, shows that the Centre is committed to the glide path of making its debt reach 50 per cent of GDP by FY31.

NEAR TERM CHALLENGES

The Centre's borrowing programme is however likely to face challenges in the coming quarters given the slowing demand for government paper.

The Centre should also seriously consider reinstating the favourable tax benefits for investments in debt instruments. This can bring back demand from institutional investors



EXCESS SUPPLY. The bond market has been struggling to absorb the gross market borrowings of ₹14.82 lakh crore for FY26

The bond market has been struggling to absorb the gross market borrowings of ₹14.82 lakh crore for FY26. Scheduled commercial banks are the largest buyers of G-secs and currently hold 37.5 per cent of outstanding securities. But with credit-deposit ratio of banks at historic high of 82 per cent, appetite for G-secs from banks has been rather tepid. Insurance companies which hold 26 per cent of the outstanding stock have also evinced lower interest in recent years after

guaranteed return products went out of favour after withdrawal of tax benefits for debt investment. Higher demand for equity funds has been reducing demand from mutual and pension funds, which are the other large buyers of government bonds. Purchases by global bond funds has also turned volatile in recent months.

Given the reduced demand from large buyers, the RBI has had to support the government borrowing through open market operations. The RBI would

have purchased Indian government bonds worth ₹4.35 lakh crore between April 2025 and January 2026, according to Nomura Research, while banks have purchased ₹86,800 crore.

WAY FORWARD

The continued stream of supply and the tight fiscal position in FY26 have been making the Indian bond markets quite nervous with the 10-year government securities yield moving close to 6.7 per cent, hardening over 50 basis points

since May 2025. Yields had hardened to 7.4 per cent between 2020 and 2022 as government's borrowing spiked. But the inclusion of Indian government bonds in global bond indices such as JP Morgan global EM bond index and Bloomberg EM local currency government indices had helped yields cool towards 6.2 per cent as foreign portfolio inflows into Indian G-secs increased.

But these flows are now plateauing with outflows of \$1.6 billion in December 2025. With banks also unlikely to increase their G-sec purchases much, the RBI will have to do further OMOs of at least ₹2.5 lakh crore in FY27. It may also have to switch some of the bonds falling due for redemption to later years to reduce rollover challenges.

The lower demand for longer-dated paper is however going to make this little difficult.

The Budget proposal to remove the 50 per cent cap on provident fund investments in government securities will help improve demand to some extent. But besides this, the government should try and expedite the inclusion of Indian government bonds in Bloomberg Global Aggregate Index, which tracks nearly \$3 trillion of passive assets. With India's allocation likely to be at least 1 per cent, it can result in inflows of \$30 billion into India.

The Centre should also seriously consider reinstating the favourable tax benefits for investments in debt instruments. This can bring back demand from insurance and mutual funds who can support the government's borrowing programme.

Lack of direction for Rlys

Misplaced investments even as rail finances slip



SUDHANSU MANI



PRIVATISATION. Hardly any progress

Once a standalone spectacle, the Railway Budget was where ambitions were articulated, course corrections admitted, and the nation's transport backbone placed squarely in public view. Since its merger with the Union Budget, however, IR has slipped into the margins, barely warranting a mention with vast operations and challenges compressed into a few numbers buried deep in the documents and a few lines in the speech.

For IR's budget numbers too, predictability has replaced candour. Operating ratios are kept just under the psychological threshold of 100 through familiar accounting jugglery.

With IR's inability to generate any internal surplus, capex, almost entirely supported by gross budgetary support, has been the sole source of optimism for rail watchers. Over the past decade, unprecedented investment has attempted to transform physical assets — tracks, electrification, stations, rolling stock. Yet the outcomes tell a sobering story. Passenger and freight growth remains tepid at 2-3 per cent CAGR, freight modal share continues to erode, and passenger volumes have barely equalled pre-Covid levels.

As the Budget time neared, expectations were modest, predictability was the only flavour. And that is exactly what happened. The operating ratio (OR) was pegged at 98.43 for 2025-26, and that too by keeping appropriation to Pension Fund and Depreciation unrealistically low, ₹65,500 crore against budgeted ₹68,602 crore and ₹1,000 crore against budgeted ₹1,500 crore, respectively. This had to be done otherwise the revenue expenditure shown as ₹2,77,000 crore would have exceeded total revenue of ₹2,78,157 crore.

WEAK PERFORMANCE
The revenue performance of 2025-56 is underwhelming, for passenger segment, ₹80,000 crore against budgeted ₹92,800 crore in spite of two rounds of fare revision, and for freight segment, ₹1,78,457 crore against budgeted ₹1,88,000 crore, in spite of the DFCs getting almost completed for nearly two years.

What is also notable is that the situation is likely to be more grim and, therefore, the overview document does not even present the OR picture for 2026-27.

The capex, which had appeared to plateau in the last three years after years of steady escalation, has been increased from ₹2.65 lakh crore to ₹2.93 lakh crore. Any hope of the government pausing

to reassess whether scale alone can deliver transformation was misplaced, the government believes in spending on rail infra for the country's economy, even as the financial performance of the railways is in dire straits.

PRIVATE CAPITAL
The Public Investment Board (PIB), the inter-ministerial body that vets major public-funded projects, recently signalled a push for railways to rethink both how it builds and how it earns. Private capital, flexible contracting models and a sharper assessment of future freight demand were called out as central to its next phase of growth.

Therefore, one hoped that there would be some words on progress of privatisation in this year's Budget. Private capital can boost efficiency in areas like station redevelopment, rolling stock manufacture, operation of high-end trains, and augmentation of freight operation while trains for common travellers, core network control and safety remain in the hands of the government.

Misplaced investments in suburban arena, which bleed the railways, continue as the outlay on the Bengaluru Suburban Rail Project shows. Since growth of freight is stagnating, old assumptions on traffic growth, especially coal freight, do no longer hold in a changing energy landscape; capturing a greater share of containers and balance of other goods is the need of the hour. Corporatisation of railway manufacturing was the government's own stated goal in 2019 with a view to gradual transition to privatisation.

Mention of these areas was, however, conspicuous by their absence. As for the actual announcements, while high-speed and new freight corridors have been talked about in recent Budgets with much actual progress, a surprise was sprung this time, perhaps with a view on Bengal elections: a Varanasi-Siliguri high-speed and a Dankuni-Surat freight corridor.

The railways needs direction and one hopes that even if the Budget failed to do much, the next fiscal will see greater clarity and purpose to make the railways more efficient.

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Budget ticks most of the boxes

Focussing on the medium term, it has provided incentives where required as part of the reforms process



MADAN SABNAVIS

While budgets are actually financial statements of the government, there are announcements of several measures which tend to affect different sectors to bring about changes in the pace of activity. In fact every measure that is invoked at the taxation level provides incentive for an economic activity like consumption or expenditure. Also there are several policy changes made which are related to the expenditure outlays of the government. Therefore, in a way there are far-reaching implications for all announcements made in the Budget. The impact hence can be examined.

First, growth impetus has been stark, with focus on sectors such as MSMEs, rare-earth, data centres, etc. Given that the MSME sector has been affected the most by the recent ongoing tariff issue with US, the creation of a fund for ₹10,000 crore and the other credit guarantee schemes focused on will help them to a large extent. Also the Budget has made allocations for several freight corridors which will help in forging backward linkages with different sectors besides strengthening the State economies. Interestingly the focus on waterways is important as this is probably the first time that we are talking of leveraging this potential.

Second, investment is given a push by the capex of the government. This has

increased to ₹12.2 lakh crore which is significant. The government has been doing the heavy lifting for quite some time now and there is always the hope that private investment will follow suit. It has been seen that the overall investment announcements in the first three quarters has been good giving an indication that the cycle is turning around. The prop being provided by the government will help to bring about a further increase in overall investment in the country. There can be positive impetus provided to industries such as steel, cement, engineering in particular.

Third, at the retail end there were expectations of concessions on the taxation front though there were moderated by the fact that the bulk of the tax benefits had been delivered last year. Here the Budget has made some moves on easing the tax environment though there has not been any direct benefits on taxation. The households may be disappointed in not getting any benefit on interest on bank deposits, which seemed to be very much on the cards. But this may be tackled in subsequent Budgets.

Fourth, the overall borrowing programme has been reined in at ₹11.7 lakh crore in net terms which is similar to that of FY26. Hence there will be less pressure on the bond market though admittedly the state borrowing programme will also be a consideration for bond yields. However, the gross borrowing programme is high at ₹17.2 lakh crore which can be a concern for the market. But this is mainly due to high redemption of ₹5.5 lakh crore. It may be expected that in future years too, there



GROWTH IMPETUS. Budget focuses on sectors such as MSMEs REUTERS

will be this issue of high redemptions which will push up the gross borrowing. There is evidently need to lower the fiscal deficit ratio. As there is the goal of lowering it to 50 per cent by 2030, some acceleration in the reduction of this ratio in the next few years is likely.

INFLATION CONTROL

Fifth, indirect taxes in the form of GST being outside the purview of the Budget, the inflation impact can be looked at from the point of view of the fiscal deficit and customs tariffs. Here, the overall impact will be more in the downward direction as the tariffs have been lowered as part of the rationalisation process. Also with the deficit being under control at 4.3 per cent, chances of demand-pull inflation are lower from the government side. It is fortuitous that the economy is still operating at lower than the potential rate which will eschew this trigger.

Sixth, the capital market would probably be less excited about the

Budget due to the increase in the STT on F&O. From the point of view of the government, it can be seen more as a measure to restrain the retail investor from venturing into this segment as there have been several instances of them making large losses. The Budget assumes that this will not really push the market back as can be seen by the higher receipts expected from STT from ₹63,670 crore to ₹73,700 crore.

MUNICIPAL BONDS

Seventh, the Budget once again is trying to nudge municipals to issue bonds so that this segment develops and eases pressure on State fiscal balances. Also issuance of bonds leads to better financial discipline among such entities as they become more responsible for their actions. The incentive of ₹100 crore on bonds of ₹1,000 crore and above issued should encourage them to borrow from the market. The Budget has hence taken a medium term look and provided incentives where required as part of the reforms process. Unlike FY26 where there was something to cheer for households, there may not be too much directly done for this segment. But there isn't anything negative as such in the Budget and hence can be considered as a Pareto optimal situation, which in economics is defined as a state where no one is worse off, but some better off. Clearly the emerging sectors as rare-earths, data centres, AI, infrastructure, etc., will continue to hog attention in future Budgets too.

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Gaps in manufacturing focus



BISWAJIT DHAR

The Finance Minister's focus on the strengthening of the manufacturing sector is fully justified on three counts. One, global economic uncertainties resulting from US President Donald Trump's disruptive policies have made it imperative for India to strengthen its local production capabilities in critical manufacturing sectors.

Two, India has decided to deepen its global integration by entering into free trade agreements (FTAs) with a number of advanced countries. This process is not only forcing Indian enterprises to compete with the global giants in the domestic market but is also making it imperative for the former to become globally competitive in order to find better access in partner countries' markets.

The last point needs to be emphasised even more as in all the past FTAs with major partner countries, Indian businesses have not been able to increase their exports, causing trade deficits to rise



INDUSTRIAL CLUSTERS. The Budget could have provided more details REUTERS

alarmingly. And thirdly, Indian manufacturing must become technologically sophisticated at the earliest and can no longer rely on labour-intensive sectors to do business with the rest of the world, as it cannot afford to remain stuck at the wrong end of the international division of labour.

While it is vitally important to focus on all of the seven sectors identified that the Finance Minister has identified for the reasons she has explained in her Budget Speech, it should also be pointed out that these are not entirely new proposals.

Two previous initiatives of the NDA government to revive the manufacturing sector, namely, the

"Make in India" initiative in 2014, and the Production Linked Incentive (PLI) Scheme in 2020 also included all of these sectors.

For instance, the PLI Scheme had an ambitious programme for the pharmaceutical industry, which highlighted the need for developing the industry from the key starting materials and the active pharmaceutical ingredients' (API) stage, right up to formulations. It was expected that production of biopharma would also be undertaken in order to reduce India's import dependence on this critical important segment of the pharmaceutical industry.

All the other "strategic and frontier sectors" highlighted by the Finance Minister in her latest Budget proposals were similarly included in the "Make in India" and/or the PLI Scheme.

The Finance Minister could, thus, have given some thought on ensuring that the two earlier initiatives effectively delivered the results they were intended to. The "Make in India" initiative had set the target of raising the share of manufacturing in GDP, which then at 16 per cent, to 25 per cent by 2022 by focusing on 13 sectors.

Later in 2021, "Make in India 2.0" was launched covering 15

manufacturing sectors. However, contrary to the expectations, the share of manufacturing consistently declined and in the first half of the current fiscal year, it was 13 per cent of GDP.

Again, the PLI Scheme was launched for enhancing India's manufacturing capabilities and enhancing exports within the overall framework of Atmanirbhar Bharat, but except for the mobile phone industry and to an extent pharmaceuticals, India's manufacturing exports have remained sluggish.

At the same time, the country's import dependence on China has increased. Since the Union Budget provides a roadmap for the Indian economy, Sitharaman should have proposed measures to re-orient the two schemes to ensure better delivery, instead of proposing new schemes.

Industrial clusters have worked wonders in driving the manufacturing sector in many countries, especially in East and South-East Asia. The Finance Minister could have provided some more details of how the 200 "legacy clusters" would be revived so as to attract private investors.

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Health sector continues to remain neglected

Despite some interesting proposals, the allocations haven't been hiked significantly. Schemes that serve public health have seen severe funding cuts



INDRANIL

The Finance Minister has made some interesting announcements in her Union Budget Speech. Given that there is an increasing need for care work to cater to growing elderly population, the proposal to create a cadre of 1.5 lakh Allied Health Professionals and caregivers is welcome.

The announcement of Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation) is also a welcome development.

There is an urgent need to strengthens the research and production capacity of the country in biologics and biosimilars. The focus of this scheme is on strengthening the network of National Institutes of Pharmaceutical Education and Research.

However, when we review the actual allocation commitments there is nothing much to cheer. In nominal terms there is some increase in the total allocation of Ministry of Health and AYUSH taken together compared to the previous budget. Allocation has increased from ₹1,03,851 crore (2025-26 Budget Estimate) to ₹1,10,939 crore (2026-27 BE).

Though this looks a significant increase of in nominal terms, if we adjust for the effect of inflation this means an increase of 3.5 per cent in

real terms. Moreover, in real terms this is less than what was actually spent in 2020-21. This means, the care that could be provided in 2020-21 cannot be ensured now, given that allocations have declined while prices have skyrocketed.

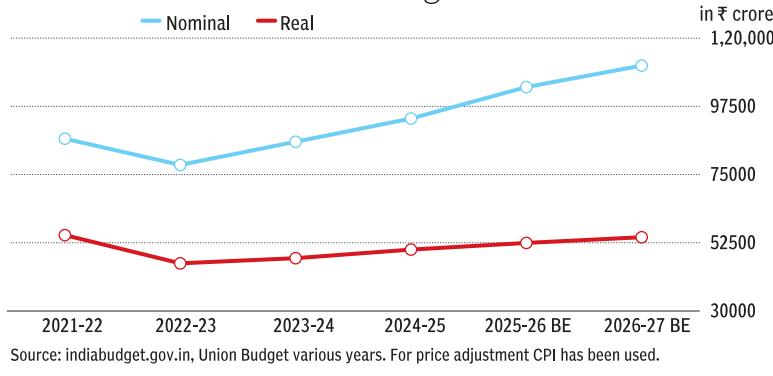
THE FINEPRINT

This also means that as percentage of GDP, Union government allocation to health has declined from 0.37 per cent to 0.28 per cent between 2020-21. Actual Expenditure and 2026-27 BE (Figure 2). It seems priority accorded to the health sector in the Budget has also declined over this period. Share of health in the total Union Government budget has declined from 2.26 per cent to 2.07 per cent in this period.

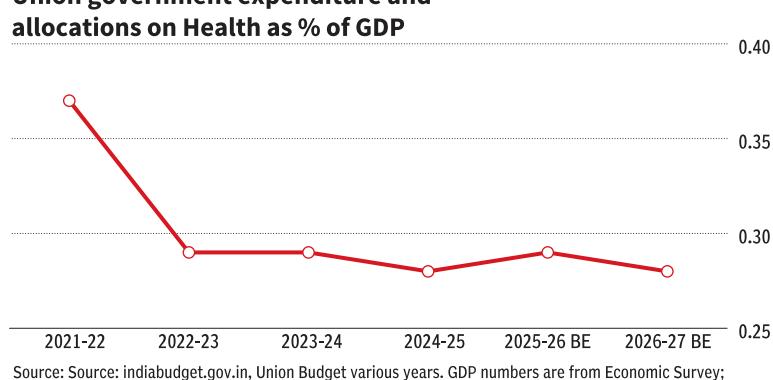
But if we dissect the Budget a bit and try to identify which schemes and programmes have received cuts and which have seen considerable increase, health sector priorities of Union Government. Schemes which contribute to strengthening the public system and protecting the health of most vulnerable sections of the society, like the National Health

Schemes to promote commercial interests — like the Pradhan Mantri Jan Arogya Yojana (PMJAY), the Digital Health Mission, are being rewarded with higher allocations — despite failures

Expenditure and allocations on Health in the Union Budget



Source: indiabudget.gov.in, Union Budget various years. For price adjustment CPI has been used.



Source: indiabudget.gov.in, Union Budget various years. GDP numbers are from Economic Survey; GDP for 2024-25 is Provisional Estimate from Union Budget, Budget at a Glance statement

Mission, Pradhan Mantri Swasthya Suraksha Yojana (PMSSY), Schemes on nutrition, health research received severe cuts — despite doing good work during hard times.

In contrast, schemes to promote commercial interests — like the

Pradhan Mantri Jan Arogya Yojana (PMJAY), the Digital Health Mission, are being rewarded with higher allocations — despite failures.

National Health Mission is the key programme through which the Union Government intervenes in improving

primary and secondary on maternal and child health, disease control programmes and non-communicable diseases.

Since 2021-22 there is a steep decline of 8 per cent of NHM budget in real terms in 2026-27 Budget.

It is also important to note that for the last many years the actual expenditure on NHM remains higher than what gets allocated, meaning that there is higher demand for NHM funds. This means that essential services like safe deliveries, vaccination for children, treatment of TB provided earlier cannot be provided anymore with current limited resources.

NHM money also goes into paying remunerations for frontline health workers like ASHAs, mostly women — who received global recognition for their stellar role during the pandemic. Cuts in NHM budget means reduced the budget for paying these workers, who have been demanding minimum wages for a long time.

It is important to note that some of the most critical programmes like related to non-communicable diseases and climate change and human health are being delivered through NHM and parity allocations under these schemes are major causes of concern.

We need expand the network of Health and Wellness Centres to ensure quality comprehensive primary care. HWCs are part of NHM budget. In the context of considerable budget cuts of NHM the plight of HWCs also remains unclear!

PMJAY seems like the blue eyed boy of the current government — even though it fails to deliver continuously,

known to largely benefit the private sector and exclude the most marginalised, it is rewarded with higher allocations.

The amount allocated for PMJAY in Budget Estimates 2024-25 was ₹7,500 crore, but only ₹6,983 crore got actually spent. However, in the 2026-27 BE there has been a whopping 36 per cent increase in allocation compared to 2024-25. PMJAY eating up larger share of Budget remains a cause of concern while it fails to deliver.

PUSH PUBLIC HEALTHCARE

Blind obsessions to promote commercial interest needs serious introspection. A large part of the Dalits, Schedule Tribes and other marginalised sections hardly receive care from the private sector under government-funded insurance schemes like PMJAY. It is a common knowledge that people do not receive free care under PMJAY, only gets partial relief and in this process ends up paying a lot from their pocket.

The proposal to develop medical tourism hubs, where public private partnerships are being proposed to cater to medical tourists, is another attempt to use public resources to privatise healthcare, this time to serve the rich from other countries and allow the private sector to make huge profits. Rather the Union government should strengthen the public system which caters to the poor and marginalised.

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Pragmatism over populism for Viksit Bharat

Revival of 200 industrial clusters, women-led development via entrepreneurship



VINAY SAHASRABUDDE

NAITIK MULEY



PROMOTING. Women entrepreneurship

Over the last decade, the Government has consciously changed the character of the Annual Budget. It has become a schematic blueprint which no longer seeks big headlines nor does it seek to appease any perceived pressure groups. Departing from being a typical financial statement for a Budget year, Budgets have slowly and completely been changed into non-populist sector-wise enumeration of vision grounded in pragmatism.

Presented for the first time on a Sunday, it also symbolically reflects that holidays will not stop the Viksit Bharat juggernaut that has been conceived and set into motion by Prime Minister Modi. The deliberate and patient presentation by Finance Minister Nirmala Sitharaman continues to be refreshing for those who want to study it sans sensationalism. The kartavyas as explained in her speech shall become the path on which Viksit Bharat shall be driven.

The focus on issues and areas long neglected continues. Twenty-five years after the North East Department was formed by Atal Bihari Vajpayee, the continued focus on Purvodaya with fertilizer plant as well as city region and Buddhist circuit development reflects consistent ideological clarity on sustainable development of so-called peripheral regions. Beyond the

periphery and into the neighbourhood, India continues to stand steadfastly with Bhutan and nurture the development of Afghanistan.

In the same vein of consistency, the trademarks of the Modi Model of Economics like reining in of fiscal deficit and sustaining capital expenditure have become so routine yet they remain so important and that continues with this Budget. The credit provisions for MSME companies have been sustained and expanded while taxation for the individual has been simplified.

INDUSTRIAL CLUSTERS

The proposed revival of 200 industrial clusters and focus on women-led development via entrepreneurship along with credit expansion and tier 2 & 3 development are key decisions for localised development. The Government has taken significant steps to address grassroots and agricultural needs with a blend of technology-driven support, income diversification, and rural empowerment.

The Budget introduces Bharat Vistar, a multilingual AI-enabled platform to give farmers localised advisory on crop

planning, weather, pest management, and markets, helping small and marginal producers make better decisions and improve productivity. It also pushes for crop diversification and high-value agriculture by backing schemes for coconut, cashew, cocoa, sandalwood and other lucrative crops to raise rural incomes and integrate youth into agriculture. Support for fisheries, livestock and animal husbandry, including development of reservoirs and credit-linked subsidies, aims to expand employment and value chains beyond traditional farming. These signal a shift from last mile percolation to last mile prosperity — a sincere exposition of Antyodaya.

The high speed corridors, defence modernisation expenditure, investments in semiconductors and rare earths are some of the most anti-populist yet most critical decisions. The sheer audacity to back what is required is reflected in this. While the domestic markets may have been too quick to respond and they will go up again, given the nature of markets it is imprudent to make it a yardstick on Budget day.

Those who say it lacks big ticket announcements must factor in that news cycles cannot define national priorities. It is the Modi Government which brought more than 25 crore out of multidimensional poverty without 'garibihatao' slogan or calling for any revolution. This Budget continues to audaciously give precedence to pragmatism and purpose over populism and pandering, and that, perhaps is its biggest headline.

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A Budget that is lacking in ideas

The Budget could have laid out a roadmap to revive private investments



RAJEEV GOWDA



Given the global, geopolitical context, India finds itself in a difficult situation. Even though it is growing faster than other large economies, foreign and domestic investors are moving money rapidly out of the country. This has plunged the rupee into a free fall, which has further resulted in foreign investors' returns falling dramatically in dollar terms. At the same time, private sector investment remains subdued. This Budget was an opportunity for the Modi government to turn things around. It blew it.

One way for the government to crowd in private and patient foreign direct investment is to design its capital expenditure in a way that provides opportunities for follow-up funding from foreign and private investors. That route has not been taken. While announcing the 5-year, ₹10,000-crore Biopharma Shakti initiative, the government could have introduced tax incentives for crucially-needed research and matched private outlays. Perhaps the government is mindful of the failures of its Production-Led Incentives scheme which has not transformed the Indian manufacturing landscape.

The Finance minister repeatedly exhorts the private sector to invest, but the private sector responds with a lack of confidence in the government. On budget day, corporate India sings praises in chorus but thereafter they do

not open their pockets. Entrepreneurs clearly know more about the fragile nature of consumption in India. Instead of talking about Swadeshi, the Finance Minister should engage with industry and figure out how to fix this crucial dimension.

THREE KARTAVYAS

This time, the Finance Minister came up with a Three Kartavyas formulation: sustained economic growth, capacity building, and inclusive development. When it comes to capacity building of Indians, the hollowness of this announcement is evident. Expenditures on health and education continue to decline as a share of the budget. This at a time when stunting and wasting still cripples the future of large numbers of children, when anaemia still affects more than half of women, and when large numbers drop out and do not continue to secondary school.

Further, scholarships aimed at disadvantaged sections were all reduced. This will lead neither to inclusive development or sustainable economic growth.

The Trump tariffs have led to large numbers of workers losing jobs in

sectors like textiles and companies shutting down. The Budget needed to do more to prevent things worsening on this front. Already, households are facing challenges as a result of unequal growth and the steady dismantling of welfare. Household savings are at a low and debt is at a high. This Budget was an opportunity for the Finance Minister to assuage industrialists and the common people. She has failed to deliver on both fronts.

The Economic Survey devoted considerable space to the urbanisation challenge. The Budget followed this trend. Building liveable cities for the growing population has to be a priority. But this is what the SMART Cities Mission and AMRUT were meant to achieve. Earlier, the Modi government used to rename UPA era schemes, now it appears to be repackaging failed programmes from its earlier tenures.

But our cities need much more than money, and it is time for a JNNURM Part II. The Minister did well to acknowledge environmental concerns but could have used this speech as an opportunity to lay out a vision for a pollution and climate change resilient economy.

Thankfully, the Budget did not follow the usual practice of making grand announcements targeting States where elections are due. That is one positive in an insipid and unambitious Budget that has let down large sections of the poor and the agriculture sector which supports nearly half of our population. Overall this Budget demonstrates that this is a government that is running out of ideas and empathy.

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Budget math appears relatively credible

Assumptions on revenue and expenditure targets as well as nominal GDP growth seem reasonable



OPTIMISTIC. The growth assumptions for excise and STT collections ISTOCKPHOTO

ADITI NAYAR

The Budget for FY27 has stuck to its fiscal deficit target of 4.4 per cent of GDP for FY26 and has pegged the same at a marginally lower 4.3 per cent for FY27, in line with our expectations. Importantly, it has pencilled in mostly reasonable assumptions across revenue and expenditure targets, thereby lending credibility to the overall Budget math.

The tax revenue assumptions for FY26 were somewhat optimistic to begin with, particularly on the personal income tax front after the sizeable tax relief in the FY26 Budget, the GST rate cuts and termination of the compensation cess in September 2025 impacted such collections. Consequently, the revised estimate (RE) for gross tax revenue (GTR) has been pared by a considerable ₹1.9

GROWTH IN TAX REVENUE For FY27, the government has assumed a nominal GDP growth of 10 per cent, only marginally higher than our forecast of around 9.8 per cent. While GTR is budgeted to rise by a moderate 8 per cent, lower than the rise in nominal GDP, this is largely on account of the termination of GST compensation cess collections.

Excluding this, GTR is expected to grow by 10.4 per cent in FY27, particularly aided by a healthy growth in direct taxes. Among other taxes, the growth assumptions for excise and security transaction tax (STT) collections seem somewhat optimistic, even though the latter may be

supported by duty hikes on options and futures trades. With the 16th Finance Commission retaining the vertical share of devolution at 41 per cent of Centre's divisible pool of taxes for the award period (FY27-31), there is no material impact of the government's net tax

revenues, that are budgeted to grow by 7.2 per cent in FY27 amidst some prior period adjustments in FY26.

Additionally, the government has pencilled in flattish non-tax revenues, on a high base, which seems reasonable. However, it has pegged the miscellaneous capital receipts at ₹0.8 trillion, which appears on the higher side given the repeated undershooting seen every year on this account, unless there are sizeable inflows related to asset monetisation.

With the fiscal deficit pegged at 4.3 per cent of GDP, the reasonable revenue assumptions have limited the expansion in total expenditure to 7.7 per cent in FY27, dampened by a growth of just 6.6 per cent in revenue spending. However, in line with the trends observed in the recent past, the government has prioritised expanding its capex at a much faster 11.5 per cent, leading to a continued improvement in the spending mix. In fact, after accounting for grants for creation of capital assets, which are typically included under revenue expenditure,

the government's effective capex is up by a robust 22.1 per cent in FY27. This is a favourable move, given that committed expenditure is likely to surge in FY28, with the implementation of the 8th Central Pay Commission, which would limit the space for boosting capex in that fiscal.

The government has stuck to reducing the debt-to-GDP ratio in FY27 to 55.6 per cent from 56.1 per cent in FY26, in pursuit of its goal to align it to 50 +/- 1 per cent by FY31. We had anticipated a slightly faster reduction in this metric in the current year. However, the upcoming release of GDP on the new series may well result in a larger absolute GDP, which could result in the government's debt to GDP looking smaller than 55.6 per cent, and bringing it closer to the goal post of 50 +/- 1 per cent by FY31. Having said that, compressing the debt-to-GDP ratio further in FY28 amidst the pay revision may prove to be a daunting task.

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OPINION

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{ OUR TAKE }

Building blocks to Viksit Bharat

Union Budget 2026-27 is premised on growth, aspirations, and inclusion

The stock market is not a litmus test of a country's annual economic policy statement. The fact that Sensex, the benchmark index of BSE, lost 1.88% on Sunday, the seventh highest fall on a budget day since 2004, should, therefore, not be a factor in any budget analysis. The fall was exclusively because market players were unhappy at the increase in securities transaction tax on derivatives — a move prompted by a desire to protect small investors, many of whom have lost money on these instruments. Indeed, the only people to make money on these are large firms using high-frequency trading.

Nor is popular sentiment — which is anyway fickle. The analytical framework for budgets needs to be more sophisticated. For starters, it has to see if the budget meets its primary objective — managing the country's finances optimally. Then, it needs to measure whether the budget addresses short-term concerns, especially in light of prevailing external circumstances, plans for the medium-term, and is cognisant of, and responsive to, long-term disruptions that can alter a country's economic trajectory — AI being the obvious example. Management consultants call this horizon planning. The framework also needs to be smart enough to interpret what the budget says about the larger economic philosophy of the government. And finally, it has to scour the finance minister's budget speech, and also the budget documents, for big ideas couched in innocuous language — a committee, for instance, tasked with studying and recommending changes in a sector that could fundamentally change everything.

How does Union Budget 2026-27, the eighth (excluding the 2024 interim budget) presented by finance minister Nirmala Sitharaman, fare when measured against this framework? It wasn't a given that the budget would easily meet its primary objective. After all, direct and indirect tax giveaways last year, coupled with low inflation, moderated tax revenue — but other revenue made up, and the budget met its fiscal deficit target for 2025-26 and has set a lower one for 2026-27. It has continued with its capital expenditure push and done enough to assuage markets of its long-term intent to bring down debt to 50% (plus minus 1%) of GDP by March 2031. It's difficult to see how the budget could have done better on this measure.

Despite significant geo-economic and geopolitical disruptions — the most significant being the tariffs levied on India by the US — India's economic performance in 2025-26 didn't really speak of an economy in crisis. The country's export performance (in the first 10 months of 2025-26) shows that it has been able to diversify its merchandise exports successfully. But it still has immediate concerns that need to be addressed in the short- and medium-term. The first is security, both external and internal. The increase in the defence budget and the enhanced allocation to intelligence gathering are a response to this. The other short- to medium-term concern is the ability to be self-reliant, especially in critical sectors. The budget's mention of a rare earth corridor needs to be seen in this context. The budget also references engines of growth across two dimensions — sectors (it lists six where India wants to build a competitive manufacturing base), and regions (the new city clusters); and, while it has steered clear of the customs duty reform the finance minister hinted at in December at the Hindustan Times leadership summit (likely because the FTAs India is signing pretty much obviate that), it has done enough to streamline processes and compliance, both of which should enhance the ease of doing business. Finally, the budget pays its respects to the prevailing deity of the 2020s, AI, and also to its apostle, the data centre.

The announcement of two committees, one on services as a driver of Viksit Bharat (the government's deadline for India becoming a developed country is 2047) and another to review the banking sector are significant; the first is an area of immense potential, and the second is one where radical change is possible (it is widely accepted that the country's banking sector, in its current form, cannot fund Viksit Bharat). A reading of the finance minister's speech as well as the budget documents tells us that this government's economic philosophy has not changed. It is built around self-reliance, fiscal prudence, and creating globally competitive industries, not by protecting industry or giving it handouts, but by focusing on the building blocks. And, as the minister laid out at the beginning of her speech, it is premised around growth, aspirations, and inclusion. The budget scores well in this framework; the market reaction to it may suggest that it is not the budget India wants right now, but a more reasoned analysis indicates that it is the one the country needs in its journey to Viksit Bharat.

Budget: A symphony in three movements

Budget sustains fiscal consolidation, signals to global capital to invest in India, and proposes institutional changes to facilitate growth

Budget 2026-27 comes at an inflection point. India's choices are no longer about cyclical tweaks. They are about basic architecture. We have been emboldened by robust real GDP growth, with a stable macro framework. This is notwithstanding external fragility and multiple institutional rigidities. The goals cannot be sequenced. They must move in tandem. This is orchestrated in this budget. It attempts to act with audacity, panache and cautious optimism.

Three movements define it.

First, non-inflationary growth. Old macroeconomics treats this as a trade-off, as illustrated by Okun's law. India's recent experience counters this. Growth for FY27 is expected to be around 7%; even as inflation has eased meaningfully. In Olivier Blanchard's latest work, *Fiscal Policy under Low Interest Rates*, he calls it the "divine coincidence". It rests on higher total factor productivity, supply-side repair, logistics improvements, and fiscal discipline. Food disinflation and supply corrections have led to moderation in headline CPI. This boosts purchasing power but also compresses nominal revenues. That is the asymmetry in today's macro mix. Good for households. Harder for debt arithmetic.

Usually, there is symmetry between inflation and the GDP deflator. However, they may diverge when prices move differently for what a country produces versus what its households consume. Export booms can inflate the deflator while keeping the CPI low, as exhibited by Norway in 2022 and Japan in the 2000s. The recent success of India's trade agreements has opened up this possibility for India.

The budget sustains fiscal consolidation with clarity rather than compromise. A deficit of 4.3% of GDP and a glide path toward a 5.0% debt ratio by 2030-31 signal intent, not accommodation. Capital expenditure rising to 4.4%

of GDP strengthens the growth-infrastructure-fiscal credibility loop. More striking is the willingness to reconsider the state's ownership footprint, including lowering government stakes below 51% in public sector banks and enterprises. This is not optics, but a statement on the limits of public balance sheets.

Intergenerational equity is explicit — debt is tomorrow's tax. Or, as the old

moral hazard runs: May thou be blessed, for thou shall inherit my debt.

Inflation measurement will soon matter even more. A new CPI series is expected on February 12, with the new GDP series scheduled for February 27. That will change both perception and policy response. Monetary-fiscal coordination will require sharper calibration.

The second movement is external stability in a disorderly world. Exchange rate stability is important. However, reserves are robust and should not be frittered in the will-o'-the-

wisp of achieving a preferred exchange rate. The current account remains manageable, well below the FRBM's 2.3% sustainability threshold, with services exports anchoring resilience. Yet capital flows are subdued: Gross FDI is strong, but net inflows have softened on the back of foreign capital exits.

This budget signals to global investors. Customs rationalisation improves predictability. Selective duty exemptions support the energy transition, from lithium-ion cell manufacturing to battery storage systems. Export regimes for marine and leather products are eased. Trade is being repositioned as an engine of growth, not a vulnerability.

Strategic manufacturing is being anchored deeper into global value chains. Biopharma SHAKTI, semiconductor mission 2.0, rare earth corridors, textile parks, and a ₹10,000-crore MSME growth are sagacious steps toward a resilient future. High-speed rail corridors, dedicated freight lines, national waterways, and city economic regions are not vanity projects. They are spatial strategies to broaden growth beyond metros and reduce congestion costs that silently tax competitiveness.

But incentives alone will not encourage states to build the infrastructure required. The 16th Finance Commission's decision to eliminate revenue deficit grants is pivotal. Instead, the special assistance to states for capital investment (SASI) scheme will help meet state capital expenditure needs more precisely. Its action taken report and press note are the only real bridges in Centre-state relations. Standards.

minister last week established an audacious country partnership framework, providing \$8-10 billion per annum for five years. This emphasises apprenticeship-led job creation. Its imprint was evident in the budget — in the university townships, creator labs in schools and colleges, AI-integrated skilling, targeted support for the vulnerable. One message is clear: We must move from jobless growth to job-led growth.

Harnessing multilateral finance is the most efficient way to meet India's financing needs, given the long tenures and AAA ratings of these institutions. Beyond the World Bank, India should replicate this approach with other multilateral development banks and fully utilise the headroom they offer.

Capital expenditure, carbon capture, transport corridors, and energy transition are ultimately bets on scale, coordination, and credibility. As Lee Kuan Yew warned, the world is a process. Stand still, and you decline. Adapt, and you endure. This budget renews India's growth trajectory. Sustaining it will depend on three tests: macro credibility, capital quality, and institutional courage. Now comes the execution.

Economic growth remains inseparable from the development of human capital, skilling and employability.

ARVIND YADAV/HT PHOTO

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NK Singh

Work-in-progress budget to keep the wheels oiled

In college exams, we used to have "continuation sheets". If you had too much to say, you asked for another sheet of papers. Budget 2026 can be called a continuation budget. A work-in-progress budget. A plumbing budget. A more oiling-the-wheels effort rather than an express reform train.

The biggest worry this financial year was the pressure on the fiscal deficit. The ₹1 trillion of income-tax relief given in Budget 2025-26 plus the ₹48,000-crore GST giveaway was poised to derail the budget estimates. But what made the story worse was a gross domestic product (GDP) deflator of just 0.5%. This measures the impact of inflation on real GDP and the trend line has been around 3.5%. While real GDP is of interest to macroeconomists, it is the nominal GDP that reflects on corporate bottom lines and tax revenue toplines. It is not surprising that the revised estimates for the year on personal income taxes and GST are both lower than the estimates. But higher corporate, customs, and excise taxes, and dividends and profits have saved the day, keeping the fiscal deficit (expenditure minus revenue) at a commendable 4.4%. The estimate for the next year is a very minor contraction to 4.3% — this number will finally filter down into the markets who might feel happier on Monday than they did on Sunday.

The other big number to take note of is the big bump up in defence spends that are up by a trillion rupees, from 8% of the budget estimate last year to 11%. In a world where presidents are kidnapped at night and frozen islands are threatened with annexation, beefing up protection of our borders is no longer merely a choice.

Spread across the budget are proposals that all aim to make India keep pace with changing technology. The tax break — till 2047 — for any foreign company that provides cloud services globally by using Indian data centres aims to boost Indian tech companies. Dedicated Rare Earth Corridors for mining, processing, research, and manufacturing built on the Rare Earth Permanent Magnets Scheme of November 2025. The India Semiconductor Mission (ISM) 2.0 takes forward the successes of the earlier version to build supply chains and design full-stack Indian intellectual property (IP). These technologies are big bargaining chips in an increasingly transactional world; the crucial steps outlined by the budget must go from proposals to action at the earliest.

The one common thread running through

the finance minister's budget speech is a desire to deregulate, simplify, and reduce friction between the State, businesses, and citizens. The proposals on easing compliances on customs, on ease of tax processes, and aiming for a more trust-based system are all in line with the larger goal of reducing government overreach in everyday lives. However, the big-picture intention of the government is almost constantly derailed by the bureaucracy that continues to train its suspicious gaze on both businesses and citizens.

At the individual level, those who bought the sovereign gold bonds on the secondary market are in for a rude shock as the tax-free nature of the bond is now restricted to an original buyer who holds till maturity. The government had miscalculated the future of gold and had not hedged the price when it issued these bonds, leaving it with a large redemption pressure as gold price has zoomed as these bonds mature.

As expected, there was no tinkering with the personal income tax rates or on any other tax breaks for income-tax payers.

Thankfully, the finance minister did not give into the big bank lobby to increase the long-term capital gains tax on equity. Banks are worried at the growing share of mutual funds over bank deposits, but instead of stopping to steer bank depositors into toxic life insurance products that earn them huge commissions, they have turned to lobbying to try and kill the equity market that has created wealth for a whole slice of middle India.

Stock markets reacted negatively to the increase in the securities transaction tax (STT) on futures, to 0.05% from 0.02% at present, and STT on options premium and exercise of options to 0.15% from the present rate of 0.1% and 0.125%. This affects speculators and traders rather than long-term investors.

Nothing really changes for an average income-tax paying Indian. While the markets have reacted negatively, it will be prudent to wait a while for the sentiment to reverse. The India growth story remains strong, and Budget 2026-27 is a work-in-progress budget that has kept the borrowing under check, while pressing the pedal on capital spends and defence — no *revisis* (freebies), but a route to a long-term structural growth impetus.

Monika Halan is the best-selling author of the *Let's Talk* series of books on money. The views expressed are personal



Monika Halan

{ NARENDRA MODI } PRIME MINISTER



This budget will provide fresh energy and speed to the reform express on which India is riding today



While the markets have reacted negatively, it will be prudent to wait a while for the sentiment to reverse.

PTI

Message from government: Growth leads consumption

This was a budget of a mature economy, for an economically stable country, and by a government that is confidently looking beyond today. Union Budget 2026-27 signals a shift from crisis management to long-term nation-building, aligning with Prime Minister (PM) Narendra Modi's vision of a developed India by 2047. Rather than announcing flashy giveaways, the government has focused on strengthening core systems: Health care, education, manufacturing, infrastructure and now explicitly, energy security and cutting-edge technologies, including AI. It leaps to the eye that the Modi government is preparing India for sustained growth, for a march towards becoming a developed economy.

Infrastructure spending remains the backbone of the budget. With over ₹12 lakh crore allocated for capital expenditure, the government is once again acting as the primary growth engine at a time when private investment is still cautious. This approach supports construction jobs in the short term while improving productivity in the long term through better roads, housing and urban systems. The announcement of seven high-speed rail corridors adds a new layer to this strategy.

What does it mean? It clearly signals faster connectivity between major economic centres. Alongside city economic regions, new freight corridors, inland waterways, coastal cargo promotion and support to states, the Modi government is now thinking in terms of agglomeration economics. Cities, especially tier II and tier III, are being positioned as growth engines rather than mere population magnets. Manufacturing policy has been sharpened further. Semiconductor Mission 2.0, Biopharma SHAKTI, rare earth magnets, container manufacturing, textile cluster revival, chemical parks, electronics components and construction equipment upgrades point to a deliberate effort to rebuild India's industrial base. These are not isolated announcements.

Together, they form a supply-chain strategy aimed at reducing critical import dependence while building domestic capability. Tax reforms supporting aircraft manufacturing, footwear, seafood exports and bonded zones reinforce this push. This could steadily lift manufacturing's share of GDP and strengthen export competitiveness. Micro, small, and medium enterprises (MSMEs) have also been brought firmly into the frame, with a three-pronged support system: Equity via a ₹10,000 crore growth fund, liquidity through the RBI-regulated Trade Receivables Discounting System (TRDS) and credit guarantees, and professional hand-holding via "corporate mitras".

MSMEs are where employment meets entrepreneurship. On fiscal policy, finance minister

Nirmala Sitharaman has chosen balance over bravado. By keeping the fiscal deficit at 4.3% of GDP and committing to a debt-to-GDP target of around 50% by 2030, she signals discipline without retreating from development. The shift towards debt management rather than just annual deficit targets reflects a more mature approach to public finance.

The most immediate and positive policy impact will be on employment. Five medical value tourism hubs, expanded bio-pharma facilities, allied health training, caregiver programmes, and new Ayurveda institutes will create jobs across skill levels. University townships near industrial corridors, AVGC (animation, visual effects, gaming, comics) creator labs in schools, sports infrastructure under Khelo India, and hospitality institutes will generate steady economic activity far beyond classrooms. For households, the policy direction remains supportive but measured. After the tax relief last year, this budget avoids large new consumption incentives. Instead, it focuses on job creation, income stability and ease of living through lower tax collection at source (TCS) on education and overseas travel, simpler compliance, extended return timelines and dispute resolution mechanisms.

The message is loud and clear: Growth first, consumption follows. The services sector gets renewed attention, with IT, safe harbour reforms, cloud data centre tax holidays till 2047, medical tourism, design institutes and the orange economy. Space tech, biopharma, semiconductors and AI are being treated as strategic priorities. India is no longer content to compete only on low-cost labour. It wants to move decisively up the global value chain. Rural India, resurgent India; agriculture and allied sectors remain integral, but the emphasis is shifting towards productivity and integration with manufacturing and services. Horticulture, fisheries, animal husbandry, agro-processing, reservoir development and AI-enabled AgriStack platforms aim to lift rural incomes while easing migration pressure on cities. This is rural development with an economic spine. Energy security also finds a strong footing, from carbon capture to lithium-ion batteries, nuclear power exemptions and biogas incentives. Reduced dependence on critical imports is now explicitly part of the growth strategy.

Overall, budget 2026 clearly shows PM Modi's vision and intention to make India a strong and developed economy by 2047.

Syed Zafar Islam is a national spokesperson of the BJP, a former MP, and former managing director, Deutsche Bank, India. The views expressed are personal



Economic growth remains inseparable from the development of human capital, skilling and employability.

ARVIND YADAV/HT PHOTO

Tax nudges and tight fiscal math

Efforts to attract foreign inflows and steer investment are welcome, but revenue assumptions do not match GDP growth



R KAVITA RAO

encourage investment in Indian data centres. Safe harbour rules, with profit margins of 2 per cent of invoice value for the supply of components to electronics manufacturers and tax exemption for the supply of capital goods for toll-manufacturing in India up to 2030-31, are expected to encourage these activities in India.

Information technology (IT) and information technology-enabled services (ITES) are major foreign exchange earners for the country. The rationalisation and reduction of profit margins under safe harbour rules for the IT and ITES sectors, and the streamlining of advance pricing, are aimed at supporting the growth of this sector.

The selective process of identification of sectors and segments for incentives suggests considerable homework. However, the return to incentives within the tax regime might be a cause for concern and it could induce requests for expanding the scope of incentives to cover other sectors as well. Periodic review of the effectiveness of these interventions might be useful for ensuring the effectiveness of policies.

Changes in income tax: Part B of the Budget speech includes a number of important announcements in income tax rules. One significant announcement relates to the nudge to corporations to move from the old income-tax regime to the new regime. As reported in the revenue foregone statement, the share of corporate incomes reported in the old regime is not declining consistently over the years. Across all income categories reported, the share of incomes reported in the old regime has increased between 2022-23 and 2023-24. Nearly 38 per cent of total incomes in 2023-24 were reported under the old regime,

compared with 34 per cent in the previous year. The introduction of the regime did not, *per se*, do enough to nudge adoption of the simplified regime with lower taxes and fewer exemptions and concessions.

To address this concern, the Budget proposes to change the format of the minimum alternate tax (or MAT). MAT is applicable in the old regime as a pre-payment of tax for which credit MAT is available in subsequent years.

Going forward, partial MAT credit will be available only to companies that adopt the new regime. For companies that choose to remain in the old regime, MAT will become a final tax with a rate of 14 per cent, marginally lower than the current 15 per cent. With this change, it is expected that a number of companies will opt for the new regime, allowing for a gradual phase-out of the complexity of multiple regimes. A commendable change and a useful nudge.

The second set of changes in income tax is aimed at attracting foreign inflows into the country alongside improving the business environment for globally integrated activities. These include two sets of provisions. To make India an attractive destination for select forward-looking sectors, the Budget proposes a long-term tax holiday till 2047 to foreign companies providing Cloud computing services globally using Indian data centres. The long horizon of the tax holiday could provide an attractive incentive to

The author is director, National Institute of Public Finance and Policy, New Delhi. The views are personal

IF NO FURTHER RATIONALISATION OF RATES IS PROPOSED, GST COLLECTIONS MIGHT PROVIDE AN UPSIDE IN REVENUES IN 2026-27 IF GDP GROWTH RATES HOLD

in 2026-27. Given the uncertain global economic environment, this target does provide some fiscal space to address the country's short-term and medium-term goals. However, going beyond the headline number, there are some issues to consider. GDP for the year is projected to grow by 10.1 per cent, which could be broadly decomposed into 7 per cent real growth (following the Economic Survey) and 3 per cent inflation in the GDP deflator. There could be some modest downside risks to inflation, as in the last two years.

The revenue forecasts, however, do not match up to the GDP forecasts. Gross tax revenue is forecast to grow by 8 per cent while the tax revenues net of transfers to states are growing at 7.2 per cent. Looking at the components, while direct taxes are growing at over 11 per cent, slower growth is reported for Central goods and services tax (CGST) and Customs. While the proposed changes in Customs tariffs could account for a slowdown in Customs revenues, there is no reason for CGST to register a moderation in growth. The impact of the GST rate cut should be incorporated into the prices during the current year. If no further rationalisation of rates is proposed, GST collections might provide an upside in revenues in 2026-27 if GDP growth rates hold.

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(MSME) sector. Unfortunately, the Budget does not provide an across-the-board cut in Customs tariffs, with the average rate still hovering around 16 per cent, higher than the 13 per cent prevalent in 2014. Even if across-the-board tariff cuts were not possible, the government could have brought down the basic Customs duty on single-use inputs and intermediates going into labour-intensive manufacturing sectors such as textiles, footwear, leather, food processing, and light engineering goods.

Instead, the government has undertaken tariff changes in a piecemeal manner. For example, it has increased the eligible quantity of duty-free imports for exporters to 3 per cent of their FOB (free on board) value from the present 1 per cent for textiles, leather and footwear manufacturers, and exporters. It has also raised the time limit for meeting export obligations under this scheme from the present six months to one year. While these

A status quo Budget

There is nothing negative, but also nothing to shift a global investor's view of India



MARKET PICTURE

AKASH PRAKASH

The markets have reacted negatively to the Budget. The main disappointment seems to be the lack of any movement on capital gains tax for equity investors. Most market players were caught by surprise by the substantial increase in securities transaction tax (STT) on derivatives and are worried by the large gross market borrowing number of ₹17.2 trillion. Many feel that interest rates will increase as the ₹17.2 trillion number does not include ₹1.3 trillion budgeted for short-term borrowings/T-bills.

There was a feeling that this Budget would be used as an instrument to attract foreign capital, both foreign direct investment (FDI) and foreign portfolio investment (FPI), through certain targeted incentives. We have seen FPIs sell over \$40 billion of equities since September 2024 and India has received no net FPI flows for over five years. Even in FDI, while the gross flows may be reasonable, net flows are less than \$10 billion per annum — too low for a country with the size and potential of India. We are in a very volatile geopolitical and economic environment; the rupee remains under pressure despite strong macro fundamentals. We have to push to attract foreign capital as it is needed for the sustainability of our growth story.

The Budget arithmetic is reasonable. We are targeting a fiscal deficit of 4.3 per cent, after hitting the FY26 target of 4.4 per cent. For FY27, nominal GDP growth is assumed to be 10 per cent, gross tax revenues are projected to increase by 8 per cent, with corporate tax and income taxes rising by 11 per cent and 11.7 per cent, respectively. Indirect taxes are budgeted to rise by only 2.3 per cent as we have a full year of the new GST rates. Gross tax revenues have fallen to 11.2 per cent of GDP, given the cuts in tax rates.

Non-tax revenues are flattish, with total revenue receipts of the central government growing by only 5.7 per cent. The government's total expenditure will grow by 7.7 per cent to ₹53.47 trillion. The total increase in expenditure of the government in FY27 is budgeted to be ₹3.82 trillion.

Of this increase, ₹3.1 trillion will go to boost the effective capital expenditure of the central government (capex and grant in aid for capital asset creation). The balance ₹70,000 crore is more than eaten up by an increase of ₹1.3 trillion in interest payments. Thus net of an increase in interest payments and grant in aid, the central government has actually budgeted to shrink revenue spending in FY27. This is visible in subsidies, which are actually budgeted to decline by ₹19,240 crore in FY27. This is admirable spending control, especially in the context of what is happening on revenue expenditure of the states.

Central government capex, which is estimated to grow by 11.5 per cent to ₹12.2 trillion, is largely spent on defence capital equipment, roads and rail. All three have seen increases. Defence capital expenditure has increased 18 per cent from ₹1.86 trillion to ₹2.19 trillion; Railways net capex has risen by 10 per cent to ₹2.78 trillion, and roads by 8 per cent to ₹2.94 trillion.

The mix of total expenditure towards capex has improved to 32 per cent in FY27 from as low as 21 per cent in FY18 (including grant in aid to states). The worry is the ability of the government to continue increasing this number over time, as its capital spending seems to be stagnating at 3.2 per cent of GDP.

The only weakness in the Budget arithmetic is the assumption of ₹80,000 crore in divestment receipts, and the expectation of ₹3.16 trillion in dividends from the Reserve Bank of India/public sector banks — a historically high number on both counts.

proceedings through a common order. There would be no interest liability that would be applicable to the taxpayer on the penalty for the period of appeal before the first appellate authority, irrespective of the outcome of the appeal process. Integrating assessment and penalty proceedings, reducing the appeal pre-deposit to 10 per cent (from 20 per cent), decriminalising minor defaults, and expanding the scope of updated returns signal a shift towards predictable resolution.

The Budget also extends immunity from penalties and prosecution owing to under-reporting to cases of misreporting income. Despite the high cost (set at 100 per cent of the tax involved), it offers businesses a clear exit from criminal exposure in cases that fall in the grey area. This quintessential policy uplift mirrors the NITI Aayog paper on decriminalising tax offences.

Building on the 2019 corporate-tax reform aimed at simplifying taxation, an overhaul of minimum alternate tax (MAT) has been proposed to accelerate migration to the concessionary tax regime. The set-off of brought-forward MAT credit will be available only to companies opting for the new regime and is capped at one-fourth of their tax liability.

Further, MAT is proposed to be converted into a final tax with effect from April 1, 2026, ending a further accumulation of MAT credit, accompanied by a reduction in the MAT rate from 15 per cent to 14 per

cent. This will mean a clean slate as the 2025 law triggers.

Sector-specific certainty through a unified safe-harbour regime for information-technology (IT) services, faster advance pricing agreements, and tax carve-outs till 2047 for global data centres enhance India's competitiveness within IT and global value chains, besides augmenting foreign direct investment. Memorandums of clarification on the nature of these carve-outs, along with an impact analysis for the announcement vis-à-vis investment in data centres, should be on the government's 2027 agenda.

The 100 per cent tax holiday for Gujarat International Finance Tec-City (GIFT City) has been extended to 20 years of the 25. After the tax holiday, the business income for these units will be taxed at a concessionary 15 per cent (earlier the tax rate ranged between 25 per cent and 38 per cent). These amendments will be effective from April 1, 2026, applying to the tax year 2026-27 and subsequent years. These changes reflect a larger, strategic effort to position GIFT City as an ace in the global financial landscape.

Significantly, the Budget attempts to resolve jurisdictional controversies often dismissed as technical, such as jurisdictional and faceless assessment conflicts, defects due to the direct identification number, and the split verdict of the Supreme Court, with an objective of commencing the new Act from April 1, 2026,

to be an attempt to simplify Customs procedures for credible exporters.

There is nothing very negative in the Budget. It continues down the path of fiscal correction, and continues to improve quality of expenditure with prioritisation on capital spending. Given the weak revenue picture, there was not much scope to do anything dramatic. However, I think investors are not seeing any big ideas from the government either. There is nothing in the Budget that captures the imagination as to how India will navigate and take advantage of the choppy global waters we are currently sailing in. There is nothing in this Budget to change a global investor's view of the country. Those who are negative will remain so. They will cite high valuations, capital gains tax and weak earnings. With limited scope to further increase central government capex will this Budget kick start the long-awaited private sector capex cycle?

We have built a world-class equities market, both primary and secondary. The increase in STT will only raise ₹10,000 crore but will hurt trading volumes and liquidity substantially. Why take any risk on domestic flows? If we want to reduce derivatives speculation, there are other tools in terms of margins and contract size.

India will remain a stock-specific market, we can see a turn either when earnings accelerate or the AI trade wobbles. The consolidation phase will likely continue.

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A reformist reckoner for taxes



TAX & GROWTH

MUKESH BUTANI

The present expectation from the Budget gyrates around the ease of doing business, fostering a trust-based economy, and decriminalising income-tax provisions to curate a forward-looking economy. The Income-Tax Act, 2025, which sought to reorchestrate the decades-old Income-Tax Act, 1961, with no actionable policy changes as were anticipated by stakeholders, has been subject to public scrutiny and scepticism. The common feedback was that it was a rehash of the old law. The 2026-27 Budget, seeking to harmonise the government's imperative to grant certainty while ensuring a rational tax policy, had several notable announcements to usher in halcyon days.

A key theme that emerged from the finance minister's speech was the decisive shift towards reducing litigation. Her speech identified the issue of rationalising penalties and prosecution. The Budget sought to integrate assessment and penalty

proceedings through a common order. There would be no interest liability that would be applicable to the taxpayer on the penalty for the period of appeal before the first appellate authority, irrespective of the outcome of the appeal process. Integrating assessment and penalty proceedings, reducing the appeal pre-deposit to 10 per cent (from 20 per cent), decriminalising minor defaults, and expanding the scope of updated returns signal a shift towards predictable resolution.

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cent. This will mean a clean slate as the 2025 law triggers.

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These amendments will be effective from April 1, 2026, applying to the tax year 2026-27 and subsequent years. These changes reflect a larger, strategic effort to position GIFT City as an ace in the global financial landscape.

Significantly, the Budget attempts to resolve jurisdictional controversies often dismissed as technical, such as jurisdictional and faceless assessment conflicts, defects due to the direct identification number, and the split verdict of the Supreme Court, with an objective of commencing the new Act from April 1, 2026,

implemented effectively, these reforms could help reduce dwell time and improve port efficiency.

Similarly, goods imported without any duty liability will be given quick clearance without the requirement of filing a bill of entry. The government has also simplified tariff rates on import of goods for personal use from 20 per cent to 10 per cent. The baggage rules have also been simplified for temporary imports, besides raising the free baggage allowance limit. The government has finally also promised the implementation of an integrated Customs system platform, which will act as a single portal for all imports.

Further, Customs duty concessions have been announced for specific sectors. Customs duty has been exempted for raw materials used in green sectors, such as battery storage, lithium-ion batteries used in electric vehicles, nuclear power, and carbon capture and storage; on capital goods where such goods are used for processing critical minerals; and on inputs used by the maintenance, repair, and overhaul sector in the aviation industry. These sector-specific

on an unambiguous footing. While similar amendments proposed to the 1961 Act are being labelled as "clarificatory" and introduced with non-obstante (notwithstanding) language, their retrospective application will be tested in courts.

Though the Budget has been a reformative exercise, there is an interesting multilateral issue the Budget has not clarified: India's plans to adopt the global minimum tax under Pillar Two. With 60 countries having adopted Pillar Two in some form, the hay for Indian policymakers is set to continue.

Overall, the Budget themes paint it as a reformative exercise to yield tangible benefits for the economy. These measures align tax policy with growth stability and capital formation, strengthening India's position as a long-term investment hub. The direct tax proposals strengthen India's business environment by reinforcing certainty, lowering compliance friction as the country prepares to operationalise the Income-Tax Act, 2025, from April 1, 2026. The minister also announced that simplified Income Tax Rules and forms will be notified shortly. These initiatives of the government will prove to be a holy grail of certainty for investors, while administrators will keep sharpening their focus on reforming the provisions further under the Income-Tax Act.

The author is partner at BMR Legal

Only a piecemeal boost for manufacturing



V S KRISHNAN

(MSME) sector. Unfortunately, the Budget does not provide an across-the-board cut in Customs tariffs, with the average rate still hovering around 16 per cent, higher than the 13 per cent prevalent in 2014. Even if across-the-board tariff cuts were not possible, the government could have brought down the basic Customs duty on single-use inputs and intermediates going into labour-intensive manufacturing sectors such as textiles, footwear, leather, food processing, and light engineering goods.

Instead, the government has undertaken tariff changes in a piecemeal manner. For example, it has increased the eligible quantity of duty-free imports for exporters to 3 per cent of their FOB (free on board) value from the present 1 per cent for textiles, leather and footwear manufacturers, and exporters. It has also raised the time limit for meeting export obligations under this scheme from the present six months to one year. While these

measures provide temporary relief to exporters facing weak global demand, they do not address the fundamental issue of high input costs embedded in the tariff structure.

The important change is allowing units in special economic zones (SEZs) to sell goods in the domestic tariff area (DTA). This has been a long-standing demand of industry, which the government has approved as a one-time measure, keeping in view the turmoil in export markets. The government will bring in necessary regulations to ensure that concessional rates do not give SEZ units an unfair advantage vis-à-vis domestic manufacturing units. The effectiveness of this measure will, however, depend on the clarity of operational guidelines and the ease with which such DTA sales are permitted.

The finance minister has also announced several process reforms on the Customs side, with a greater reliance on persuasion based on trust rather than

exemptions are aligned with broader policy objectives relating to energy transition, critical mineral security, and the development of supporting industrial ecosystems.

While there have been procedural changes on the Customs side, initiating a movement towards a trust-based system for easier clearances, the government could have laid down a broad road map for Customs rationalisation over the next few years, covering both tariffs and process reforms.

To sum up, the Union Budget has undertaken a number of steps required to stimulate the sunrise industries of the future. What perhaps could also have been done is to outline the government's broad strategy in critical areas such as employment generation, skilling, raising agricultural productivity, and improving human capabilities. Some of the measures and schemes outlined could have been brought within this broader framework to address these four challenges going forward.

The author is former member of the Central Board of Indirect Taxes and Customs

A Budget for uncertain times

FM goes for modest fiscal consolidation, while focusing on services and state capex for growth

The Union Budget for 2026-27 has been presented amid unprecedented geoeconomic turbulence. India's economic growth remained strong at 7.4 per cent, but the Budget would have its work cut out to sustain that. The government's approach over the past several years has been to utilise public investment as a growth-generating measure. Infrastructure spending this year is due to rise to ₹12.2 trillion over 2026-27, a considerable acceleration. This is accompanied by an enhanced vision for the next set of big infrastructure projects. These are a series of new high-speed rail links connecting various hubs of growth, particularly in South India; new dedicated freight corridors that work on an east-west axis; coastal cargo to take some of the pressure off the railways and highways; and 20 new national waterways meant to easily move mineral wealth from the interior to ports. It is worth noting that a significant proportion of the additional capital expenditure is in the form of an increase in interest-free loans provided to states for their own investment.

However, private investment in factories and projects has not responded to public investment and job growth has been limited. While there have been some undoubted successes for the government's manufacturing push — Union Finance Minister Nirmala Sitharaman announced that a second iteration of the India Semiconductor Mission would be initiated, and the Electronics Components Manufacturing Scheme would see its outlay increased to ₹40,000 crore from ₹23,000 crore — "Make in India" continues to face significant headwinds, including ongoing trade tensions.

The Budget this time had a considerable focus on services. It proposed a high-powered committee that would look at employment and output in the services sector from "education to employment and enterprise". Several specific services verticals — including information technology-enabled services, tourism, health and veterinary care, social care, and the creative sector — were given supportive schemes from budgetary allocations for new centres of excellence to subsidy support for new institutions.

This shift may reflect a broader concern in government about the limited nature of private investment in new manufacturing, the increasing capital intensity of any new factories, as well as worries about global market access, and both tariff and non-tariff barriers for Indian goods. The services sector faces none of these issues. It does, however, require higher skills in the workforce — closing this gap appears to be the underlying theme of this panoply of new measures. It is legitimate to ask, however, whether the revolution in artificial intelligence will greatly impact job creation in these sectors just as the government shifts its attention to them.

The other major plank of the current government's economic policy, aside from capital expenditure, has been fiscal restraint. Here the Budget provides observers with somewhat contradictory impulses. This is the first year that the formal target has shifted from the fiscal deficit to the debt-to-gross domestic product (GDP) ratio, which has been redesignated "operational instrument for debt targeting". This complicates analysis somewhat, as now the future path of GDP becomes even more important. The Budget assumes a nominal growth rate of 10 per cent next year, a little higher than this year — the built-in assumption is that the consumer price index-based inflation rate will be a little higher this year.

As a consequence, the finance minister can promise to bring the debt-to-GDP ratio down marginally from 56.1 per cent of GDP this year to 55.6 per cent in 2026-27. This is a slower pace than was expected or is possible. The fiscal deficit will go down from 4.4 per cent of GDP to 4.3 per cent. These are small changes, but represent a significant shift from the past attitude to fiscal consolidation.

Whether this was the right year to decelerate is an open question. On the one hand, there are significant global pressures, and the minister might prefer not to shock the system when some systems, such as goods and services tax receipts, are flashing red. On the other, the debt mathematics is adverse, given the tranches of past borrowing that will mature this year. While net borrowing rises only modestly, gross market borrowing will increase sharply to ₹17.2 trillion, up from ₹14.6 trillion. This will naturally stress bond markets considerably, and create a structural drag on yields and rates.

As far as the regular investor, small businessperson, and consumer are concerned, however, the focus of government action remains easing mechanisms and governance. This is welcome, and in keeping with its years-long "ease of living" approach. Actions promised in the Budget are an expansion of the use of TReDS (trade receivables discounting system) for smaller companies; the decriminalisation of several tax offences and the granting of immunity for some oversights, including for foreign assets; promises of new approach to Customs based on trust; and revising duty-free allowances for personal travel. One thing that has been tightened, however, is securities transaction tax on futures and options. Some major market participants are worried that this will reduce liquidity — but the fact is that retail traders were getting over-involved in these complex transactions, and some action to push back against the gamification of futures and options was necessary.

Overall, this Budget bets that slower consolidation, state capex, and a push to services will keep growth going.

Industrial policy takes centre stage

And bigger problems await from policy bottlenecks that the Budget has left untouched



SNAKES & LADDER

AJAY SHAH

The economy is at a transition point. We have data for 677 listed non-financial firms, for the quarter ended December 2025, and there's a year-on-year nominal growth of 7.67 per cent, which is a decent rate of about 6 per cent growth in real terms. The Centre for Monitoring Indian Economy capex data shows a strong improvement in private investment projects under implementation, but this has not yet percolated into the flow of investment expenditure in firm-level data.

The external environment is challenging. The Suez Canal is crimped, which has pushed up costs of transportation from Mumbai to Europe. The 50 per cent tariff on exports to the United States is forcing firms to suffer one-time costs to reorganise themselves to participate in global commerce, including holding companies, production facilities, and customers. India has become less interesting to global investors, and there is a sluggishness in capital flows.

This is the context in which we view the Budget announcements. The Budget is not just a statement of government finances. The Budget speech is a commitment device through which the Union government commits itself to policy reform projects of the year. As an example, the economic policy achievements of the Bharatiya Janata Party — the goods and services tax, inflation targeting and the Insolvency and Bankruptcy Code — were all initiated through paragraphs in Budget speeches.

There has been some optimistic talk,



ILLUSTRATION: BINAY SINHA

in recent months, about important economic reforms being initiated, now that conditions are difficult and the cost of the status quo has gone up. The announcements of the Budget speech, however, are exclusively in the nature of industrial policy. We see a government that is poking and prodding the economy in myriad sectors, like a class monitor trying to shape how the economy works out. We have seen this movie before: The scene is reminiscent of Indian economic policy from the socialism of the 1980s. Such an effort should be viewed with scepticism for three reasons.

The first is the "socialist calculation problem". The best policymakers do not know enough about the complex world to figure out what businesses should be doing. We in India have had remarkable intellectual power in the leadership in the past, and that was not good enough to solve the socialist calculation problem. By the time a policymaker is talking about details of products, processes and technology, she is on thin ice.

The second problem is that of state capability. The Indian state has a long history of faring poorly on detailed interventions in the economy, as government organisations are not able to act correctly.

The third problem is political economy. Once the coercive power and the spending power of the government are available, as a player in the marketplace, firms' incentives shift from boosting

productivity to building government engagement. This harms the economy because firms' energy is diverted away from economic growth, and because their lobbying often reshapes government policy in the wrong directions.

Alongside the industrial policy push,

there is a long list of genuine policy problems that have not been touched in the Budget speech. As an example, there is much clarity in the field of tax policy about the mistakes of GST (including input tax credit blockage, which reduces GST to a cascading production tax), the mistakes of source-based taxation for foreign investors, and the taxation of transactions (which has been further exacerbated in this Budget). There is much waiting to be done by way of building a better financial sector, including removing capital controls, establishing the resolution corporation and the public debt management agency, and fixing the legal foundations of the financial agencies as the Securities Markets Code was supposed to have done for the Securities and Exchange Board of India. There are fundamental problems of the foundational processes of government, including human resources, public financial management and contracting. There is a large agenda on protectionism, of non-equal treatment of foreign producers and foreign companies trying to sell into India or operate in India. There are burning problems of the electricity system that are holding back the clean

energy transition. These are just illustrations; there is a lot waiting to be done.

Of course, there is nothing that prevents the government from taking on these things in the coming days. We hope this will happen.

The government has, for many years, tried to be cautious on public finance. The expansion of the deficit during Covid was smaller than what many in the country were then proposing. However, the situation remains an unhealthy one. Everyone recognises that Covid was an exceptional moment, that temporarily surged the debt-to-gross domestic product ratio. Bringing down the debt-to-GDP ratio requires small primary surpluses. But we've been stuck at significant primary deficits of 1.4, 0.8 and 0.7 per cent of GDP, respectively, from 2024-25 to 2026-27.

There are difficulties in measuring debt and GDP in India. Hence, the best measure of fiscal health is interest payments divided by revenue receipts. In terms of levels, we should recognise that the Indian financial repression system generates borrowing for the Indian state at artificially low interest rates, so the values that we see are artificially shaded down. When we drill into the recent values, we see a significant escalation from 36.74 to 39.74 between 2024-25 and 2026-27. This is cause for concern.

The government plans to borrow ₹11.7 trillion from the markets and ₹1.3 trillion from "T-bill etc", which adds up to a nominal increase of 25 per cent, compared with the 2025-26 revised estimate of ₹10.4 trillion. This could be hard. About 95 per cent of the Indian State's borrowing is coerced out of the financial system through financial repression. This system might face capacity constraints in meeting these borrowing requirements, and there are very few voluntary lenders who could respond to price signals.

The author is a researcher at the XKDR Forum

Inside the fiscal consolidation numbers



RAISINA HILL

A K BHATTACHARYA

The fiscal numbers of Budget 2026 raise hopes as well as many questions. The hopes are implicit in the aggregate fiscal deficit figure of 4.4 per cent of gross domestic product (GDP), as indicated in the revised estimates (RE), for the current financial year. That the target has been met despite a year of turbulence, with a 4.5 per cent drop in gross tax collections over the Budget estimates (BE), is laudable. But don't forget that this has been achieved through a sharp compression in expenditure (revenue expenditure shrank by 1.9 per cent and capital expenditure fell by 2.2 per cent over BE) and a healthy 14.6 per cent rise in non-tax revenue, thanks largely to higher dividends from the Reserve Bank of India (RBI) and state-owned banks.

Questions, therefore, will arise when you take a close look at the composition of the government's receipts and expenditure in 2025-26. Barring a few sectors like defence, railways and roads, the government has been unable to spend a large chunk of the budgeted outlay during the current year. The shortfalls, ranging between 100 per cent and 25 per cent, are disturbing, particularly when the impacted sectors include health infrastructure, urban and rural housing, irrigation, interlinking of rivers, drinking water mission, rural roads, rural livelihood schemes, nuclear power projects, telecom infrastructure, artificial intelligence mission, semiconductor development project, production-linked incentive

schemes, investment and infrastructure fund, research, development and innovation scheme, and emergency credit lines for micro, small and medium enterprises.

Meeting the fiscal deficit target is always desirable. But this year, the squeeze on expenditure on many important schemes and sectors raises the question of whether the schemes were properly designed and, if yes, why the government failed to spend the money allocated for projects considered critical for India's economic development. At the end of December 2025, an estimated ₹69,000 crore was lying unused with the states under 53 schemes, with a total outlay of ₹5 trillion. The outlay for these schemes under RE for 2025-26 has been slashed by over 25 per cent to ₹3.76 trillion. Non-utilisation of funds by states under such schemes could be one of the reasons for the shortfall in spending under them. But surely a more detailed assessment is called for to ensure that schemes are not announced and financial allocations made in the Budget just to make them look good on paper, without actually making a difference on the ground.

On the receipts side, the sources of the rise in non-tax revenue need to be examined closely to ensure that such gains become sustainable. About 45 per cent of the government's total non-tax revenues is accounted for by a single item — dividends from the RBI and state-owned banks. The 14.57 per cent rise in non-tax revenues in the RE for 2025-26 over the BE number of ₹5.83 trillion is largely accounted for by a sharp rise in the financial sector's surplus transfer, which rose by 19 per cent over what was budgeted. Rising dependence on non-tax revenues to bolster the government's gross receipts is a healthy trend, but the rise cannot be dependent only on one sector or the RBI or a few state-owned banks. Non-tax revenues should be rising across all the various sources of fees and income from various government services and non-financial sector state-owned enterprises.

How do the fiscal numbers for 2026-27 look? Gross tax revenue numbers for the coming year appear to be conservative, if one takes into account the government's estimates of the economy's nominal growth, pegged at 10 per cent. At 8 per cent nominal growth in 2025-26, the government's gross tax collections grew by 7.46 per cent or stayed at 11.4 per cent of GDP. With a 10 per cent nominal growth projection for 2026-27, the government hopes to achieve a gross tax collections growth of less than 8 per cent, which will be lower, at 11.2 per cent of GDP. The revenue assumptions appear to be realistic. Or have they taken cognisance of the likely disruptions or growth deceleration that might hit the Indian economy in the coming year?

Quite understandably, the government expects excise to grow by about 16 per cent in 2026-27, banking perhaps on the sharp rise in cigarette taxes that kicked in from February 1 and on the possibility of a rise in taxes on petroleum products. Customs revenue growth is projected at 5 per cent, almost half of the growth seen in 2025-26. This reflects the rationalisation of Customs duty rates on many items, although the number of items whose import duty has come down is smaller than those announced in the last Budget. The worrying trend from the revenue projections for the coming year is in the collections of goods and services tax (GST), which according to the Budget will see a further contraction of 2.58 per cent over a fall of 1.32 per cent recorded in 2025-26. GST rationalisation in September 2025 appears to have not yet seen the much-needed buoyancy that was expected, even as personal income-tax collections, after growing by 10.9 per cent in 2025-26, are projected to grow by close to 11.74 per cent.

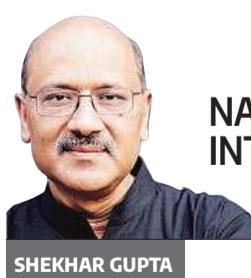
On the non-tax revenues front, the government appears to be less dependent on the RBI or the public-sector banks for dividends to boost its receipts. Indeed, its non-tax revenues in 2026-27 will remain virtually unchanged, even though marginal increases in RBI dividends have been

projected. But achieving a big increase in disinvestment or asset monetisation at ₹80,000 crore in 2026-27 will be dependent on how well the government plans its asset sales strategy and manages the political pushback against as aggressive a strategy as the numbers suggest. The capital expenditure projection for 2026-27 also remains realistic. After seeing its lowest growth since Covid in 2025-26 at 4.2 per cent, it is expected to bounce back with an 11.5 per cent rise in 2026-27, but this increase is helped by a rising share of state loans, estimated at 15 per cent.

Could the finance minister have projected a lower fiscal deficit or debt level for 2026-27? With a projected reduction from 4.4 per cent of GDP in 2025-26 to 4.3 per cent of GDP in 2026-27, this will be Ms Sitharaman's slowest fiscal consolidation in a year since Covid. Similarly, at 55.6 per cent of GDP, the debt anchor is moving down only by 0.5 percentage point in a year, even though the target four years from now is 49 to 51 per cent. The idea of back-loading the target of fiscal consolidation is perhaps guided by the government's desire to be prepared for any adverse developments in the coming year. But as a result, the task of fiscal consolidation in the following four years will become a little onerous.

Fiscal numbers apart, the Budget 2026 has largely eschewed political populism, even as several states are to go for Assembly elections in the coming months. There is a good dose of measures to address the concerns of the aspirational middle classes in India through tax immunity scheme and by allowing non-Indian-origin individuals living abroad greater access to equity investment in Indian companies. But the spirit of the Economic Survey, presented on January 29, is difficult to miss in this Budget — be it the focus on the services sector, the manufacturing sector's competitiveness, or a big push to disinvestment through a legislative change. The Budget has the numbers on disinvestment, the legal changes may come later!

Confident yet anxious



NATIONAL INTEREST

Of Union Finance Minister Nirmala Sitharaman's nine Budgets so far, this shows the least political anxiety. Yet, it is a Budget designed for geopolitically anxious times. Here's how we square these contradictions.

There was much demand and advice from companies, investors, and establishment-friendly economists to risk loosening up, take advantage of super-low inflation, and drive nominal growth.

Print more money, sell some assets, and cut capital gains taxes to assuage estranged foreign portfolio investors.

they said. Mostly, the contrary has been done. Securities transaction tax (STT) has been raised by up to 150 per cent to cool the markets instead of firing them up. This is political, as well as ideological and philosophical. The political part first.

The reason we call this politically the least anxious Budget is that it has no new giveaways, tax cuts, or exemptions for the middle classes. Allocation to the states, if anything, has been curtailed marginally.

There are no favours done to any allies or to "own" states whatsoever. This absence of electoral anxiety shows in nothing being on offer for the states going to the polls this year.

This is political confidence. The government has shaken its post-2024 jitters. It knows its vote bank is intact. Of the four major states going to the polls it believes it has one in its pocket (Assam), while West Bengal will be fought on polarisation. And even if any Kolkata rich are hurt by the Budget, they'd vote for the Bharatiya Janata Party anyway.

The Budget has indeed woken up the

sleeping markets, just not the way the government's fans would have expected. The tough action on futures and options (F&Os), and the subsequent finance-ministry statement that this was done to curb speculation is what we call both ideological and philosophical.

Ideologically, the Rashtriya Swayamseva Sangh has had a paternalistic and patronising view of the middle classes.

Since they're hardworking and talented but not always the smartest in the markets, they need to be protected — sometimes from themselves. Philosophically, there are questions over algorithmic trading where losers are simple millions and the winners often distant hedge funds with smart guys in \$200 Hermes ties who game the algos. This was the Jane Street phenomenon.

One hedge fund based overseas (the Securities and Exchange Board of India has provisionally stopped it) apparently had in India a company that would allegedly drive up prices of a stock with small buys in the morning and the

overseas parent would short it in the afternoon. The "system" only woke up when its profit was approaching the ₹10 billion mark. How many lakhs of underemployed, retirees, even housewives would have to lose their hard-earned tens of thousands each to add up to these billions!

The government didn't like it, and has said so explicitly. But it saw the downside in stopping F&Os altogether because this is, after all, a globally accepted market practice and a route to price discovery. Hiking STT on each transaction three times is simply a case of throwing sand in the wheels — it will infuriate the foreign portfolio investors the Modi government won't bother. They'd rather that the FPIs return as patient investors in the India story. This distinction between pure trading and investment is the philosophical point. Let's call this the Jane Street amendment.

This will, however, hurt the government's favourites: the middle classes. Over two years as the FPIs cashed out and net FDI turned negative, the slack was picked up by domestic individual investors. The finance minister has spoken with pride about these millions of brave Indians investing in SIPs.

(systematic investment plans) unmindful. By December 2025 they owned more stocks on the National Stock Exchange than FPIs did. Will they take this fresh setback on the chin? This is a political risk.

The government is confident, calm, and strapped up for the long term. The phrase "strapped up" is deliberate as we switch to our second point: This being a Budget also for great geopolitical anxiety. A bit like the captain asking passengers to keep seatbelts fastened as through turbulence.

Nobody knows what Donald Trump's next post on Truth Social would be if war with Iran resumes or if there is a truce. Will there be a settlement in Ukraine or hardening of postures? The future of tariffs? Oil prices? What to make of the purges in the Chinese military brass? Who'll be in power in Bangladesh after the elections? When will Asim Munir become insecure and be back at our throats again?

This is a lot of global and neighbourhood anxieties listed in just one paragraph. All of these provide good enough justification to play safe for now, to retain the fiscal headroom, build export competitiveness to take advantage

of markets the new free-trade agreements will open up.

That's why the most welcome — if expected — shift is in defence budgeting. After 11 years of remaining frozen at around

• WEB EXCLUSIVE
The Budget is cautious. And its balancing act is prudent.
— Madan Sabnavis
Log on to www.indianexpress.com

• WORDLY WISE
Beware of little expenses; a small leak will sink a great ship.
— Benjamin Franklin

The Editorial Page

MONDAY, FEBRUARY 2, 2026

The Indian EXPRESS
~ FOUNDED BY ~
RAM NATH GOENKA
IN 1932
BECAUSE THE TRUTH
INVOLVES US ALL

Budget moves forward with future as focus but ducks key reforms

HERE ARE several things to commend in Union Finance Minister Nirmala Sitharaman's ninth full Budget. First, the continued focus on fiscal consolidation. Sitharaman has achieved the budgeted 4.4 per cent of GDP target for 2025-26, despite a huge Rs 1.63 lakh crore shortfall in tax collections. For the coming fiscal year, she has targeted a fiscal deficit of 4.3 per cent. Alongside this, there is an emphasis on bringing down the Centre's debt stock from 56.1 per cent of GDP in 2025-26 to 55.6 per cent in 2026-27. Seen in the context of the deficit- and debt-to-GDP ratios reaching 9.2 per cent and 61.4 per cent in the Covid year of 2020-21, this represents a remarkable commitment to fiscal prudence.

Second, this consolidation has taken place even as the Centre's capital expenditure has more than doubled, from Rs 4.26 lakh crore to Rs 10.96 lakh crore between 2020-21 and 2025-26. For 2026-27, the capex has been budgeted at Rs 12.21 lakh crore. Simply put, the quality of government spending has improved with more money being allocated to growth-stimulating avenues. Third, there is a well-meaning emphasis on scaling up domestic manufacturing in strategic and frontier industries such as biologics and biosimilars, semiconductors, electronics components, rare earth permanent magnets, and even shipping containers and tunnel-boring equipment — where China holds a dominant position. Fourth, the Budget has welcome measures towards reducing tax litigation by replacing prosecutions with penalties and fines in the case of minor offences and technical defaults. This has been accompanied by liberalisation of the safe harbour provisions involving transfer pricing in transactions between related entities. For IT services companies, the threshold for availing them has been raised from Rs 300 crore to Rs 2,000 crore, and it has also been made an automated rule-based process without any tax officer involvement.

THAT SAID, this Budget makes a misstep, while also being a missed opportunity. At a time when India's equity market is hugely underperforming relative to its emerging-market peers and there is outflow of money from foreign portfolio as well as direct investors, raising the securities transaction tax on futures and options was a bad idea. That the markets did not take kindly to it was reflected in the BSE Sensex closing 1,547 points lower or 1.88 per cent on Sunday. That the Budget had no positive stimulus to offer — a cut in capital gains or last time's mega income tax relief — did not help either.

Managing the economy is as much about managing sentiment in troubled geopolitical times. This was a Budget that should have addressed the major concern flagged by the Economic Survey: What is causing foreign investors to pause, and "their reluctance to commit to India"? The Survey had called for aggressive disinvestment and even lowering the minimum state stake from 51 to 26 per cent for the purpose of defining a "government company". The Budget has little to offer on that, either. Nor does it have any proposals for rationalisation of subsidies. The combined outgo on food and fertiliser subsidy in 2025-26 stood at Rs 4.15 lakh crore, overshooting the Budget estimate by Rs 43,307 crore. For the coming fiscal year, the bill has been pegged at Rs 3.98 lakh crore, which could well be exceeded without any moves to cap consumption of subsidised urea sales or open-ended procurement of wheat and rice. The question to ask is: When will the Narendra Modi government bite the bullet on privatisation and subsidy rationalisation? Hereon, the political space for taking hard decisions will, if anything, only recede.

THE HALLMARK of the Modi government has been that many of its consequential economic reforms have been announced outside the Budget. This goes for the 2019 corporate tax cuts, the labour codes, and the recent reduction and simplification of GST rates. That, on the face of it, holds out hope of more purposeful measures and action in the days ahead. One can certainly expect the Centre to act on the Finance Commission's recommendations on incentivising states to undertake much-needed power sector and subsidy reforms, apart from setting their fiscal house in order.

But the Union Budget matters a great deal in signalling the government's priorities, be it to investors or society at large. For instance, one of the major issues shaping the perceptions about India, not to speak of affecting its citizens, is pollution. Couldn't the Budget have proposed, say, a large dedicated fund for tackling this menace within the overall capital expenditure allocation head? The conviction that the Modi government showed in signing free trade agreements with the European Union, the UK, Australia and others needs replication when it comes to domestic economy and governance reforms, too.

FREEZE FRAME BY EP UNNY



N K SINGH AND NICHOLAS STERN

IN AN earlier article ('History doesn't end today, our old compass has run its course', IE, December 31, 2025), we examined India's policy challenges in an unsettled global environment. This article revisits that framework. Assessing the Union Budget against the templates we had outlined, we find that it has been marked by much greater openness to recognising trade as an engine of growth. The Finance Minister's mantra this year has been capital, technology, and export competitiveness. This philosophy was behind the trade agreements with the EU and the UK, as well as Australia, the UAE and Oman.

Yet, geopolitical uncertainty has intensified debates on inflation and growth, capital flows, currency management, and India's attractiveness as an investment destination. The US and China deploy tariffs, export controls, and licensing regimes, while restrictions on advanced technologies signal a fragmented order.

The Economic Survey cautions that a persistent current account deficit (CAD) raises India's macro risk premium and keeps interest rates elevated. But eliminating the CAD of 1.3 per cent of GDP in Q2 FY26 by running down reserves would be counterproductive. India has sustained larger deficits in the past while maintaining adequate reserve buffers. During my chairmanship of the FRBM Review Committee, we placed sustainable CAD at

around 2.3 per cent of GDP.

While real activity outpaces nominal growth, revenue buoyancy has weakened even as fiscal demands intensify. This strains the exchequer at a time when debt sustainability and macroeconomic management are becoming more binding. The challenges of India's "Goldilocks" economy call for the following blueprint:

First, fiscal credibility must be judged not only by headline deficit reduction but by the composition and economy-wide effects of public spending. The Centre's adjustment since FY21 has been substantial, with the deficit reduced from 9.2 per cent of GDP to 4.8 per cent in FY25 and 4.4 per cent for FY26. Public capex has risen to Rs 11.21 lakh crore, while the general government debt-to-GDP ratio has declined by over seven percentage points. GST provides a new source of information as well as revenue, and encourages movement from informal to formal. Yet the fiscal stance must also be assessed against the domestic savings constraint. Government borrowing absorbs a large share of net household financial savings, which corporations no longer rely on. The shift in household savings toward greater risks on the stock market could raise borrowing costs rather than larger deficits. This is particularly relevant for manufacturing and smaller firms, where the cost of capital remains elevated. Fiscal discipline must crowd in private investment rather than pre-empt it. Public investment in efficient and clean infrastructure can open up opportunities for new private investment.

Second, state finances reinforce this concern. State deficits have risen since FY22, reaching around 3.2 per cent of GDP in FY25, while state debt remains close to 28 per cent of GDP. In integrated sovereign debt markets, sub-national slippages raise bor-

rowing costs for all. Cooperative fiscal federalism must move beyond transfers toward shared discipline and credible rules.

Third, private investment remains the bridge between macroeconomic stability and sustained growth. The Centre is leading by example with additional grants of Rs 1.6 lakh crore to raise states' capex. States must play a larger role, though capex cannot remain the primary growth engine. The investment rate has stabilised near 30 per cent of GDP, corporate balance sheets have strengthened, and capacity utilisation has improved. The Budget emphasises simplified regulations, faster contract enforcement, and lowering the economy-wide cost of capital.

Fourth, competitiveness and trade access are increasingly shaped by climate. Industrial GVA grew by 7 per cent in the first half of FY26, with medium- and high-technology manufacturing accounting for nearly half of this. The Budget strengthens competitiveness through rationalised customs duties, correction of inverted duty structures, faster MSME payments, and stronger private R&D. Climate risks to manufacturing now need to be addressed directly. Reducing emissions from cement and steel, supported by the Budget's focus on carbon capture utilisation and storage, will be good for India while enabling exports to Europe and elsewhere.

India must preserve *atmanirbharata* while deepening ties with trusted partners, particularly in the Asian economy. Call it *Carneyism*: A blunt warning that we are living through a rupture, the old order is dead, and the transition disorderly. Influence will accrue to those capable of forming agile alliances across trade, energy, and security. The challenges will include finance, investment, energy, climate, biodiversity and security. The Budget implicitly acknowledges these

Finally, human capital and cities will determine whether growth remains durable. India's workforce exceeds 56 crore, unemployment has declined to 4.8 per cent, and female labour force participation has crossed 41 per cent. AI is expected to lift productivity, with the Economic Survey projecting total factor productivity growth of 1.9 per cent annually.

Cities generate a disproportionate share of output and FDI. The FM's Budget speech highlighted the development of City Economic Regions (CERS), with funding of Rs 5,000 crore per CER over five years linked to results. Between 2017 and 2025, municipal bonds — further incentivised in this Budget — raised Rs 2,834 crore. Property taxes now account for about 60 per cent of urban local body revenues. Without stronger municipal finance and governance, India risks losing agglomeration benefits in labour absorption and capital attraction. Pollution and congestion are a major constraint on talent, investment, and growth. Urban infrastructure needs reforms that reduce emissions, manage mobility and improve service delivery. Stronger, cleaner public transport spurs inclusion and creates opportunities for poor people to benefit from urban growth.

In a harsher global environment, this Budget positions India not merely to grow, but to govern growth with judgement and resilience. We are in the classic Schumpeterian case, often associated with "creative destruction". This Budget provides new opportunities for investing in the new and enhancing India's creativity.

Singh is president, Institute of Economic Growth, and was chairman, Fifteenth Finance Commission. Stern is chairman of the Grantham Research Institute on Climate Change and the Environment and member of the House of Lords

Finance Minister has bypassed large parts of farm sector

FROM PLATE TO PLOUGH
BY ASHOK GULATI AND PURVI THANGARAJ

• **WHAT THE OTHERS SAY**
The sanctity of the 2026 elections is indeed under threat. And the reason is Mr Trump.
— *The New York Times*



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The Ideas Page

MONDAY, FEBRUARY 2, 2026

Balancing prudence and ambition as old order gives way to the new



SAJJID Z. CHINOV

THE BUDGET was presented against an extraordinary global backdrop. A rules-based (albeit imperfect) global order is rapidly unravelling. This has near-term uncertainties and medium-term concerns. Near-term uncertainties because as the rules of the game are suddenly, and arbitrarily, rewritten, markets are getting whiplashed almost every day. Which country will be the victim of the next set of tariffs? Is there any risk-free asset left in the world? Will muscular industrial policy in developed economies successfully jawbone global capital back? Medium-term concerns because the political and economic balkanisation that this will inevitably engender is inimical to the specialisation and exchange that underpinned the last 80 years of prosperity, notwithstanding the accompanying warts of heightened inequality and unsustainable imbalances. Generating growth in a splintered world will be hard.

So how should economies respond to these impulses? Heightened near-term uncertainty would argue for hunkering down: To build buffers and be fiscally and monetarily conservative. But a bleaker medium-term global growth outlook would argue for the opposite — be more adventurous and expansive to avoid getting dragged down into mediocrity. This is especially so because economic heft is the key to geopolitical leverage in this brave new world.

This, then, was the tension confronting this year's Budget. To be conservative and aggressive at the same time. One way to achieve this division of labour was to be conservative on the fiscal maths but more expansive and adventurous on policy reforms.

The first task was achieved. Despite direct and indirect tax cuts, and a lower-than-expected nominal GDP, policymakers met this year's fiscal deficit target of 4.4 per cent of GDP and signalled a modest consolidation towards 4.3 per cent of GDP next year. Furthermore, the fiscal assumptions going for-

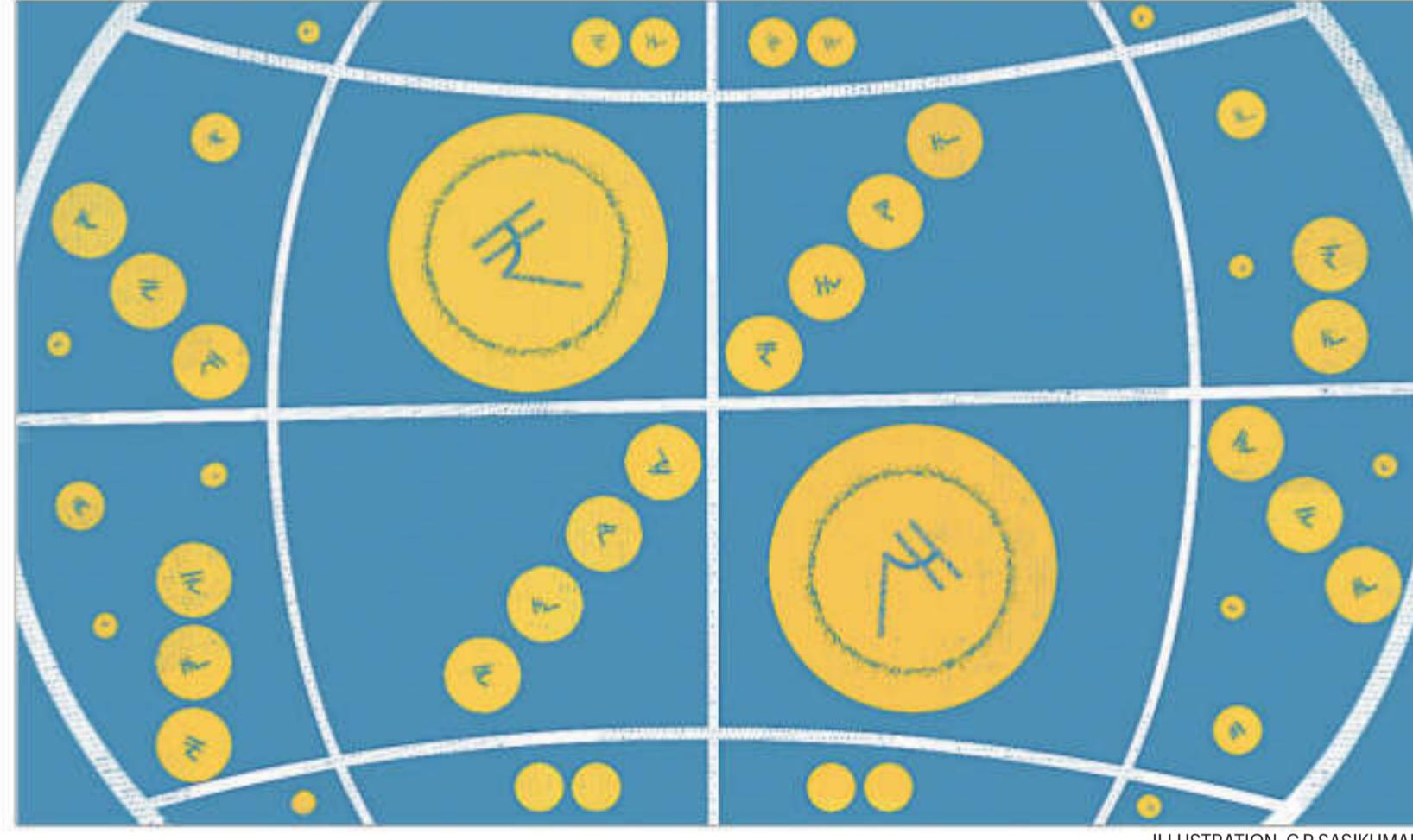


ILLUSTRATION: C.R. SASIKUMAR

ward are relatively conservative such that consolidation does not seem in any threat.

The first box was checked, but medium-term fiscal sustainability involves many more moving parts: It depends crucially on how growth pans out and whether state finances can be reined in. If nominal GDP growth averages 10 per cent over the next five years, the Centre will have to reduce its deficit further to about 3.6 per cent of GDP over four years to meet its debt target of 50 per cent of GDP by FY31. But unless state deficits are reined in, debt will continue to grow. Combined public debt — which is what matters for the economy — will barely move from 82 per cent to 79 per cent of GDP by 2031.

Things get more hairy if nominal GDP growth slips to 9 per cent, eminently possible in a world with growing Chinese excess capacity creating disinflationary pressures across Asia. The Centre will have to

reduce its deficit to 3 per cent of GDP by FY31, and this is keeping in mind that the Eighth Pay Commission is expected to kick in from FY28. Furthermore, if state deficits remain at current levels, public debt to GDP will barely move in the next five years.

So, despite the progress made in recent years, the economy has its fiscal work cut out. This will in-

evitably curb the quantum of support the fiscal can keep providing to the economy. First signs of this are already visible. Public capex was a key driver of the post-pandemic recovery, with central capex growing 30 per cent annually (in nominal terms) for the first four years. Things have inevitably slowed. Central capex slowed to 11 per cent in FY25, and if the revised estimates for FY26 are met, central capex growth would have slowed to 4.2 per cent this year. To be sure, authorities budget an 11.5 per cent growth in FY27 but, over a two-year period, this would still suggest a compound annual growth rate (CAGR) of less than 8 per cent (nominal). Meanwhile, central PSU capex growth has also averaged 8 per cent over the last three years, undershooting nominal GDP growth. Finally, state capex between April and December 2025 — the latest data available — has grown at a compound annual growth rate of 6 per cent (nominal) over the last two years.

So public-sector capex — as a driver of growth — is inevitably slowing, as both fiscal space and absorptive capacity become constraints. The implication: The capex baton will have to progressively — and rapidly — pass to the private sector. This is where aggressive and expansive policy re-

form intent becomes crucial to jump-starting animal spirits among domestic and foreign investors.

On its part, the Budget identified seven strategic sectors — biopharma, the semiconductor mission, electronic components, rare earths, chemical parks, capital goods and textiles — and proposed several measures for each. It also provided a tax holiday for the next two decades to any foreign company that provides cloud services to customers globally by using data centre services from India. Separately, it created a safe harbour for the IT sector to protect it from tax uncertainty, and signalled setting up a high-level banking committee to review the sector.

These are all encouraging steps, but reforms are an ongoing process, and the structural ask is long. Policymakers will, therefore, need to be consumed with key questions in the coming months. How does India jumpstart FDI to shore up capital flows and safely finance the current account deficit? How does India balance investments in strategic sectors — which tend to be much more capital intensive — with energising labour-intensive sectors, which are key to generating employment and harnessing the country's large and aspirational labour endowment? How does India ensure that the raft of recently signed free trade agreements — for which policymakers must be commended — will move the needle on exports? The Budget made a slew of announcements on customs duties, but will a more overarching simplification and rationalisation of import duties eventually be needed to attract FDI and boost exports in a world of global value chains? What will it take for India's private sector to undertake a broad-based capex cycle in a world floating with Chinese excess capacity?

India is currently witnessing a smart cyclical upswing on the back of a raft of supports over the last year (income and GST cuts, monetary and regulatory easing, strong monsoon and low inflation). But these supports will eventually fade, and we need to plan for the morning after. At that point, it's crucial that cyclical supports are replaced with structural underpinnings. Sustained policy reform translating into consistently strong growth will be India's best insulation mechanism in the current global storm.

The writer is head of Asia Economics at JP Morgan

Budget 2026: Short, boring and good



PRAVEEN CHAKRAVARTY

NO RHETORIC of grand schemes, noisy thumping of desks and not even the customary Thirukkural quote. Kudos to Finance Minister Nirmala Sitharaman for the most boring Budget presentation in recent times. A Budget must be a dreary account of government finances. Broadly, the government collects most of its money through taxes from corporates (corporate tax), salaried class (income tax) and "aam aadmi" (GST, excise, etc).

The "GST Bachat" of September 2025 drilled a Rs 1.3 lakh crore hole in the government's 2026 tax kitty vis-à-vis estimates. For context, this is roughly equivalent to the country's education expenditure. With the GST rate cuts here to stay, no room to raise income taxes on the salaried class and corporate tax collections dropping to less than a third of total taxes after the 2019 tax cut, the FM was caught in a quandary of how to find new avenues to plug the hole. She seems to have picked on excise duties with an estimated 16 per cent increase next year. Curiously, the government has budgeted a 100 per cent increase in basic duties levied on petroleum products and sin goods. Coincidentally (or not), US President Donald Trump has said that India has agreed to buy cheap Venezuelan oil. Does this mean the government expects to import cheaper oil and levy huge excise duties on it without passing on the benefit to the people?

By choosing to raise transaction taxes on speculative stock market activity and not catering to the shrill demand for long-term capital gains tax exemption for investors, the FM has made it clear that the government's attention is on the real economy, not the financial one. The stock market showed its disappointment immediately, but the government is right not to be cowed.

On the expenditure side, the government sought to quell the Opposition criticism on MGNREGA with a massive and surprising increase in allocation for VB-G RAM G. Predictably, there is a material increase in defence expenditure just as all nations are raising their defence budgets in an increasingly muddled world order. If there is one consistent trend in the Narendra Modi government's budgets versus others, it is the emphasis on capital expenditure, which has risen steadily from 14 per cent of total expenditure in 2014 to 23 per cent in this Budget.

On the expenditure side, the government sought to quell the Opposition criticism on MGNREGA with a massive and surprising increase in allocation for VB-G RAM G. Predictably, there is a material increase in defence expenditure just as all nations are raising their defence budgets in an increasingly muddled world order. If there is one consistent trend in the Narendra Modi government's budgets versus others, it is the emphasis on capital expenditure, which has risen steadily from 14 per cent of total expenditure in 2014 to 23 per cent in this Budget.

With a consistent pattern of spending more than earning over several decades, the Government of India has accumulated significant debt. Starting this year, the emphasis for fiscal discipline shifts from just annual deficits to overall accumulated debt in proportion to GDP. Though debt-to-GDP is a flawed measure since it compares consolidated debt (stock) with annual GDP (flow), it is a global standard. The Union government's debt-to-GDP is at 56.1 per cent, which the FM promised to reduce to 55.6 per cent next year with a target of 50 per cent by 2031.

But India's real debt problem is in its states' finances. States' debt levels have been rising rapidly over the last decade, driven by reckless populism. Even once well-managed states like Tamil Nadu and Punjab have experienced a near tenfold increase in total debt in the last 15 years. States' total debt-to-GDP is now 28 per cent, up from 22 per cent in 2014, and continues to rise despite the Union government's goal to reduce its debt-to-GDP ratio. This is a serious faultline in the economy. Ratings agencies and global investors evaluate India's debt-to-GDP on a combined basis of Union and states, and so states' budgets are as important to evaluate as the Union's, if not more so.

The FM, by waxing eloquent on a "new focus" on manufacturing, may have unwittingly admitted to the enormous failure of "Make in India". Manufacturing's share of the economy (GVA) was 17 per cent when Modi launched "Make in India" with much fanfare in 2014, with a specific target of doubling its share. Instead, it has fallen to 13 per cent, and the FM sought to renew this mission in her Budget speech with listless announcements. As the CEA noted in last year's Economic Survey, boosting India's manufacturing needs the government to get out of the way, not get in the way with schemes. A short, boring Budget is a good beginning for the government to "get out of the way".

The writer is chairman, All India Professionals' Congress & Data Analytics of the Congress party

written her, but it was, in fact, O'Hara who brought Moira to life in more ways than one. At the event for Culklin, she said, "Humour is a key to surviving life at any age," echoing an earlier interview with *Rolling Stone*, "If you're not truthful, it's not funny." At her 2020 Emmy speech for winning the Best Actress award, O'Hara said, "I will forever be grateful... for the opportunity to play a woman of a certain age, my age, who gets to fully be her ridiculous self."

As we bid farewell to O'Hara, we can only hope to hold on to the Moiras within us a little bit longer.

The writer is associate editor, The Indian Express, trisha.mukherjee@expressindia.com

LETTERS TO THE EDITOR



AMRITA NARLIKAR

No concrete solutions

THE MASSIVE allocation of Rs 12.2 lakh crore for infrastructure may be a worthwhile investment for the future, yet it offers no concrete solutions to pressing issues such as severe unemployment and the declining purchasing power of ordinary citizens. The middle class, which had long been hoping for relief in income tax, has once again been left disappointed ('Budget 2026 was short and boring. That's a good beginning', *IE* Web, February 1).

Samiksha Mishra, Jammu

THE UNION Budget 2026 unveiled by Finance Minister Nirmala Sitharaman contains several "quiet reforms" that deserve more attention than the big infrastructure headlines ('Budget 2026 was short and boring. That's a good beginning', *IE* Web, February 1). One of the most compassionate moves is the removal of income tax and TDS on interest awarded by the Motor Accident Claims Tribunal. For years, families already reeling from the tragedy of an accident were forced to navigate a "tax first, refund later" system on the very compensation meant for their recovery. Doing away with this deduction is a significant step toward a more humane and citizen-centric tax regime.

Aarchi Verma, Rajpura

Executive excess

THE INVESTIGATION into the use of the Uttarakhand anti-conversion law highlights the crucial role of the judiciary in protecting citizens' rights (In Uttarakhand judiciary is guardrail, *IE*, January 31). Court records show that many cases lack strong evidence and end in acquittals or bail, proving misuse of harsh provisions. In such situations, the judiciary acts as a safeguard against injustice and executive excess. Laws should prevent real harm, not create fear or criminalise personal choices.

Arzoo Rana, Chandigarh

Trisha Mukherjee

FAIR DISCLOSURE. I knew Moira Rose before I knew Catherine O'Hara. Flamboyant, delusional, melodramatic and consistently imperious, she was truly unbelievable. Unbelievably aspirational, even in her 60s, for a woman half her age.

It is difficult to put a finger on what exactly inspired me. I suppose I never quite thought about it with such seriousness when I was laughing at her, with her, three years ago while binge-watching *Schitt's Creek*. Twice. The Canadian TV show directed by the father-son duo, Eugene and Dan Levy, is

India-EU deal offers how-tos and how-not-tos



AMRITA NARLIKAR

No concrete solutions

TO CALL the FTA between the EU and India "the mother of all deals" may seem premature at first glance. The legal text is not yet available for scrutiny; there are still steps to be concluded before the deal can come into effect. Relying on a promise of a significant reduction in tariffs on European wines, are politicians on both sides prematurely popping the champagne?

Irrespective of the hyperbole, there are good reasons for optimism.

First, the trade deal per se is no mean feat. It brings together the world's second- and fourth-largest economies, constituting 25 per cent of global GDP. The two together are home to almost 2 billion people, many of whom will gain from new employment opportunities, skill development, technological innovation, and improved labour mobility. The deal provides for preferential market access to 99 per cent of Indian exports to the EU; the EU, in turn, expects to double its goods exports to India by 2032.

For Europe, this deal comes at a time of urgent need. Its partnership with the US is now a relationship of angst. It has been facing pressure to decouple from Russia, and has been uneasy about its dependence on the Chinese market. The FTA offers not only a large market but also a reliable partnership. India faces different imperatives. Multi-alignment has ensured that it is not as severely affected by Trumpian

turnarounds as the EU. But with the WTO offering scarce hope for expanding trade via multilateralism, and a need to diversify that stems from India's difficult neighbourhood, bilateral trade agreements with like-minded democracies present a sensible path forward.

Second, just as important as the economic gains are the potential national security gains. The EU-India FTA allows both parties to realign and secure supply chains in critical sectors. The Security and Defence Partnership — another key outcome of the summit — is a reflection of how both sides have updated their economic game to a geo-economic and geopolitical one.

Third is the deal's method. Besides making use of geopolitical uncertainties and geo-economic risks to reach a timely deal, the FTA shows elements of pragmatism through carve-outs. The EU, for instance, offers no liberalisation on beef, sugar and rice; India, too, has "prudently safeguarded sensitive sectors, including dairy, cereals". The framing of the deal is one that appreciates the democratic credentials of the two parties and speaks of "core values".

While making sure to cater to the interests of both sides, it also emphasises their shared norms.

The art of this deal offers interesting pointers for other negotiations. Disillusioned with the WTO Doha negotiations, many members are turning towards

agreements that are narrower in scope and membership. The EU-India FTA demonstrates the benefits of small membership but also the utility of having a wider scope to allow for trade-offs and issue linkage. With the US having withdrawn from 66 multilateral organisations, and a demand for reform of global governance from diverse quarters, the EU-India negotiating experience offers useful how-not-tos from the initial phases, as well as helpful routes to subsequent success.

Finally, the three cheers for their recent successes should come with encouragement for the better globalisation that the EU and India can script together. Both stress their commitment to democracy, human dignity, and other worthy causes. Will one reinforce the best traits in the other, and build a model of globalisation that is not only human-centric, but planet-centric? There can be few more "natural allies" in the cause of animal and planetary rights: India has pioneered the idea of LIFE (Lifestyle for the Environment), while the EU has movements and political parties that speak up for the truly voiceless (animals). Credibility on this would require domestic legwork. But sustainability and cooperation would acquire a new depth of meaning and impact if the world's largest democracies collaborate in such leadership.

The writer is distinguished fellow at the Observer Research Foundation and honorary fellow of Darwin College, University of Cambridge

than earning over several decades, the Government of India has accumulated significant debt. Starting this year, the emphasis for fiscal discipline shifts from just annual deficits to overall accumulated debt in proportion to GDP. Though debt-to-GDP is a flawed measure since it compares consolidated debt (stock) with annual GDP (flow), it is a global standard. The Union government's debt-to-GDP is at 56.1 per cent, which the FM promised to reduce to 55.6 per cent next year with a target of 50 per cent by 2031.

But India's real debt problem is in its states' finances. States' debt levels have been rising rapidly over the last decade, driven by reckless populism. Even once well-managed states like Tamil Nadu and Punjab have experienced a near tenfold increase in total debt in the last 15 years. States' total debt-to-GDP is now 28 per cent, up from 22 per cent in 2014, and continues to rise despite the Union government's goal to reduce its debt-to-GDP ratio. This is a serious faultline in the economy. Ratings agencies and global investors evaluate India's debt-to-GDP on a combined basis of Union and states, and so states' budgets are as important to evaluate as the Union's, if not more so.

The FM, by waxing eloquent on a "new focus" on manufacturing, may have unwittingly admitted to the enormous failure of "Make in India". Manufacturing's share of the economy (GVA) was 17 per cent when Modi launched "Make in India" with much fanfare in 2014, with a specific target of doubling its share. Instead, it has fallen to 13 per cent, and the FM sought to renew this mission in her Budget speech with listless announcements. As the CEA noted in last year's Economic Survey, boosting India's manufacturing needs the government to get out of the way, not get in the way with schemes. A short, boring Budget is a good beginning for the government to "get out of the way".

The writer is chairman, All India Professionals' Congress & Data Analytics of the Congress party



CATHERINE O'HARA

Catherine O'Hara taught us to embrace our eccentricities

exceptional for many reasons. And Moira Rose is right at the top of that list.

Is it strange to say that I want to be her when I grow up? Just for her sheer confidence, that abandon that allows her to be true to her true self. Honest, unabashed and a tad unashamed. To be as unapologetic as she rolls polysyllabic words — they almost sound made up — off her tongue. The scene that always does the job for me is the one where she is instructing David, her son, to "fold in the cheese", while they make enchiladas. Somehow she doesn't know what the step really means. The exchange between the two is frustrating, hilarious and impressive. Impressive because Moira doesn't budge even when she is caught in a quagmire. And you have to give it to her for spirit.

She was equally at home with her collection of wigs and over-the-top outfits — the Black Crow Funeral look, the golden pyjamas, the power suits — Moira was always quintessentially Moira. But there's no Moira without O'Hara. It is only after you have experienced Moira and gone down the rabbit hole of O'Hara's filmography — *Beetlejuice*, *Home Alone* 1 and 2, *Home on the Range*, *Shrek*, *Shrek 2*, *Shrek the Third*, *Shrek Forever After*, *Cloudy with a Chance of Meatballs*

Idea Exchange

MONDAY, FEBRUARY 2, 2026

NEWSMAKERS IN THE NEWSROOM

WHY BHUPENDER YADAV

Bhupender Yadav heads the Ministry of Environment, Forests and Climate Change at a time when India has a significant role in the rapidly altering global climate governance in the backdrop of US withdrawal from the international organisations that work to combat climate change. The ministry is also making efforts to implement short-term and long-term solutions to resolve the menacing crisis of air pollution in the country. Yadav, a senior BJP leader, is also overseeing the party's election campaign in the crucial West Bengal assembly polls, which are expected to be announced soon

Liz Mathew: With Bengal elections coming up, you've been given the charge for the BJP in the state. What are the prospects and challenges?

This time, the BJP government is going to be formed in West Bengal. In the last election, too, I had the opportunity to go there for some time. In India, this is the only province left where political violence is carried out by the ruling party. Two days ago, in Behala, they vandalised our stage. Bengal, at this time, wants to come out of political violence completely. People brought in Mamata Banerjee's government with quite some expectations but she has completely failed to meet them. If we look at the per capita income of the country, Bengal is in the lowest income category. Second is the subject of the lack of safety for women. Looking at the incident at RG Kar College and at Sandeshkhali, it shows that women are not safe. Third is that during Mamata Banerjee's tenure, 6,500 industries have officially closed down. Unemployment and migration are very high. They have fertile land of the delta and so many sweets are made in Bengal. Despite that not a single dairy industry exists there. India's first women's college was opened in Bengal (Berthone College). The first graduates were from the University of Bengal in 1858 and the first medical graduates were from Calcutta Medical College in 1839. But today the situation of girls' education is the worst. In medicine, the Centre's schemes are not being implemented. The state of health care is also bad. There was a scam of 25,000 teachers (jobs-for-bribes recruitment scandal, which led to the Supreme Court invalidating the appointments of over 25,000 teaching and non-teaching staff in April 2025). In thousands of schools, there is not even a single teacher. So in education, health and industry, Bengal is completely a victim of misgovernance. We have filed a chargesheet because whatever they have said in the Assembly in the last five years is not on the ground. Each section of society is unhappy and people in Bengal want good governance, administration and development. Therefore, this time, under the leadership of the BJP, a full majority government will be formed.

Liz Mathew: You had said the same things last year too. But the people in West Bengal voted for Trinamool Congress (TMC). What has changed and what are you doing differently this time?

Things have worsened. Governance has become worse, cases of lack of security of women have increased. People are completely ready for change, for an anti-incumbency government. We are going among people. India's oldest presidency town is Kolkata. In terms of urbanisation, it is the oldest example of modern urbanisation in India. Today, we want to work with regard to the vision of Kolkata.

Liz Mathew: Recently, there was SIR, and multiple other issues that were raised, including the exclusions. You are saying there is no governance, poor education and health, so why is the BJP still coming up with issues like polarisation and illegal immigration in elections?

Polarisation was done by Mamataji. She did the minority appeasement, besides other things, to protect the infiltration. She mixed polarisation, communalism and infiltration, all three. And the people of Bengal are going to give an answer to this.

Liz Mathew: One area which is going to be very deeply affected due to the withdrawal of the US government from the treaties is climate change. How big is that crisis for India?

In the COP30 (UN Climate Change Conference) in November 2025, we put forth the views of all the countries in the world. The subject of climate change is not created by a single country. It is a global problem and everyone should solve it together.

Liz Mathew: Even if the biggest partner is not there?

If any country has had a personal stand, then this has been happening in climate negotiations. I don't want to speak to any individual. But collectively, India wants to become a part of the solution to the climate change problem.

Nikhil Ghanekar: As for the Aravalli issue, should the Supreme Court's stay and its review of the matter be seen as a setback to the recommendations made by the court-appointed committee, which was headed by the secretary of your ministry? Also, about the definition it has been claimed that a larger area would have been protected. However, in court, there was no specific expansion or elaboration of this argument. On what basis did you claim that this definition would lead to the protection of more area?

This needs to be seen in two parts. First, the Supreme Court's order, dated May 9, 2024, constituted a committee and the secretary of our ministry was a member of this committee, along with officials from the Forest Survey of India. The Supreme Court's Central Empowered Committee (CEC) was also part of it, as were representatives from the Geological Survey of India, since geological aspects fall under their domain. Subse-



ON ELECTIONS IN WEST BENGAL

People brought in Mamata Banerjee's government with quite some expectations but she failed to meet them. This time, under the leadership of the BJP, a full majority government will be formed



ON AIR POLLUTION IN DELHI NCR

I am acknowledging the issue of air pollution emergency with sensitivity. We are a regulatory ministry but I'm taking this responsibility... We are working on short-term and long-term measures

when the time is right.

Amitabh Sinha: What is the problem with air pollution that, despite being a solvable issue, it has worsened?

I will not deny that this problem concerns all of us. We are working on both short-term and long-term measures. In 2022, the number of days with AQI in the severe category — based on average PM2.5 and PM10 — was 209. In 2023, this was reduced to 204. In 2024, it again went up to 209. This time, it has come down to 201. While there has been marginal improvement, it has not been satisfactory. Now, how do we move forward? When it comes to AQI, the primary reason for emissions is vehicles. BS1 vehicles emit about 31 per cent more. We were in the process of phasing them out. Now, the court has again given an order, and there are about 1 crore 12 lakh vehicles involved. Now we will be able to improve on this front. The second aspect is smart traffic management. The third is public transport. Metro expansion has taken place on a large scale, but the end-use benefit of the metro has not been fully realised. With a single card, metro fares and Rapido fares can both be deducted. If this experiment succeeds and end-to-end connectivity improves, metro usage will increase. Then there are electric buses. In Delhi, by next year, only a few CNG buses will remain, and we will transition almost entirely to electric buses. The second major issue is industrial pollution. We have rapidly shifted around 240 industrial parks to CNG. Even after this transition, we instructed industries, particularly those in the red and orange categories, to install online monitoring mechanisms. The third major source is solid waste management. Very soon, new solid waste management rules will be notified. In Ghaziabad, legacy waste has already been eliminated. I am personally involved in this issue in multiple meetings. Earlier, there was no clear policy on landfilling. We have now implemented one and made time-bound remediation of legacy waste mandatory. This is a major component of our efforts to tackle pollution.

Liz Mathew: When was the last time you spoke to the Delhi Chief Minister for managing what you are seeing around?

Ten days ago. A detailed meeting happened. In the last one month, I went to Ghaziabad, Noida, Faridabad, Gurgaon, Manesar, Sonipat, Panipat, Bhiwadi and Haryana. In Punjab and UP, our officials just went. Today a meeting is going on in Rajasthan. We have now made one complete plan for NCR, in which we have set targets for the whole year.

Amitabh Sinha: Air pollution is a health emergency. Is it one for the government as well?

I am acknowledging the issue of air pollution emergency with sensitivity. We are a regulatory ministry but I'm still taking this responsibility and following up.

Harikishan Sharma: You spoke about dust management, particularly by construction sites. Has your ministry flagged that the Central Vista project has contributed to a lot of the dust?

Regarding Construction and Demolition (C&D) waste, there were no regulations, but now we have made these regulations. In Delhi, every 5 km we have made one site for C&D waste.

Nihal Koshie: At the recent India Open badminton championship in Delhi, the Danish world number three player Anton Antonsen, didn't come because of pollution. India's top athletes are not able to train. So has this begun to alarm the ministry? Will we be able to sort this out?

We will get better with every year. Things will not change overnight. We have been improving continuously on an average 20 per cent every year.

Asad Rahman: At the winter session of the Parliament, Opposition wanted a conversation on pollution but a consensus couldn't be formed. Wasn't this the government's responsibility?

The government was ready. But people from the Opposition climbed up on tables and chairs.

Liz Mathew: How do you see this issue of minorities, especially Muslims, in this country?

All faiths should have the right to religious freedom. Pluralism is a part of our culture. We are a part of a civilisation in which equality has been given to all thoughts and therefore, if we are citizens of this country, then citizenship is important for us. There should be no religious discrimination.

Everyone has the freedom to believe their faith and everyone has the right to put their point across.

Deeptiman Tiwary:

In political discourse today, there are communal overtones and no sense of togetherness. Do you think it is your responsibility to change this?

The statements in Parliament are our official statements. So with our civilisational values, we will have to stay together and will have to take everyone along. Only then will the country become 'developed India'.

'If any doubts have arisen regarding the definition of Aravallis, I welcome the formation of a committee'

Bhupender Yadav, Minister for Environment, Forests and Climate Change, on BJP's vision for elections in West Bengal, matter of the Aravallis, the Great Nicobar Island Project and tackling pollution in Delhi NCR. The conversation was moderated by Liz Mathew, Deputy Editor, *The Indian Express*



Union Minister for Environment, Forest and Climate Change Bhupender Yadav (right) with Liz Mathew, Deputy Editor, *The Indian Express* RENUKA PURI

quently, a technical committee was formed and met on several occasions. Along with a letter from the Forest Survey of India, the report was submitted. The report stated that the nature of hills differs across terrains, and therefore, applying uniform criteria of slope and relief across the entire region is extremely difficult. Based on the report, the court then delivered its decision. The court noted that due to different definitions adopted by different states, different yardsticks were being applied while granting permissions for mining activities. In some states where restrictions existed, mining could not be permitted beyond 100 metres. Hills were permitted to be mined up to a height of 100 metres from all four sides, leaving the remaining portion as a pillar, which was susceptible to collapse. The court stated that what was essentially required was a policy decision regarding the definition of the Aravalli hill. It was clarified that the purpose was not the entire Aravalli range, but the mining area, which they themselves defined. Beyond this, I do not wish to comment further on the court's observations. I would like to reiterate that our government has made two clear commitments. We have been actively working on conservation of the Aravallis. We launched the Aravalli Green Wall project, under which greening work has been carried out over approximately 2.45 lakh hectares of land in the Aravalli region.

What I stated after the judgment was strictly in the context of mining: that no mining would take place in the protected areas of the Aravallis. Third, in areas where water resources exist, including Ramsar sites and locations from where water sources originate, no mining in the Aravalli region is permitted within a 500-metre radius. We are absolutely strict on this.

Regarding the definition that emerged through the court-appointed committee, if any doubts have arisen about it, I welcome the formation of a high-powered committee. **Nikhil Ghanekar:** You said that because of this definition, more area would be protected

I had said that within the 1,43,000 sq km, under this definition, what the court has stated is that the protected areas will remain protected. No new mining leases will be granted. For a long time, illegal mining continued in the Aravallis and that has been a concern for everyone. People felt distressed about it.

For the first time, recently, 100 sq km of revenue land was converted into forest land. For the first time, 10,000 hectares of land was given to NCR, which needs space to breathe through compensatory afforestation. In the history of compensatory afforestation, you will not find such an example.

Nikhil Ghanekar: Just last week, the

tribal council disputed this. The project areas — New Chingend and Rajiv Nagar — have not been proposed for displacement. In 2004 and 2005 a committee was constituted, and the Anthropological Survey of India was involved. They were mandated to address three aspects: the safety, protection, and well-being of the Particularly Vulnerable Tribal Groups, and, in that context, the holistic development of the Great Nicobar Island area. That process was completed in full. The total area of Great Nicobar Island at present is 751.07 sq km. Out of this, the total area proposed for development is 166 sq km. Within this, 84 sq km constitute a tribal reserve. Of this 84 sq km, 11 sq km have been inhabited since 1972 and are part of the revenue area. Therefore, the effective tribal reserve area affected is 73 sq km. To compensate for this, an area measuring 76.98 sq km is being re-notified as a tribal reserve. Effectively, there will be a net addition of 3.912 sq km to the tribal reserve area. There is thus an addition to the tribal reserve area of Great Nicobar Island. The total area involved amounts to 1.78 per cent, covering strategic and national security requirements and other purposes.

Overall, even if we take the maximum estimate, the project involves only about two per cent of the total area of the Andaman and Nicobar Islands. No facts were hidden, no ecological disturbance was caused, and no rights were taken away.

ON THE GREAT NICOBAR PROJECT
Even if we take the maximum estimate, the project involves only about two per cent of the total area of the Islands. No facts were hidden, no ecological disturbance was caused, and no rights were taken away

Nikhil Ghanekar: What amount and what percentage of this project is actually meant for defence and strategic purposes? Besides logistical needs, there is also tourism plan. How much area is for defence?

National security, national sovereignty, and economic security are interconnected issues. As for the percentage of the area for defence, it can be discussed





Towards self-reliance

ANANT GOENKA, PRESIDENT, FICCI

A T A TIME when the global economy is grappling with slowing growth, fragmented supply chains, and heightened uncertainty, India stands out as one of the few large economies sustaining growth momentum. The Union Budget 2026-27 builds on this relative strength, offering a calibrated push to growth, while reinforcing macroeconomic stability through fiscal discipline and sustained public investment.

The finance minister has presented a Budget that is pragmatic, confidence-enhancing, and anchored in continuity. Similar to previous budgets, the emphasis continues on key priorities – job creation, enhancing competitiveness, ensuring economic resilience, and inclusiveness. By maintaining the fiscal consolidation path while scaling up effective capital expenditure, the Budget sends a clear signal of policy credibility, an essential ingredient for long-term private investment.

In agriculture and allied sectors, the Budget focuses on enhancing productivity and farmer incomes through targeted interventions across fisheries, horticulture, animal husbandry, and high-value agriculture crops like cashew, cocoa, coconut, and nuts. A key strategic thrust of the Budget lies in deepening India's indigenisation capa-

bilities. In an era where economic security requires being self-reliant, the emphasis of budget proposals on strengthening domestic manufacturing across strategic and frontier sectors is both timely and necessary. The Budget announcements of targeted support for electronics components manufacturing, India Semiconductor Mission 2.0, Biopharma SHAKTI, rare earth permanent magnets, critical minerals processing, and container manufacturing will give a boost to our industrial economy. Measures to revive 200 legacy industrial clusters, establish dedicated chemical parks, and strengthen capital goods manufacturing will deepen industrial capabilities.

Equally important is the integration of MSMEs into global value chains. A three-pronged approach to help MSMEs grow as 'champions' – through a ₹10,000-crore SME Growth Fund, additional funding for Self-Reliant India Fund and enhanced liquidity by strengthening TReDS mechanism will help address financial constraints faced by smaller enterprises, improving their cash flows and working capital.

The Budget also provides a strong im-

ONUS NOW SHIFTS TO INDUSTRY TO STEP UP, LEVERAGE THE OPPORTUNITIES, AND INVEST WITH CONFIDENCE

tus to industrial growth through continuity in ease-of-doing-business reforms. Simplification of taxation processes, rationalisation of customs tariffs, trust-based trade facilitation through expanded AEO (authorised economic operator) benefits and a move towards automated, rule-driven tax administration will significantly reduce compliance burdens. The focus on cutting-edge technologies, including AI applications, as force multipliers for governance and productivity will enhance competitiveness. Sustained manufacturing competitiveness will also depend on lowering the cost of doing business. The significant increase in public capital expenditure to ₹12.2 lakh crore along with initiatives such as new Dedicated Freight Corridors, 20 new national waterways, coastal cargo promotion scheme, and development of integrated industrial corridors will help reduce logistics costs and improve supply-chain efficiency. Urban-focused measures, including city economic regions and high-speed rail corridors linking major growth centres, will further strengthen agglomeration benefits.

The government's indication of next-generation reforms, following the implementation of GST 2.0 and labour codes, underscores its intent to address deeper factor-market rigidities. The Budget has introduced financial sector reforms including the High-Level Committee on Banking, aimed at improving capital mobilisation, risk management, and credit flow to the real economy.

Complementing these reforms are targeted tax measures to attract global capital, including tax holidays until 2047 for foreign companies providing cloud services through India-based data centres, and safe-harbour provisions for IT and data centre services, which will reinforce India's positioning as a predictable, investment-friendly destination for global investors. With this Budget, the finance minister has clearly done her part – providing policy clarity, reforms continuity, and targeted interventions to strengthen India's growth engines. The onus now shifts to industry to step up, leverage the opportunities on offer, and invest with confidence. By scaling up manufacturing, integrating deeper into global value chains, and driving innovation and productivity, industry must play its role as a key partner in the national development effort to place India on a higher, more sustainable growth trajectory.



ASHOK HINDUJA,
CHAIRMAN, HINDUJA GROUP
OF COMPANIES (INDIA)

A blueprint to ignite private investment

FINANCE MINISTER NIRMALA Sitharaman's Union Budget signals bold continuity in reforms, anchoring India's Viksit Bharat vision amid global uncertainty.

The Budget projects a steady 7.6% gross domestic product (GDP) growth for 2026-27, matching fiscal year 2025-26, while prioritising employment in services, financial stability, farmer incomes, MSME expansion, development of the Northeast region, fisheries, animal husbandry, skilling, education, as well as sports infrastructure – addressing the country's youth aspirations head-on.

This Union Budget masterfully balances middle-class relief with growth imperatives, tightening fiscal consolidation, and issuing a clarion call to the private sector – invest now to seize the current decade's opportunities as well as navigate rising protectionism globally.

Fiscal deficit targets 4.3% of GDP for FY27 – down from 4.4% – committing to sub-4.5% thresholds and a debt-to-GDP trajectory towards 50% by 2030-31 from 56.1%.

Capital expenditure (capex) surges to ₹12.2 lakh crore from ₹11.21 lakh crore, fuelling high-speed railway network, chemical parks, and power incentives for data centre surge. At the same time, in a world characterised by disrupted capital flows – especially where sound economics face geopolitical headwinds – fiscal prudence must ignite private capex; disinvestment in mission mode remains fiscal planning's Achilles' heel.

Supply-side sharpeners target manufacturing resurgence – India Semiconductor Mission 2.0 with tax holidays for data centres and cloud services draws global chipmakers, fortifying ecosystems alongside rare earths, biosimilars, and clean tech.

Electric bus adoption, mining-to-port connectivity, dedicated freight corridors, and 200 legacy cluster rejuvenations – plus mega

textile parks – boost competitiveness, especially with impending India-EU FTA (free trade agreement) market access. These labour-intensive moves tackle employment at scale.

In such a scenario, at least two game-changers have emerged.

First, a high-level banking committee to interrogate public sector banks' dominance for the fitness of Viksit Bharat, probing governance, capital, and credit flows.

Second, an education-to-employment panel for the services sector – bridging the employability chasm. In the current demographic dividend era, these could redefine growth engines.

Customs cuts on lithium-ion batteries, cobalt, electronics, telecom inputs, solar glass, sodium, life-saving drugs, and EV/mobile capital goods enable 'intelligent self-reliance' – import substitution without isolationism.

Building on the new tax regime, the Budget simplifies slabs via a new Income Tax Bill, cuts TDS/TCS rates, extends revised return filing, slashes duties on critical disease medicines, and shifts minor offences to penalties over prosecution – with courts empowered to convert imprisonments to fines, these streamline compliance.

Rising STT (securities transaction tax) on derivatives, however, risks dampening capital market liquidity. Stability aids planning, yet inflation demands bolder relief to unlock consumption as growth's next engine.

In the current protectionist paradox – where strong macros no longer are able to guarantee inflows – this year's Union Budget positions India as indispensable in the global value chain. Private investment must bridge execution gaps; FTAs, reforms, and US trade agreements could turbocharge FY27. Finally, we applaud all of these as a stability-scale bridge – prudence over populism. Execution defines destiny; the private sector's bold response will accelerate it.

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**CONTRAPUNTO**

Anyone who thinks there's safety in numbers hasn't looked at the stock market pages

- IRENE PETER

It Ain't Broke, Says GOI

Budget's low-key because FM reckons economy's OK. Red carpet for setting up data centres is a smart move

Budgets are like car launches: most years you only get tweaks – maybe a new grille – while others bring a generation change. For middle class, last year's Budget with revised tax slabs was of the second type. Yet, markets remained cold. Nifty in fact shed 150 points. This year's Budget, expectedly, is of the "facelift" type because govt can't rejig IT slabs and GST rates again so soon. So, Sensex's and Nifty's big plummet on Sunday is more a reflection of their high expectations than a serious appraisal. Yes, this Budget is bereft of talking points, but what does it say about the economy?

Generally, it follows the principle: if it ain't broke, don't fix it. Consumer demand has moved up a gear post-GST 2.0. Economic Survey pegs private final consumption expenditure at 61.5% of GDP this fiscal – its highest level in almost 15 years. So, there's minimal tinkering with it. What hasn't revved up, though, is private capex. So, GOI, after coasting in terms of infra spending this fiscal, has decided to step on the gas. With 9% increase in outlay, govt will aim to spend ₹12.2L cr on infra in 2026-27.

The highlight of this Budget – that new grille – is the 20-year tax holiday for foreign cloud services providers using Indian data centres. The long exemption signals policy clarity, something investors need before investing billions of dollars – typical ticket size of AI infra. By one estimate, ₹7tn will be ploughed into data centres globally by 2030, and this single move gives India a chance to become a major player in this sector.

Rupee's slide and FPIs' flight don't seem to have weighed on govt while writing this Budget. A higher securities transaction tax on F&O trading depressed markets on Sunday, but it's a good move, considering 93% of retail F&O investors lose money in these risky trades. At the same time, by not extending tax benefits to FDs, govt has shown it wants people to continue investing in equities. The sharp increase in investment limits for 'persons residing outside India' reflects the same intent.

Decriminalising some categories of accounting lapses is good too, as it will make life easier for small firms. There's talk of building more high-speed rail corridors, and creating a semiconductor ecosystem, covering design, materials and equipment. None of these passes the "what's in it for me" test, but all are crucial pieces of the big picture at a time when free trade doesn't look like the certainty it was 12 months ago, and truth is always playing catch-up with Truth Social. A "facelift" Budget with new handles on the situation will do this time.

Message To Markets: Bet On Growth + Stability

Nilesh Shah



Manufacturing push, infra development and fiscal consolidation marked FM's strategic blueprint to sustain high growth. For capital markets participants, Budget offered opportunities and incentives that reflect govt's intent to balance growth with stability.

NRIN can now invest in listed Indian equities through Portfolio Investment Scheme – this broadens foreign capital base by attracting individual investors.

Budget raised STT on derivatives. On futures, STT's up from 0.02% to 0.05%, while options premium and exercise were both set at 0.15%, up from 0.1% and 0.125%. Although transaction costs will rise, impact on market liquidity is expected to be minimal. When STT was increased Oct 2024, trading volumes declined only briefly. This adjustment is targeted revenue measure for supporting fiscal consolidation and funding public infra and social development.

Buyback consideration reclassified as 'capital gains' has restored its effectiveness as a capital return tool. A differential tax rate for promoters, set at 22-30%, provides ease and clarity. This makes buybacks a more competitive option for shareholder returns.

Extending duty-deferral period for trusted importers, transforming customs warehousing and simplifying advance rulings reduce operational friction. A stable predictable regulatory environment is as important as fiscal policy for foreign investors.

Market confidence is anchored in a credible fiscal roadmap. Gross fiscal deficit for FY27 is targeted at 4.3%, down from FY26's 4.4%. With removal of compensation cess, this results in a neutral fiscal impulse for FY27, ending fiscal drag and supporting growth. FM reaffirmed the goal to reduce Centre's debt-to-GDP ratio to around 50% (+1%) by FY31, from an estimated 56.1% in FY26.

Fiscal projections are robust, gross tax revenue expected to grow 8% y-o-y in FY27, up from 7.4% in FY26. Excluding cess, growth is 10.4%. Total expenditure is projected to rise 7.7%. Central capex, including IEBR, is set to increase by about 11.5% y-o-y, recovering from less than 4% growth in FY26. Defence capex is projected to grow by about 17% in FY27, benefitting defence manufacturing companies.

Notably, Budget's gross-dated borrowing estimate is higher than initial market expectations. However, actual borrowing could moderate if collections from other financing sources exceed projections. If borrowing stays elevated, 10-year G-sec yields could see a marginal increase.

Long-term growth is supported



'Bangalorisation' of IT services.

Focus on physical infra, including new freight corridors, waterways and industrial corridors, will have a multiplier effect. The dedicated ₹10k cr SME Growth Fund and related measures aim to create 'Champion' MSMEs and strengthen the domestic entrepreneurial ecosystem.

Budget also provides tax certainty for foreign entities outside IT sector. Fast-tracking advance pricing agreements reduces transfer-pricing litigation risks. Exempting non-residents from MAT on presumptive basis further simplifies their tax obligations.

Overall, Budget establishes a strong foundation for capital markets. Equitywise sector-neutral, but it provides positive momentum for defence, digital infra, power and construction-related companies. Focus on ending fiscal drag, increasing public capex, and offering sector-specific incentives supports sustainable growth. STT increase may dampen sentiment short-term, but its economic impact is expected to be limited. It supports the broader revenue framework. For long-term foreign investors, macroeconomic stability, clear debt consolidation path and structural reforms in digital and manufacturing sectors remain key attractions. Budget reinforces India's position as a stable, high-growth destination for global capital. Effective implementation will be crucial.

Long-term growth is supported

GOOD IT'S BORING...OR SHOULD SHE HAVE GONE FOR BIG BANG?

Growth is high, inflation is low. Betting they will stay that way, FM chose to stress policy continuity. That can reassure business & investors. The other view? This is when you go for big reforms

Neelkanth Mishra

Chief Economist, Axis Bank
Sometimes, boring and predictable is good, if not great. FY2027 Union Budget ticks that box. Greater certainty of fiscal and regulatory policies for businesses and investors enables them to take business risk – an essential condition to reduce India's long-term cost of capital.

A major driver of the remarkable macroeconomic stability that India has demonstrated in recent years, despite the geopolitical turbulence and volatility in global financial markets, has been govt's fiscal prudence and predictability.

Growth has been resilient, and inflation low.

A reduction in fiscal deficits has a negative impact on near-term growth and is politically difficult to do – the reason most countries have failed to reverse the Covid-era rise in deficits. However, by reducing 'crowding out', it helps direct the economy's savings to the private sector, where capital is generally more productive, and thus boosts medium-term growth prospects.

FY2027 marks a significant fiscal milestone: most of the Covid-driven increase in fiscal deficits has now been successfully wound down. Adjusted for the ₹2.2tn (0.55% of GDP) of interest-free loans to state govt for capital expenditure, Union govt's fiscal deficit

ratio is now almost back to pre-Covid levels. In fact, adjusted for the undesirable 'off balance sheet' borrowing that used to occur till FY19, but has stopped now, effective deficits are now lower than they used to be. Revenue deficit (fiscal deficit minus capital expenditure) is nearly 1% of GDP below pre-Covid levels.

Fiscal deficit ratios now do not need to fall materially going forward, and the growth in nominal GDP should help drive the debt-to-GDP ratio lower towards govt's FY2028 target of 50%. The implementation of the 8th Pay Commission, likely in FY2028, may increase the salary and pension expenditure materially, especially as arrears will be due, given that hikes are effective Jan 1, 2026. However, this one-time bump may not drive a material divergence from the path to the target debt ratio.

If an aircraft can generate thrust to fly at 900 kmph, but faces a headwind of 200 kmph, its net speed versus ground slows to 700 kmph. But when the headwind disappears, its speed versus ground rises to 900 kmph. Similarly, as the fiscal headwinds have now faded, the economy can get closer to its trend growth rates.

But that may not be sufficient to close the 'output gap'. If the economy had grown at 7% over the past 8 years (the recent Economic Survey states 7% growth could be India's trend growth), economic output currently would be nearly 10% higher than it is. Put another way, output is 1.5 years behind where it would have been if Covid had not happened.

A large output gap (or economic slack) is visible in the low inflation we see currently and reflects slack in the labour market. Policymakers are clearly relying on monetary policy to step in to help close this output gap, by helping translate the lower deficits to lower interest rates. Despite RBI's rate cuts and remarkable fiscal discipline, these reforms though need not be announced in the Budget speech and can happen throughout the year. The speech mentioned the 350 reforms announced since Independence Day. Given that PM said at the start of the Budget session that the 'Reform Express' will continue to run, more should be expected.

These measures have significant combined impact. Data centre incentive attracts new, asset-intensive digital infra FDI, while safe harbour reform secures and encourages global capability centres' ecosystem. Together, they position India to transition from backoffice hub to a global node for digital services & infra. This could drive a transformation similar to telecom reforms that enabled the 'Bangalorisation' of IT services.

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Long-term growth is supported

yields on govt bonds have been rising.

As important as the fiscal deficit is the plan to finance it, given its large size (₹17tn). On this front, overly conservative assumptions have resulted in a target for bond issuance that is above what the bond markets were expecting despite the deficit being broadly in-line. While it may seem prudent for govt to under-estimate its financing from non-market sources, an important driver of recent volatility in the financial system has been excess cash held by govt.

The resultant tight liquidity conditions have forced banks to shed their holdings of govt bonds to be able to meet the growing demand for loans. As they sell bonds, the prices of the bonds fall, and the effective interest rates on these bonds go up. This has the opposite effect on interest rates than what govt intends to achieve through its fiscal discipline.

Beyond the fiscal arithmetic, the Budget speech highlighted govt policy priorities going forward.

The grant of ₹5,000cr each to City Economic Regions on a challenge mode, as well as the measures to increase the quantum of municipal bonds are important for the financing of urban infra, which is likely to define India's productivity trajectory over the medium term. As per UN, India's effective urban population is already larger than China's, but 'official' urbanisation is a fraction of that. This shapes labour markets, infra demand and housing needs.

The high-powered Standing Committee on Education to Employment and Enterprise' to recommend measures that focus on services sector as core driver of economic development would fill the vacuum for an entity that tracks growth and directs govt policy on a regular basis.

As with most such initiatives, how this is positioned inside govt, the powers it has, and the initial members would be critical drivers of its effectiveness.

A period of macroeconomic stability also allows policymakers to take some policy risks – reforms can help improve the potential growth rate of the economy. These reforms though need not be announced in the Budget speech and can happen throughout the year. The speech mentioned the 350 reforms announced since Independence Day. Given that PM said at the start of the Budget session that the 'Reform Express' will continue to run, more should be expected.

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Long-term growth is supported

Neeraj Kaushal

Prof of Social Policy, Columbia Univ
Nirmala Sitharaman's ninth Budget rests on two sweeping bets. First, India has cracked the code for sustained 7%+ real GDP growth. Second, inflation will stay tame, hovering around 2% next year. These are framed

not as one-off miracles, but as India's new steady state. If they hold, India's Goldilocks moment continues.

These are big "ifs" amidst global uncertainty, geo-political tensions, trade disruptions, and supply chain fragmentations. India may be in a sweet spot now, to repeat the words of RBI governor Sanjay Malhotra, but the future is uncertain. Yet, Economic Survey, presented last week, boldly assured us that India is well-positioned for a steady 7%+ expansion.

The question then is: why not move forward with some boldeconomic reforms? Going into the Budget, there was indeed a lot of hype that the FY2027 Budget will bring major economic reforms. PM Modi announced in the Budget session, "The identity of this govt has been reform, perform and transform. Now, we have swiftly taken off on 'Reform Express'."

Yet, finance minister has largely stayed away from making any major announcements on reforming the economy. Which is puzzling and seems like a lost opportunity. Just as the economy is in a sweet spot, the governing party is also well-placed politically, in 2026, to bite on difficult economic reforms.

For one, any economic pain from reforms introduced in 2026 would be forgotten by the next general elections, which would be in 2029. State elections this year, in Tamil Nadu, West Bengal, Kerala and Assam, are unlikely to be influenced by the Union Budget, even though pundits interpret certain infra proposals as initiatives with an eye on the state elections.

Instead, FM has opted to stabilise India's position at 7%+ in the short run. Rather than going after politically difficult economic reforms such as lowering fertiliser subsidies, raising rural electricity costs, opening up the economy by lowering and reducing customs duties, and reducing quality control orders.

Politically, India may not be in such a sweet spot again for several years. Typically, as the election dates come closer, govt's begin to present populist budgets to prepare for the next general elections.

Supposedly, QOCs are consumer safety measures, but in actuality, these are nontariff measures to restrict imports. Instead of providing consumer safety, these are eroding India's competitiveness and discouraging foreign investment.

We hope that now with the Budget assignment done, Sitharaman will next move to her customs clean-up assignment. This should involve lowering India's still-high tariff rates substantially, bringing down the number of tariffs, and eliminating or reducing QOCs.

Populist measures have become a common feature on Indian elections – both state level and parliamentary elections.

In that sense, FM has wasted an important opportunity to push for economic reforms. Yet, the strategy for stabilising India on a 7%+ GDP growth without any adverse political consequence may prove safe.

A finance minister should be judged foremost by her ability to keep the two sides of the ledger – revenue and expenditure – close. Sitharaman needs to be commended for keeping the fiscal discipline, yet boldly increasing capex for a second consecutive year. The proposed capex of ₹12.2L cr in FY27, a rise from ₹11.2L cr in FY26. While the goal for medium-term fiscal consolidation, to reduce the central govt debt-to-GDP ratio to approximately 50% (+1%) by FY 2030-31, is still an uphill task, the budgetary numbers in FY27 are moving in the right direction.

Budget makes a tremendous effort in inviting foreign companies located in India to provide global cloud services with a tax holiday for 20 years. This appears to be a clear recognition of AI in India's future, but still leaves the question, why 20 years? If AI's the future, at some point, the state would need to tax AI companies to provide for retired workers.

This NDA govt under its Amanirbhar philosophy not only stopped further liberalisation of the trade regime, tariffs slowly started creeping up, and effective tariffs rose to 18% by 2021. The recent history of nontariff barriers that have come in the form of quality control orders, also is disconcerting. In 2014, there were only 14 QCOs. By 2025, the number had increased to over 800. Supposedly, QOCs are consumer safety measures, but in actuality, these are nontariff measures to restrict imports. Instead of providing consumer safety, these are eroding India's competitiveness and discouraging foreign investment.

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While the three elements of head, heart, and mind each have their own roles and importance, they should not be viewed as sequential but as a vital, integrated set to be deployed together for wealth creation. This way, we not

Caution & continuity

Budget stakes growth on investment, innovation

THE Union Budget 2026-27 has opted for caution and continuity. Against a backdrop of slowing global demand, geopolitical uncertainties and persistent revenue pressures, the government has doubled down on infrastructure investment, industrial policy and structural reforms. Greater emphasis on capital expenditure — with the public capex outlay increased to a record Rs 12.2 lakh crore — is intended to catalyse growth through major projects in transport, logistics and connectivity. This reflects a long-term strategy to spur private investment and job creation across sectors.

A defining feature of this fiscal blueprint is the manufacturing push. Through initiatives such as India Semiconductor Mission 2.0, Biopharma Shakti, rare-earth value chains, electronics and chemical parks, the Budget seeks to deepen India's industrial base and reduce dependence on imports for key components. These measures signify a maturation of the "Make in India" mantra toward more technologically advanced and value-added production. The Budget also attempts to support micro, small and medium enterprises (MSMEs) and services — sectors crucial for employment and inclusive growth. Efforts to simplify tax regimes and unify service categories can reduce regulatory friction, particularly for IT and creative industries. On the socio-economic front, targeted interventions in healthcare, education and digital skills align with the need to build a future-ready talent pool.

The Budget stakes India's growth trajectory on investment, innovation and inclusion — a necessary formula if the nation is to stride confidently toward its *Viksit Bharat* goal. However, federalism has taken a hit. States are expected to shoulder growing responsibilities in healthcare, education and climate adaptation, even as their fiscal autonomy remains constrained. Fiscal prudence remains a tightrope walk: even as investment accelerates, revenue growth is falling short of expectations. The "play it safe" approach will be put to the test as India aspires to take the leap from a domestic market powerhouse to a globally integrated industrial hub.

Periods with dignity

SC makes menstrual health a right

THE Supreme Court's recognition of menstrual health as a fundamental right under Article 21 is a long-overdue affirmation that dignity, health and equality are indivisible. By directing states to provide free, biodegradable sanitary pads in schools and to set up menstrual hygiene corners stocked with pads and innerwear, the court has pushed menstrual health out of the shadows of stigma and into the realm of enforceable rights. Menstruation has long been treated as a private inconvenience. The consequences are stark: poor access to hygiene products, unsafe alternatives, infections, absenteeism and dropouts among adolescent girls, particularly in government schools. By framing menstrual health as intrinsic to the right to life and personal dignity, the court has reframed the debate.

The emphasis on schools is critical. Adolescence is when menstrual stigma bites hardest and when the absence of facilities can derail education. Hygiene corners institutionalise privacy and preparedness, while free access to sanitary napkins recognises that affordability should not determine attendance. The insistence on biodegradable products also aligns public health with environmental responsibility.

Yet, the SC ruling's impact will depend on execution. Many states already run pad distribution schemes, but coverage is uneven and quality inconsistent. Budgetary allocations, supply-chain reliability and monitoring mechanisms will determine whether the directive translates into real change. Teacher sensitisation, counsellor support and curriculum integration are equally vital to dismantle taboos and ensure girls are not shamed for a biological reality. Menstrual health also extends beyond schools. Migrant workers, homeless women and those in institutions and public places remain vulnerable. The judgment opens the door to a broader policy framework, across all life stages. The task is to ensure that the promise on this everyday reality of women is delivered with dignity.

ON THIS DAY...100 YEARS AGO

The Tribune.

LAHORE, TUESDAY, FEBRUARY 2, 1926

'Nationalist' and 'separatist'

If Mr Mahomed Ali has specialised in writing long articles, Mr Srinivasa Sastry seldom forgets that brevity is the soul of wit. In the latest issue of the *Servant of India*, he answers an article, extending over several columns of the *Comrade*, on his recent criticism of Sir Abdur Rahim's Muslim League address, or rather that part of it which related to Mr Ali, in barely two dozen lines. We cannot do better than quote the answer in extenso: 'Mr Mahomed Ali's reply to my article on Hindus and Moslems shows annoyance, if not anger. I neither intended nor expected it. I used the word "separatist" to mean an advocate of separate electorates and "nationalist" to mean an advocate of general electorates. No general qualities of head or heart were present to my mind. I knew of his amendment and final opposition. The principle difference between the original proposition and the amendment is to his credit. I gladly recognise it. Whereas some others would alter the Lucknow pact to the benefit of Mussalmans, he adopts the basis of numerical proportion. Still he appears now as a champion of separate electorates even in the sphere of local self-government and education. He says he has changed, because Hindus as a community did not rise to the Mahatma's height of nationalism. The fact of change is lamentable, while the explanation is inadequate.'

Budget red alert for the middle class

Revised estimate for income tax collections is about 9% less than the budgetary projection



AUNINDYO CHAKRAVARTY
SENIOR ECONOMIC ANALYST

THE most interesting data points from the Union Budget 2026-27, hidden in plain sight, are the income tax (IT) collection numbers. Last year, the government expected to collect about Rs 14.4 lakh crore in 'taxes on income'. Some, including me, had argued back then that this was an overly optimistic projection, given that the Finance Minister had raised the IT thresholds and the number of IT payers would fall sharply because of that. The counterargument given by others was that India's economy was on the verge of a revival, and that would lead to big salary hikes, and push more people across the income tax threshold.

As it turns out, we were right. The revised estimate for IT collections for 2025-26 is now just Rs 13.1 lakh crore. That's about 9 per cent less than what the Budget had estimated. More importantly, IT collections grew by just 6.2 per cent in this fiscal year, compared to 2024-25. Compare that to the 18.2 per cent and 25.4 per cent growth seen in the previous two financial years.

This is especially significant when we compare it to nominal GDP growth. In 2025-26, IT collections underperformed nominal GDP by 1.8 percentage points. In 2024-25, IT collections outperformed nominal GDP growth by 8.4 percentage points, and in 2023-24, the growth in IT collections was a whopping 13.3 percentage points higher than nominal GDP growth.

You don't need a clearer piece of evidence to show that India's upper middle class is in deep trouble. Let me break this down



DEMAND: If the government expects income tax revenues to rise, it should also expect a revival of middle-class consumption. ANI

a little more. I am going to assume that those with a pre-tax monthly income between Rs 1.5 lakh and Rs 3.5 lakh are 'upper middle class'. The bulk of these people would be middle managers in the corporate sector, while some would be self-employed professionals. They account for roughly 9 per cent of those who file income tax returns and contribute about 35 per cent of the total IT collections.

Above them come the affluent, the rich and the super rich. These include senior managers, especially those in the C-suite, top-level lawyers, doctors and other professionals, startup founders and big entrepreneurs. They make up just 1.5 per cent of those who file tax returns, but account for over 50 per cent of the income tax collected by the Centre.

Now, all jobs and recruitment surveys and reports tell us that 2025 has been a great year for top honchos in India Inc, and also for people running startups. This means they must have paid much higher income tax than they did last year. Despite this, if the total income tax collections have increased by just 6.2 per

cent, it can only mean that the 'upper middle class' taxpayers have paid less tax than in 2024-25. This only adds to what we know anecdotally, that thousands of middle managers in India have lost their jobs, or taken pay cuts to survive.

That we are in the middle of a massive consumption downcycle is also evident from the sluggish growth in GST collections. One reason, of course, is that GST rates have been

slashed sharply in the middle of 2025-26. But even if we take just the April-September period and compare it to the previous year, the growth in GST collections was less than 6 per cent. This again, is well below the average 8.8 per cent nominal GDP growth in the first two quarters of 2025-26. So, the tax data confirms what some of us have been saying — India's upper middle class is not only earning less, it is also spending less than ever before.

On the other side, the same tax data proves that India's corporate sector is doing extremely well. 'Corporation tax' collections beat the budgetary estimates — the government expected to collect Rs 10.8 lakh crore in 2025-26, but is likely to get Rs 11.1 lakh crore instead. That means corporate tax collections increased by 12.3 per cent compared to 2024-25, which is more than 1.5 times the growth in nominal GDP. In other words, corporates are getting a larger share of our national income, while the upper middle class is getting a smaller chunk.

Despite this, the government

will continue to get tax subsidies and lucrative infrastructure projects — including the new tax sops for building data centres.

On the other side, India Inc

will continue to get tax subsidies and lucrative infrastructure projects — including the new tax sops for building data centres. Government contracts will keep India's corporate sector insulated from the decline in consumption demand that will be caused by a fall in upper-middle-class incomes.

Meanwhile, the middle class will stay locked up in gated housing complexes and WhatsApp groups. No wonder governments don't take it seriously.

THOUGHT FOR THE DAY

India happens to be a rich country inhabited by very poor people. —Mammon Singh

When news came with a ring not a ping

STANLEY CARVALHO

LONG before the Beatles or the Carpenters crooned "Please Mr Postman," those three words played silently in the minds of lovers almost every day. They hovered in anticipation, carried by hope, as hearts waited for a letter from someone dear.

In those pre-digital days, the khaki-clad postman on his bicycle, heralded by his unmistakable "tring-tring" bell, was among the most eagerly awaited visitors in any neighbourhood. Long before email, messaging apps and instant notifications, his arrival had the power to lift spirits or sink hearts.

It wasn't only the love-struck who waited for him. Pensioners, parents, job-seekers alike hinged their hopes and fears on what lay inside an envelope. Good news or bad, announcements and farewells, surprises and summons, all arrived in the humble form of inland letters, postcards, aerograms or paper covers.

Mothers dropped whatever they were doing and rushed to the gate at the sound of the bell. On days when we children were home, we sprinted ahead, desperate to be the first to claim the envelope.

My mother regularly corresponded with her mother and siblings scattered across cities. When a reply arrived, her face would light up. She would begin reading right there at the gate, oblivious to vegetables overcooking or milk boiling over in the kitchen. The joy of news outweighed domestic disasters.

But when letters failed to arrive, anxiety crept in. My mother would fret, wondering what delay or silence might mean. Then, on hearing a crow's "kaw-kaw" outside, she would exclaim with childlike delight, "there will be a letter soon."

BIRTHDAYS brought their own thrill. A week before, anticipation mounted — cards from friends and relatives, sometimes even a telegram bearing wishes. December, however, was the golden season. The first Christmas card, from an aunt, a nun, in the first week, signalled the start of festivities. Cards flowed in well past the New Year, each one a reminder of connection.

A visit to the post office was an experience in itself. Some post offices exuded colonial charm; others operated from quaint bungalows, marked unmistakably by bright red postboxes with collection times painted neatly in white. Inside, postmen sorted letters street-wise while clerks attended to customers.

Letters were sealed using glue provided at the counter, then carefully dropped into the postbox. In a corner stood the public telephone — always in demand in the times when few homes had one.

Perhaps the greatest gift of that era was letter writing itself. Longhand correspondence carried intimacy and intent. It sharpened expression, nurtured creativity and forged bonds across distances. It also sparked a fascination with stamps, leading many, briefly or enduringly, into philately.

Today, those rituals feel distant. Postmen are as rare as sparrows now, and the few remaining postboxes stand faded and forgotten. Instant messages have stamped out the wait, the wonder and the weight of words once carried slowly, faithfully, by a man on a bicycle.

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LETTERS TO THE EDITOR

Ghosh drives his point home

Refer to 'The fact-fiction brew of Amitav Ghosh' (*The Great Game*); in Ghosh's latest novel, memory is an undefinable, multi-functional thing. It is the key to the past, and to the future. It's the bridge that connects our reality — based on scientific rationality — with the uncanny and divine, built on essentially unclear phenomena. In the book, memory is a weapon for a select few, who can use memories from previous lives to fight the planet-exploiting scourge of industrialisation and progress. Despite the novel's flaws, it feels particularly relevant and pressing in today's context.

SS PAUL, NADIA (WB)

Readers' market shrinking

Apropos of 'The fact-fiction brew of Amitav Ghosh'; the much-reputed author's persona is aptly summed up in the 'Thought for the Day' in his own words: In order to see the world in a different way, we need different kinds of stories. Literature — both oriental and occidental — is a treasure trove of information and education, but unfortunately the reading market is growing at a very slow pace and in restricted quarters. The boon or bane of digital revolution must not deprive the younger generation of the miracles of pen and print because these are no coincidences, only synchronicity of two media.

RAHUL BHARADWAJ, BENGALURU

Centre must give reassurance

Refer to 'Urban India's crisis beneath the concrete'; it has been rightly pointed out that the country's urban policy must respond to the needs of the millennium arising from rapid and vertical expansion, increased automobile traffic and urban population. The recent incidents — Indore water contamination tragedy and the Noida death — reflect carelessness on the part of the authorities that should ring alarm bells in the power corridors. These dangerous instances happen across the country, but no full-proof measures are taken not to repeat the mistakes. The Central government too must take cognisance of these kind of mishaps in small towns and follow the investigations to their logical end that can act as a reassurance of safety to the citizens of the country.

SUBHASH C TANEJA, GURUGRAM

Punjab should clean its rivers

Apropos of 'Water and waste are becoming inseparable'; the writer has rightly stressed on the worst-case scenario when healthy rivers shall only flow in the realm of dreams. Talking of Punjab, the land of five rivers, we should initiate a campaign to clean the rivers and riverbanks first. There are bodies like the Punjab Pollution Control Board, National Green Tribunal and Jal Shakti Vibhag, which must share the responsibility of clean water. It's time to act fast. Under public pressure, authorities will have to act; if there is non-compliance, the judiciary can do the hand-holding.

ANIL OBEROI, MOHALI

Say no to dynastic politics

Apropos of 'Ajit's wife Sunetra set to be Maha Deputy CM'; governance cannot be guided by sentiment alone. India is a parliamentary democracy, not a dynastic polity. When the next of kin of a deceased leader is swiftly chosen to occupy the same constitutional office, it blurs the line between democratic mandate and dynastic entitlement. This risks weakening institutional credibility and undermining the morale of seasoned legislators within the party who too have earned public trust through years of political work. A transparent process, where the legislative party openly debates and elects its leader from among its ranks, would have sent a stronger message of democratic maturity. Parties must be careful that short-term stability doesn't come at the cost of long-term democratic principles.

SANJAY CHOPRA, MOHALI

Public health non-negotiable

Apropos of 'Easing drug trials'; encouraging research and innovation is valid. However, public health and patient safety must remain non-negotiable. India's experience with poorly monitored trials and ethical lapses reminds us that regulatory relaxation carries risks. Faster approvals should go hand in hand with stronger safeguards, mandatory real-time reporting of adverse events, strict post-trial audits and uniform training in good clinical practices. Ease of research should not mean cutting corners. Without safety oversight, faster research is not progress but recklessness, putting public trust and lives at stake.

K KUMAR, PANCHKULA

Letters to the Editor, typed in double space, should not exceed the 200-word limit.

These should be cogently written and can be sent by e-mail to: Letters@tribunemail.com

The visionary man behind The Tribune



RAMJILAL
FORMER PRINCIPAL, DYAL SINGH COLLEGE, KARNAL

SARDAR DYAL SINGH MAJITHIA (1848-1898) was born in Varanasi in a prominent and wealthy family from Majithia village in Amritsar district of Punjab. During the 19th century, Majithia village was notable for the fact that Maharaja Ranjit Singh had included 16 generals from three families from the village in his army between 1800 and 1849.

Dyal Singh, a distinguished son of this influential village, was a philanthropist and national hero dedicated to equality, freedom, fraternity, liberalism and humanity. He was an editor, journalist, educationist, economist, writer, prominent Congress leader, Brahmo Samajist, rationalist, eloquent speaker and man of exemplary character.

Dyal Singh has left behind a legacy that inspires pride in all. According to BK Nehru, distinguished Indian civil servant, diplomat and former President of The Tribune Trust, Dyal Singh did for North India what Raja Ram

Mohan Roy, founder of the Brahmo Samaj, accomplished for Bengal in the early 19th century — leading it from the darkness of ignorance into the light of modernity.

Influenced by the ideas of Surendranath Banerjee, Rai Bahadur Mulraj and JC Bose, Dyal Singh founded *The Tribune* to give a voice to the Indian populace and raise public awareness. The first edition of the paper was published in Lahore on February 2, 1881. It had 12 pages, priced at four annas (25 paise) per copy. *The Tribune* was a weekly newspaper and was issued every Saturday.

Sitalchandra Mukherjee was its first editor. He was editing his newspaper 'The Indian People' from Allahabad and agreed to manage *The Tribune* and send editorials and articles from there. Sitalakanta Chatterjee was appointed as the editor in Lahore. KP Chatterjee used to do the cutting-and-pasting work.

Surendranath Banerjee has written: 'I pursued him to start a newspaper at Lahore. I purchased for him at Calcutta the first press for *The Tribune* newspaper, and to me, he entrusted the duty of selecting the first editor. I recommended late Sitala Kanta Chatterjee of Dacca (now in Bangladesh) for the post. His successful career as the first editor amply justified my choice' (*A Nation in Making*, Published 1981).

Dyal Singh's courage, keen



THE TRIBUNE IN 1905 : (From left) Joint Editor KP Chatterjee, Editor AL Roy and Assistant Editor RP Chatterjee. TRIBUNE PHOTO

insight and unwavering dedication to his purpose placed him at the forefront of those who used their wonderful pens for the nation's benefit. The founders and managers of *The Tribune* believed in working solely for the public good, recognising that welfare could be promoted more effectively through moderation and restraint than through harsh attacks or extremist rhetoric.

The editorial in the first issue, titled 'About Ourselves', explained the reasons and the policy of the paper. Dyal Singh wrote: 'The projectors and conductors of *The Tribune* have no pet theories to maintain, nor any personal interests to serve through the medium of this journal. They profess simply to act for the public weal and they are conscious that the public weal is more advanced by the charity

and moderation than by rancour and hard words. Our appearance in the field of journalism is to meet a crying want of this part of India namely, an English journal for representation of native opinion... The aim of *The Tribune* will be, as its name imports, fairly and temperately to advocate the cause of masses. In this column we shall seek to represent the public opinion of India, specially of upper India.'

The main objective of *The Tribune* in the vision of the founder was to act as the people's mouthpiece and be the voice of the voiceless.

Dyal Singh was aware that the Indian society is multi-religious in character. Therefore, for the cause of social harmony, national unity and progress, he underlined secularism as a fundamental principle. The first editorial

took an impartial stance on religious matters: 'In religious matters, we shall maintain a strictly neutral position.'

This vision of the founder is relevant today, when communal ideologies are demolishing the basic structure of society. Religion is being used to mobilise mass hysteria against minorities and generate vote banks to win elections.

At the time the paper was founded, more people in Punjab were educated in the Urdu and Persian languages. According to the Public Service Commission Report (1886-1887), there were 16,939 English-educated Indians in Madras, 3,200 in Bengal and only 1,944 in Punjab. Publishing *The Tribune* newspaper in English was, thus, a truly courageous act.

Punjab University, Lahore, was established in 1882 due to

the tireless efforts of Dyal Singh Majithia. He envisioned that it should be like the universities in Calcutta, Madras, Bombay and London. To promote this vision, he launched a movement, publishing nearly two dozen articles in *The Tribune*. As a result of his relentless dedication, English was adopted as the medium of instruction, which he viewed as being a crucial key to societal and national development.

After the Partition, the newspaper moved from Lahore to Shimla, then to Ambala and, finally, to Chandigarh.

On August 15, 1978, on the occasion of Independence Day, the *Dainik Tribune* (in Hindi) and *Punjabi Tribune* (in Punjabi) editions were launched. All three editions of *The Tribune* are published by The Tribune Trust.

The Tribune has achieved significant growth by prioritising the representation of indigenous public opinion over commercial profits. As a leading newspaper of north India, it publishes editorials and articles with a focus on public welfare issues. Its core ideals include advocating for the rights of marginalised groups, women's rights, gender equality, secularism and unity in diversity. These ideals are reflected across its English, Hindi and Punjabi publications. Indeed, all three editions of *The Tribune* are a valuable legacy of Dyal Singh Majithia.

Faith, dignity of labour and Dalit assertion



RONKI RAM
PROFESSOR EMERITUS, INSTITUTE FOR DEVELOPMENT & COMMUNICATION

PRIME MINISTER Narendra Modi visited Dera Sachkhand Ballan, near Jalandhar, in Punjab, on February 1 on the occasion of Guru Ravidas Jayanti. Earlier, recognising the spiritual and social service of over seven decades rendered by Sant Niranjani Dass, head of the dera, the Central government conferred on him the Padma Shri on the eve of the Republic Day this year. The two instances are a testimony to the rising assertion of the Ravidassia community and its political significance. Let us take a look at the life of Guru Ravidas.

Guru Ravidas is a leading star of the Bhakti movement, especially the *nirguna sampradaya* or *sant parampara* (sect or tradition of devotees of a formless god), in northern India.

He was a cobbler, sage, philosopher and social reformer from the 15th-16th centuries, who adopted *bhakti* as a method of social protest against the centuries-old oppressive system of social hierarchies and the inhuman practice of untouchability.

He did not discard the reli-

gion he was born into. Nor did he abandon his 'polluted' occupation of leather-work to move up the social hierarchy through the two widely accepted models — conversion and *sanskritisation* (cultural assimilation).

Instead, he chose *bhakti* of the *nirankar* (formless) god, while earning his livelihood through leather-work as a middle path to protest against the caste-based system of social exclusion and oppression. This path — free from religious rituals and sectarian formalities — was novel and daring, given the religious bigotry of his time.

His form of *bhakti* did not require a temple. His couplet 'Man changa to kathauti mein Ganga' (If the mind is pure, free of malice, the water in a cobbler's leather-soaking pot is as pure and sacred as that of the Ganga river) underlines the importance of the purity of mind over temple rituals.

By discarding asceticism, Guru Ravidas combined spirituality with an engaging householder's life. In his envisioned social order of Begampura — a model city free from all sorts of fears, restrictions and depravities — Guru Ravidas promised a community life free from the burdens of social hierarchies. Begampura promises freedom from all forms of sufferings and sorrows, worries of paying taxes, exploitation, injustice, terror and domination, and ensures an abode of safety and equality, where

one's worth is not measured on caste or occupation, but merit. Except the sovereignty of the eternal God, none would be authorised to exercise any power on the inhabitants of Begampura. Guru Ravidas underlined that all those who live there would be his (an emancipated cobbler) friends: 'Aisa chahu raaj main jaha mile sabhan ko ann, chot bade sabh sam base Ravidas rahe parsan.' The Guru laid emphasis on devotion to a formless god, self-respect, dignity of labour, fearlessness and compassion for all. It reflected the democratic and egalitarian traits of his philosophy and faith in the just order of God.

His fearlessness is evident from the fact that he adopted the forbidden iconography of upper castes as a symbol of social protest. He challenged the tyranny of Brahmins by wearing a *dhoti* (cloth wrapped around the waist),

Challenging the Brahmins, Guru Ravidas wore a dhoti, Janeu and Tilak, which were prohibited for Dalits. And, he continued making and mending shoes.

they want to liberate themselves from the cobwebs of social exclusion and economic exploitation that they have been suffering for generations. This has become more meaningful today, given the shrinking of the public sector and the withdrawal of the welfare state.

The fact that Guru Ravidas came from one of the lowest castes acted as a catalyst in the emergence of Dalit consciousness. He is regarded as a messiah of the downtrodden. They worship his image, celebrate his *Jayantis* (birth and death anniversaries), recite his hymns, raise slogans like 'Ravidas shakti amar rahe' (may the spiritual power of Ravidas live forever) and repose faith in his spiritual power.

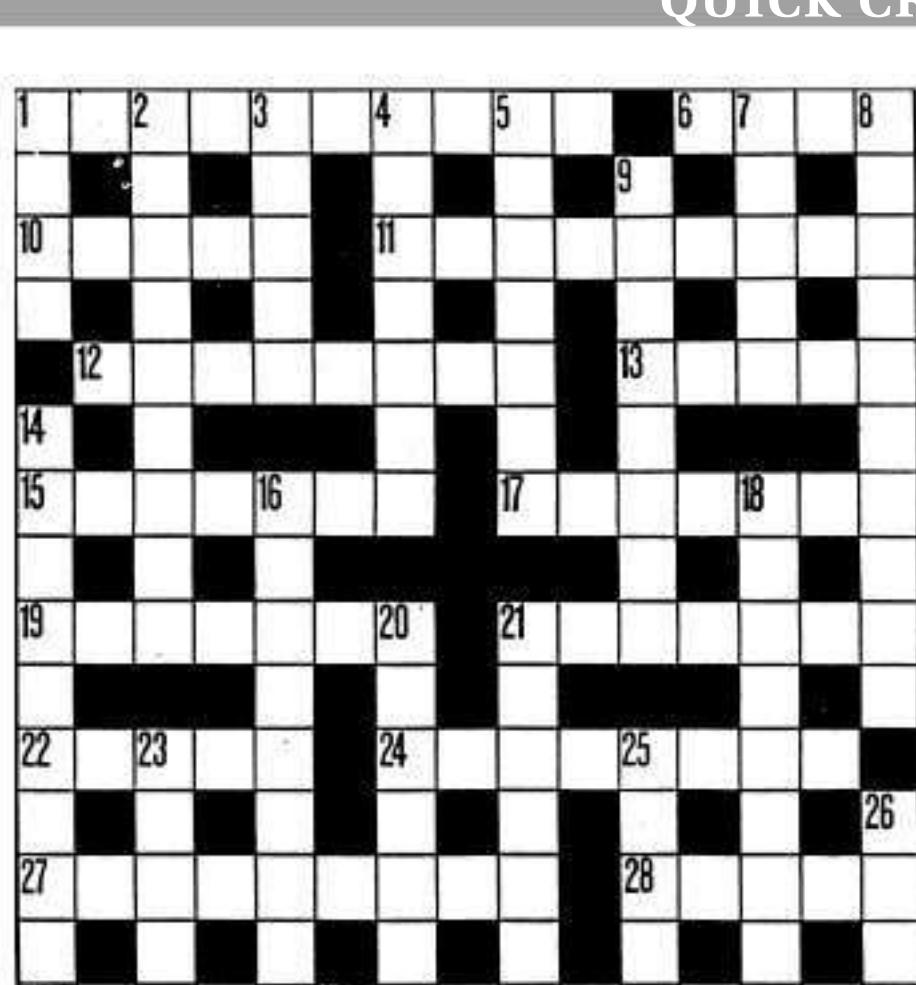
They have dedicated temples, memorial halls, educational institutions/ chairs, cultural organisations and hospitals to him and founded several missions to establish facts about his life and works and disseminate his message of compassion, equality and brotherhood in India and abroad.

In fact, his lustrous image played an instrumental role in mobilising the outcastes, especially the *chamars* (leather workers) of Punjab and the Punjabi *chamar* diaspora. They have organised themselves into various Guru Ravidas sabhas (societies) and established a large number of Ravidas shrines, popularly known as Ravidas deras in Punjab and abroad.



GURU RAVIDAS: He challenged oppression without abandoning his caste identity. PTI

QUICK CROSSWORD



ACROSS

- 1 Prolonged bitter argument (3,2,5)
- 6 50 per cent (4)
- 10 Instinctive ability (5)
- 11 Toy (9)
- 12 Extinct, often huge, reptile (8)
- 13 Ward off (5)
- 15 Tentacled marine creature (7)
- 17 Supreme ruler (7)
- 19 Central mass (7)
- 21 An orange liqueur (7)
- 22 Perfect joy (5)
- 24 Guileless (8)
- 27 A positive declaration (9)
- 28 Correct an error in (5)
- 29 Sharp (4)
- 30 Sheer physical strength (5,5)

Saturday's Solution

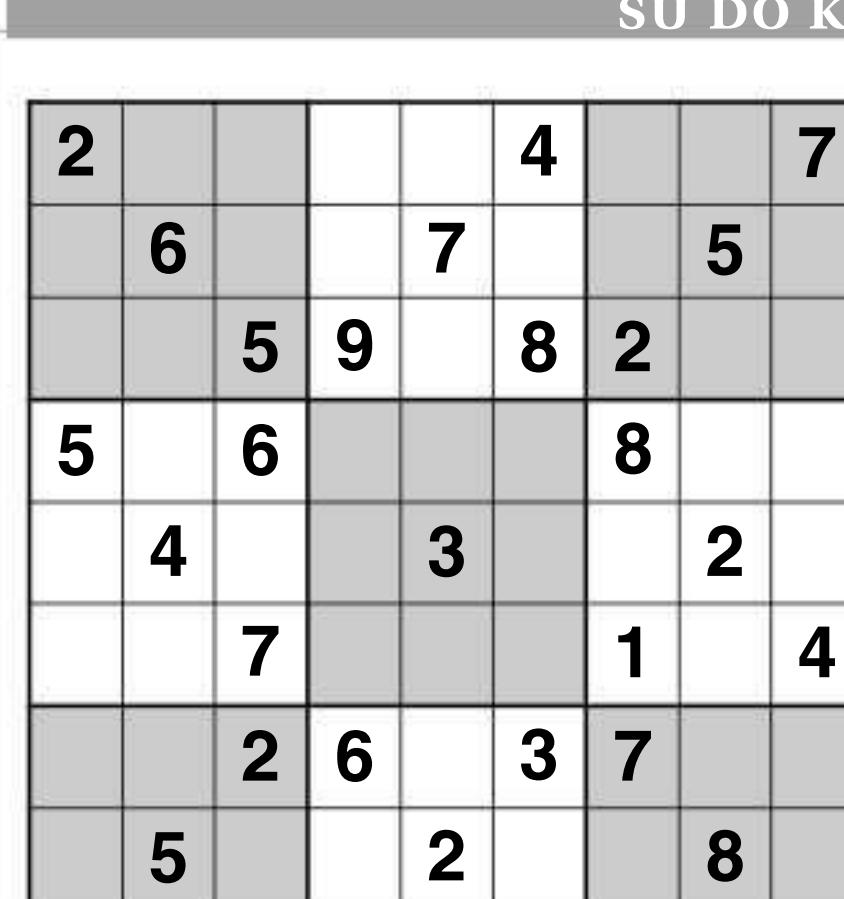
Across: 1 For show, 5 Sober, 8 Minefield, 9 Tip, 10 Ruby, 12 Dissolve, 14 Demand, 15 Deface, 17 Mosquito, 18 Lens, 21 Rue, 22 To the hilt, 24 Tally, 25 Colombo.

Down: 1 Femur, 2 Run, 3 Huff, 4 Weepie, 5 Sidestep, 6 Battleaxe, 7 Replete, 11 Bombshell, 13 Industry, 14 Demerit, 16 Statistic, 19 Seto, 20 Fell, 23 Ism.

DOWN

- 1 Sweep lightly along (4)
- 2 Strictly practical (9)
- 3 Do without (5)
- 4 Parentless children (7)
- 5 Explanatory drawing (7)
- 7 Similar (5)
- 8 Avoid facing (5,3,2)
- 9 Colander (8)
- 14 At very close range (5-5)
- 16 Urgency (8)
- 18 Teller of anecdotes (9)
- 20 Artificial fly used in fishing (7)
- 21 Performance of music (7)
- 23 Publish (5)
- 25 Light-hearted joking (5)
- 26 Advantage (4)

SU DO KU



SATURDAY'S SOLUTION

FEBRUARY 2, 2026, MONDAY

4	9	8	3	1	6	5	2	7
7	5	3	4	9	2	1	8	6
6	1	2	8	7	5	4	9	3
3	2	5	7	8	4	6	1	9
1	6	7	5	2	9	3	4	8
9	8	4	1	6	3	7	5	2
2	3	6	9	5	1	8	7	4
8	4	1	2	3	7	9	6	5
5	7	9	6	4	8	2	3	1

CALENDAR

FEBRUARY 2, 2026, MONDAY

■ Shaka Samvat	1947
■ Margshirsh Shaka	13
■ Margshirsh Parvishtha	20
■ Hijri	1447
■ Krishna Paksha Tithi 1, up to 1:53 am	
■ Saubhagya Yoga up to 4:46 am	
■ Ashle Nakshatra up to 10:48 pm	
■ Moon enters Cancer sign 10:48 pm	

FORECAST

SUNRISE: MONDAY	TUESDAY	18:00 HRS 07:12 HRS
CITY	MAX	MIN
Chandigarh	22	11
New Delhi	21	11
Amritsar	19	07
Bathinda	20	07
Jalandhar	19	07
Ludhiana	21	09
Bhiwani	24	10
Hisar	20	10
Sirsra	20	09
Dharamsala	17	04
Manali	10	-01
Shimla	15	02
Srinagar	07	01
Jammu	15	09
Kargil	02	-04
Leh	-01	-05
Dehradun	25	09
Mussoorie	17	06

TEMPERATURE IN °C



OUR VIEW



The budget adheres to a tried and tested formula

India's 2026-27 budget may broadly be apt for now. But as fiscal policy adopts a distant debt target, the Centre must remain adaptive—and ready to contain any big-spender instincts

India kept calm and carried on this fiscal year, with a GST spur for retail offtake, an urgency for foreign trade deals and a few tariff tweaks for factory-cost relief making up the bulk of our response to trade adversity. That spirit prevails in India's budget for 2026-27 too. It marks a shift in fiscal policy from annual deficit calibration to medium-term debt reduction. Finance minister Nirmala Sitharaman's last budget offered a tax stimulus, kept up infra spending and managed to squeeze the Centre's deficit to 4.4% of GDP even as nominal growth softened. Ever since covid, capex has played a heroic role in the economy's expansion. The latest budget dares not depart from that formula. Its ₹1.2 trillion capex plan is almost 23% of its ₹53.5 trillion expenditure pie, a notable increase. Other stand-out allocations include those for our chip-making mission, a bio-pharma thrust and a carbon-capture initiative. Next year's deficit is pegged at 4.3%.

Achievable even if an inflation uptick fails to lift revenues as expected, this would count as progress towards reducing central debt to half the size of our economy by 2030-31. Yet, two questions arise. First, could a five-year debt path lull us into fiscal complacency over the effects of, say, a sharp revival at some point in private demand and investment? And second, is it not time to extend the budget's horizon and pivot heavily towards health and education?

As for buffers against trade flux, the budget's proposals are in the right direction—with customs relief in focus. Import-duty exemptions span inputs for sectors on a priority list. Import barriers for making aircraft, setting up nuclear power plants and processing critical minerals will be axed, with a few other items relieved too. The highlight of this exercise, however, is pro-

cess reform: a "minimal intervention" customs regime that uses technology to speed up cargo clearances and thus helps Indian factories join global value chains with low slack tolerance. This quest to ease port-level friction, though, has not been matched by a discernibly urgent effort to reverse India's capital inflow squeeze of 2025-26. Moves to boost our market for corporate debt, lure individuals to invest more in Indian equity and liberalize forex rules, apart from a few sector-specific tax incentives for foreign investors, all seem unequal to the task. But then again, inflows come down to the returns that investments in our economy offer. So long as India's growth story is intact and geopolitics doesn't worsen to our disadvantage, we can hope for a revival on this score.

On the macro front, perhaps it is time to align our 2003 fiscal law with practice, instead of budgets carrying tack-ons year after year to explain deviations. From now on, unless nominal growth slumps, the Centre's shift to a debt target will let it relax its fiscal pullback. Yet, if a distant debt ratio is taken as the sole budget constraint, a sudden boom in overall demand could disturb India's macro-level stability: if the fisc is not reined in quickly, we could expect upward pressure on inflation and the cost of capital, with both risking a doom-loop should costly credit get in the way of a private-sector supply response. In other words, we must not let today's big-spender formula get hard-set. Even if demand stays on a slow-track, it would be prudent to invest a bigger share of public funds in the upward mobility of Indian multitudes. Else, domestic impulses may weaken and leave GDP growth over-reliant on dicey exports. A rejig of our fiscal priorities would help fend off that risk.

THEIR VIEW

A well-formulated budget with a clear emphasis on India's future

It eschews short-termism on fiscal expansion and focuses on medium-term capacity enhancement



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level below 4.5% of GDP by 2025-26. In 2025-26 (revised estimate), the Centre achieved a fiscal deficit of 4.4%, the same as it had budgeted. For 2026-27, the deficit is expected to further decline to 4.3% of GDP. Central government debt is slated to go down from 56.1% of GDP in 2025-26 (revised estimate) to 55.6% of GDP in 2026-27, in line with a debt consolidation path aimed at a debt-to-GDP level of about 50%, plus or minus 1%, by 2030-31 (the last year of the 16th Finance Commission cycle).

With the assumption of 10% nominal GDP growth and gross tax revenue growth projected at 11.2%, the budget's numbers are credible. The budget also continues to lean towards a better mix of expenditure; spending quality is still improving, with capital expenditure growth higher than nominal GDP growth. In contrast, revenue expenditure is budgeted to grow in single digits. Fiscal consolidation of 10 basis points to 4.3% of GDP from 4.4% in 2025-26 will not be a drag on GDP growth, unlike in 2025-26, when the fiscal compression was far sharper.

How does one describe this budget? It comes across as:

Contextual: The liberal order that powered growth for decades is under stress. Nations are erecting new walls and there is a clear move towards bipolarity that may not serve India's economic interests, even as newer technologies are acquired and bigger dollops of capital are absorbed. Amid all this, how can India achieve its goal of becoming a developed economy? The budget has provided the answer—via measures that boost *atmanirbharta* or self-reliance while maintaining strategic resilience in an uncertain world.

Credible with a focus on continuity: For 2026-27 (budget estimate), nominal GDP growth has been pegged at 10%, versus 8% in 2025-26 (as per the first advance estimate), mostly in line with expectations. The government has also fulfilled its commitment made in 2021-22 to reduce its fiscal deficit to a

minor negative fiscal impulse, budgetary spending is likely to be non-inflationary. The revision of the Consumer Price Index basket and reduction of its share of food may impart a slight price push in 2026-27, but this is unlikely to pose any major challenge.

What does the budget have as a cue for the Reserve Bank of India and rupee? Continued fiscal consolidation (and debt reduction) is positive. However, higher-than-expected gross borrowings could exert upward pressure on the 10-year bond yield. The budget does not do anything in the near-term that is rupee-supportive. However, over the medium term, it could be positive for the currency, given the budget's measures supporting investments in data centres, etc.

Capacity enhancing: The budget has prioritized infrastructure and a manufacturing strategy focused on scale, competitiveness and deeper integration

with global value chains. It sustains India's momentum on infrastructure development: 'effective capex' at ₹17.1 trillion is up by a double-digit percentage year-on-year. The budget has announced new high-speed rail and dedicated freight corridors, a scheme for the enhancement of construction and infra-building equipment (such as tunnel boring machines) and a plan to make such equipment locally. This will help reduce India's import dependence.

There are also moves to help India get beyond assembly and attain full-stack semiconductor capability through the India Semiconductor Mission 2.0, aimed at producing equipment and materials, developing full-stack Indian intellectual property and strengthening supply chains.

The budget also emphasizes long-term economic security with plans for dedicated rare-earth corridors, 20 new waterways and so on, apart from measures like import duty exemptions for nuclear projects till 2035.

Also, many procedures are being simplified. This includes simpler taxation for global capability centres through higher safe harbour limits and multiple steps for easier tax administration for individual taxpayers.

What could the budget have done better? Its customs rationalization could have been comprehensive (as with GST), especially since India has been signing big free trade agreements. Similarly, while subsidies remain low and manageable, the budget could have reviewed the entire subsidy regime (including for food and fertilizers).

The endurance of our 'Goldilocks' scenario of high GDP growth and low inflation depends on the government's execution of all of the above. The fact that it has eschewed short-termism on fiscal expansion and focused on macro stability, sustained budget discipline and medium-term capacity enhancement will reaffirm the attractiveness of the India story.

These are the author's personal views.

10 YEARS AGO



JUST A THOUGHT

Our first *kartavya* (duty) is to accelerate and sustain economic growth, by enhancing productivity and competitiveness, and building resilience to volatile global dynamics.

NIRMALA SITHARAMAN

MY VIEW | MUSING MACRO

The budget's focus on capabilities reveals its long view

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The macroeconomic numbers for India's economy would be the envy of others. Quarterly growth has been showing steady upward momentum and inflation is ruling at remarkably low levels. The corporate sector's balance sheet is healthy, having deleveraged substantially, and profitability has been quite good for the past several years. The banking sector too has been showing good profits and very low bad-loan ratios.

Finance minister Nirmala Sitharaman, who created a record by presenting her ninth consecutive budget to Parliament, chose not to be too complacent about the apparent 'Goldilocks'-type macroeconomic situation India is experiencing. That's because behind that growth momentum is a strong capital-expenditure push by the Union government, which, at some point, will need to ease. Low inflation prints have been mainly due to sharp food-price deflation, and that too can turn nastily. Hence, notwithstanding today's macroeconomic

comfort, the finance minister's approach in her budget has been to focus on building capabilities with a longer-term perspective. This approach is visible in various schemes for enhancing human capital and skills, strengthening industry-academia linkages and adding tangible elements to support the crucial constituency of small businesses.

But before dwelling on the admirable capability-building initiatives, it will be useful to look at the budget's fiscal arithmetic. We need to assess how credible the budget's projections are. Total spending is projected to increase to ₹53.5 trillion in 2026-27, or a modest 7.7% over the revised estimate for 2025-26. Total revenue, excluding borrowings, is seen growing 7.2% to ₹36.5 trillion, which is slightly slower than the growth in expenditure. The growth in these budget numbers is only somewhat higher than our growth in real GDP. But since the implied nominal GDP growth is 10% in the budget, and since inflation is expected to whipsaw back to 4% or 5%, it means real GDP growth is expected to be much lower. Is the finance minister foretelling a slowdown in the economy's momentum? Nevertheless, both expenditure and revenue projections are conservative, which explains the Centre's success in fiscal prudence.

The finance minister reminded us that she kept her promise made four years ago of bringing down the fiscal deficit to under 4.5% and keeping it there. This is important to retain the higher sovereign rating that India recently won from some international agencies. A better rating helps lower the cost of foreign capital and will also be crucial in plugging our dollar shortage and cushioning falls in the rupee's exchange rate. Even with tight fiscal limits, the finance minister has allocated about a tenth more for capital spending (i.e. on infrastructure), at ₹12.2 trillion, which means that the government's capex push will continue to support growth. The gross borrowing of the Union government at ₹17.2 trillion

plus a further ₹12.6 trillion by states will mean a tsunami of sovereign and sub-sovereign paper flooding the bond market. No wonder that long bond yields are stubbornly stuck close to 7% despite heroic monetary easing by the Reserve Bank of India. The corporate bond market will not flourish in this suffocating atmosphere. Unless fiscal consolidation continues with vigour, it faces a troubling cost-of-capital overhang which will also constrain long-term growth.

Apart from the fiscal tightrope walk, the budget does well to focus on building growth-enhancing capabilities. The target of achieving a global share of 10% in services is bold. This would include not just software, but also content creation, design, health and tourism, and will need skill building. The proposed standing committee on education for employment and enterprise will look at the future of work and presumably chart out a path for services dominance. For manufacturing, there is a detailed sector-wise plan, including for strategic and frontier sectors like rare earths, bio-pharma, electronics and nuclear energy. The cluster approach taken is noteworthy, involving the linking of education and training institutes with sectoral clusters in textiles and leather goods, and also a revival of more than 200 legacy industrial clusters.

The finance minister has done well to prepare ground for the future within tight fiscal limits

The detailed attention to specific measures for small and medium enterprises has not come too soon. As small enterprises formalize, it is vital that issues like excessive payment delays and their need to finance their working capital through efficient bill discounting be addressed. Thus, making large companies participate in the country's TReDS exchange was long overdue and is welcome. Linking GST invoicing to the Udyam portal should also have been done to defer payment delays.

Once India becomes a developed country, the annual presentation of the budget ought to become a non-event. At best, it should serve as an occasion for delivering a state-of-the-economy speech and articulating a long-term vision or fiscal roadmap. Growth in a developed economy is delivered mostly by the private sector, for which investors look for stability, predictability and continuity in tax policies. On this, the budget has done well to not tinker with too many rates. Its projections are credible and conservative. There is an acknowledgement of challenges and it eschews any premature celebration of our macroeconomic success. The message of the budget is that the government will help build growth-sustaining capabilities but also exercise fiscal restraint.



MY VIEW | THE LAST WORD

Union budget: Look beyond the headlines for its actual impact

An expanded trade bills discounting system is among the causes for cheer but what matters is how various measures pan out

**INDIRA RAJARAMAN**

is an economist.



The date of 1 February for the announcement of the Union budget precedes by a month the release of the advance estimate of India's gross domestic product (GDP) based on three quarters, which this year will mark the start of a new GDP series with 2022-23 as its base year, replacing the old series based on 2011-12. The new series will change the sectoral weights, and with that, the estimates of aggregate real growth for the first two quarters.

Nominal GDP may not be affected much with the shift to the new series. The tentative (old series) advance estimate for the current year issued on 7 January is ₹357.14 trillion. The budgeted nominal GDP for 2026-27 is placed at ₹393 trillion, assuming 10% growth. We have to use these for now.

There are two other changes. The 16th Finance Commission report covering the 2026-31 period was tabled only with the budget for 2026-27, but is factored into the budget figures. The aggregate share of states in Union tax revenues remains at 41%.

The second change in the offing is the 8th Pay Commission report to be released in April 2027, but with retrospective effect from 1 January 2026. Advance fiscal provisioning for retrospective application is never done. Arrears for the current and next budget year will be payable in 2027-28, causing an arrear bump-up in revenue expenditure that year on top of the salary bill discontinuity.

My principal pitch is that what matters is not the policy headlines so much as what underlies the headlines. We are in a new abusive world order, where the powerless are punished. What we do domestically will make or break us.

The absolute fiscal deficit for 2025-26 by the provisional estimate (PE) is ₹15.58 trillion, below the ₹15.69 trillion budgeted. The fiscal deficit for 2026-27 is projected at 4.3% of GDP, but because of the fluid denominator, the absolute figure of ₹16.96 trillion is more reliable. It shows a rise of ₹1.38 trillion. Still, fiscal consolidation is on track.

Fiscal consolidation has been achieved despite an increase in effective capital expenditure, aggregating direct expenditure and capital grants to states, from the pre-pandemic average of 2.7% of GDP (*Economic Survey*, para 2.29) to 3.9% for 2025-26 (PE) and 4.4% budgeted for 2026-27. Current (revenue) expenditure did much of the adjusting. At 10.8% of GDP for 2025-26 (PE) and 10.5% budgeted for 2026-27, it is below the pre-pandemic average of 11.1%, attributed (*Economic Survey*, para 2.24) in large part to reduction of subsidy leakages through direct benefit transfers. An impressive increase in tax revenue also helped. Non-tax revenue further supported the fisc with a dividend payout of ₹2.68 trillion from the Reserve Bank of India (RBI).

Without meaning to rain on the parade, revenue expenditure on maintenance actually needs enhancement when capital assets are being created, without which the assets created could become unproductive, or actually treacherous. Are the required expenditures for maintenance of roads and sewage systems receiving budgetary support? Are leaking sewage pipes being repaired or replaced?

Can the rising share of capital asset creation in total expenditure be termed an improvement in expenditure quality without reference to the mix of assets created? Are sewage treatment plants being constructed so that untreated sewage does not flow into the rivers from which drinking water is sourced? Are there too many vacancies in regulatory bodies for them to function effectively? Will regulatory failure and public health catastrophes, resulting from polluted air and water, support growth?

The major fiscal bolts have already been shot. Income tax and GST rates were dropped in the current fiscal year. Monetary and trade policy have moved in concert. The last RBI bi-monthly monetary policy announcement for the current year is due on 6 February, with very little room for further reduction of the repo rate. Banks are already struggling to attract deposits.

In trade policy, the free trade agreement with

the European Union (EU) reached on 27 January is expected to be operationalized by the end of 2026. The agreement details are yet to be hammered out, especially on the difficult issue of the Carbon Border Adjustment Mechanism, for which carbon rating has to be done on a producer-specific basis with EU-accredited auditors.

Nevertheless, there is room for optimism. The budget introduces a number of well-targeted reforms. Three are noteworthy.

First, the expanded scope for the Trade Receivables Discounting System, a platform for discounting unpaid commercial dues to small enterprises, a dire need. Second is the huge range of skill enhancement programmes, including for geriatric care and mental health care, again a dire need. Finally, the budget's supportive promotion efforts towards commercial tree crops dovetails into the fall in EU tariffs and the demand boost which will come from there.

The new Income Tax Act will become effective from 1 April 2026. Provisions for tax deduction or tax collection at source have been procedurally simplified and their rates reduced. Income tax payments by cooperatives and service providers in information technology have been procedurally facilitated. Indirect tax provisions have also been liberalized with respect to the imported input needs of exporters. There will be cheers in many quarters.

MY VIEW | GENERAL DISEQUILIBRIUM

This budget should have tried to lift flagging Indian savings

The exercise has missed an opportunity to fix this structural issue

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Savings are a crucial building block for economic growth.

BLOOMBERG

A lot has been said and written about India's economic resilience, with the assertions focusing largely on a rising real GDP growth rate and dropping consumer inflation rate. These headline trends, however, mask a couple of fragilities that could undermine the current illusion of stability. The first is sub-optimal nominal growth, which has printed below target. But, more importantly, widening fault-lines in household savings, including in the broader universe of gross savings in the economy, are a serious source of concern. It is, therefore, both puzzling and distressing that finance minister Nirmala Sitharaman did not use the Union budget platform to address this growing structural deficit in the economy.

Savings are not only pivotal for financial and economic stability but are also a crucial building block for economic growth. Let us examine two key data points from the budget that have the potential to act as growth stimulants. The first is the government's net borrowing programme estimate of ₹11.7 trillion, an increase of only 3.5% over the revised estimate for 2025-26.

The borrowing programme helps fund the government's development expenditure over a large number of programmes. The second is the ₹12.2 trillion capital expenditure outlay, an 11.5% increase over the 2025-26 revised estimate. The government's capital expenditure 'crowds in' private-sector investment, thereby providing a leg-up to employment and economic growth. The government will need to depend on the economy's savings to finance a substantial part of its vast development bill.

As stated earlier, the slowing nominal growth rate is already a source of worry because most big-ticket revenue sources—both tax and non-tax—have clocked in below the 2025-26 budget estimates. The slowing household savings growth rate complicates matters further by creating structural friction in the economy, something that may take a while to reverse. The budget was probably the ideal platform to provide some tax incentives to reverse this structural slowdown.

The banking sector has been demanding that tax on interest income from deposits be treated like capital gains. While the merits of that specific suggestion can be debated separately, shrinking bank deposits have bumped against rising demand for credit, forcing banks to slow down credit disbursal in some cases, or to depend on non-deposit funding sources, which has hurt margins. Aggregate deposits have grown 8.5% since April 2025, while bank credit in the same

period has gone up by 10.4%.

The share of deposits in the household savings basket has dropped from 58% in 2011-12 to 35% in 2024-25. Part of the slack is being taken up by both direct equity and mutual fund investments. The *Economic Survey*'s explanation that rising equity investments demonstrate an "evolving" risk preference among households, however, rings slightly atonal. This is because it does not consider a saver's interest rate preferences: current bank deposit rates offer negative returns after accounting for inflation and taxes. Bankers, therefore, feel that parity in tax treatment might divert some of the flows back to bank deposits.

Ram Singh, a member of the monetary policy committee at the Reserve Bank of India, had expressed anxiety over moderation in the household savings rate at the panel's September-October meeting. Curiously, though, while admitting that interest rates do influence household savings behaviour, he also advocated that the "likely adverse impact on bank deposits and moderation in household savings should not be the reason for not going for a further rate cut."

The Survey's desire that the next step of household portfolio evolution include bond-market investments might bang up against the same wall. There were pre-budget demands that the government allow the issuance of tax-free bonds for a limited period—either directly from the government or from highly-rated public sector units—to allow long-gestation infrastructure projects to access patient household savings. This is also because insurance companies or pension funds are currently unable to fill the gap between demand for long-term funds. However, the budget has neither heeded that demand nor announced any alternative steps to smoothen the wrinkle.

There is another source of anxiety: the household sector's liabilities, or borrowings, have doubled from 3% of gross national disposable income in 2014-15 to 6.1% in 2023-24. In the face of uneven real income growth, this indicates households have been financing consumption through credit and not through current income or savings. Hopefully, the budget proposals will generate enough additional jobs to moderate this worrisome data-point.

GUEST VIEW

The budget's securities tax hike needn't worry investors

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As it is, we are dealing with immense shifts in the geopolitical environment and global trade conditions.

In this context, the budget has been pragmatic. The government has articulated its focus on bringing down its debt-to-GDP ratio. It recognizes the elephant in the room, which many are happy not to discuss. After all, interest payments are the single largest expenditure item for the government. They account for nearly 40% of the Union government's revenue and capital proceeds (excluding borrowing). Arguing about whether the budget is capital expenditure-focused or revenue expenditure-focused, when the biggest spending item is interest, is to miss the wood for the trees.

For traders, the cost of trading in futures and options increases due to the budget's hike in Securities Transaction Tax (STT) rates. Note that the number of traders in futures and options exceeds the number of investors in mutual funds. This is also reflected in the size of the profit pool of the stockbroking industry compared with that of the asset management industry. These are facts. What is also true is that India's long-term growth ambitions would be better served by channelling more financial savings into long-term investment than trading.

As for the bond market, the increase in the Centre's gross market borrowing of around 17% is higher than what was anticipated. This could put pressure on long-term bond yields. But beyond the initial shock, investors can take heart from the government's long-term commitment to fiscal consolidation.

The budget estimates appear sound, with nominal growth pegged at 10% and tax collection from individuals and corporates estimated to grow at about 11%. Capital expenditure, excluding grants, is estimated to grow by about 11%, while defence expenditure growth appears muted at 5%. The budget positions itself as a catalyst for investment in sunrise sectors while also addressing key infrastructure gaps.

Significant policy announcement in this budget is the formation of a high-level committee to evaluate the growth and strategy of the banking sector in keeping with the country's Viksit Bharat vision. This could set the stage for further amalgamation among

state-owned banks, enabling them to achieve critical scale. As an ease-of-doing-business measure, any Person Resident Outside India (PROI) will now be allowed to invest up to a higher limit of 10% in listed companies, with an aggregate limit of 24% for all PROIs. This opens up our equity market to greater participation by foreign individuals.

A tax holiday has been offered as an incentive for global companies to establish data centres in India that serve overseas customers. This measure is aimed at positioning India as a competitive global hub for digital infrastructure by lowering the initial cost of investment and improving project viability.

For cash-rich companies looking to return capital to shareholders, a rule tweak that will treat such gains as 'capital gains' is advantageous. This will particularly benefit minority shareholders.

Broad stability in tax policy is welcome, as it provides much-needed certainty to businesses and investors making long-term

decisions. A predictable tax framework encourages sustained investment, supports efficient capital allocation and reinforces confidence in the country's overall policy environment.

This budget re-emphasizes two pillars that investors should incorporate into their framework and expectations. India is running a marathon in its journey towards Viksit Bharat and preserving macroeconomic stability is a priority. India's nominal GDP growth rate is now likely to remain around 10%, plus or minus 1%, rather than the 12%-14% range seen in the past. This slower trajectory has implications for revenue growth, profit growth and equity returns.

Investors tend to think about these numbers in nominal terms. However, what ultimately matters are real returns. The emerging reset in nominal growth may not significantly lower potential real returns, and this would apply to returns both from equity and bond markets.

For investors focused on achieving their long-term financial goals, nothing changes on account of this budget. India's unique combination of macroeconomic stability and sustainable growth will enable them to achieve their goals.

These are the author's personal views.

Growth with guardrails

The Union Budget sends a clear signal about how the government intends to navigate an increasingly uncertain global economy. Rather than leaning on short-term stimulus or headline-grabbing giveaways, the emphasis has been placed firmly on manufacturing-led growth, fiscal discipline, and long-term institutional reform. The approach reflects confidence in macro stability - but also reveals the constraints on policy making. At the heart of the budget is a renewed push to expand the role of manufacturing in the economy. Despite years of policy attention, the sector's contribution has remained stubbornly below one-fifth of GDP. The renewed focus on pharmaceuticals, semiconductors, rare-earth materials, capital goods and textiles reflects an attempt to align domestic production with global supply-chain shifts, particularly as geopolitical fragmentation redraws trade routes. Yet the manufacturing challenge is not merely about identifying sectors. India's difficulty has historically lain in scale, productivity and consistency. Announcing targeted areas is easier than building ecosystems that can compete internationally on cost, quality and reliability. The proposed review of older industrial clusters is therefore an important, if overdue, recognition that physical infrastructure, logistics bottlenecks and regulatory complexity continue to weigh heavily on industrial expansion.

Alongside manufacturing, the budget places unusual emphasis on fiscal credibility. The decision to anchor policy around a debt-to-GDP target of below 55 per cent marks a significant evolution in India's fiscal framework. At a time when many economies are loosening discipline to protect growth, New Delhi is attempting to reassure investors that expansion will not come at the cost of long-term stability. This may limit the government's room for aggressive spending, but it strengthens predictability - an increasingly valuable asset in volatile markets.

Public investment remains the primary growth lever. Higher infrastructure spending underscores the belief that government capital expenditure can still crowd in private investment. Roads, railways, ports and urban infrastructure remain critical for reducing transaction costs that undermine manufacturing competitiveness. However, the returns from such spending depend not just on allocation but on execution, coordination with states, and timely completion - areas where outcomes have been mixed.

The financial sector proposals reflect a parallel concern. By announcing a comprehensive regulatory review, the government appears to acknowledge that India's financial architecture is not yet equipped to fund a rapidly growing economy. Greater depth in corporate and municipal bond markets, along with easier foreign participation, could reduce overreliance on banks. If implemented well, this may quietly become one of the budget's most consequential reforms. At the same time, the increase in transaction taxes on derivatives highlights official unease with speculative excess in capital markets. While the move aims to curb volatility, and retail risk, it also signals a willingness to trade short-term market enthusiasm for systemic stability - an approach consistent with the broader fiscal stance. Taken together, the budget does not promise acceleration through dramatic policy shifts. Instead, it reflects a belief that India's next phase of growth must be built slowly, through manufacturing depth, financial resilience and fiscal restraint. Whether this bet succeeds will depend less on announcements and more on execution.

Strategic Thaw

A quiet shift is taking place in global diplomacy. Over the past few months, a steady stream of Western leaders has found its way to Beijing, braving political criticism at home and uncertainty abroad. These visits are not driven by sudden warmth toward China, nor by illusions of restored partnership. They are symptoms of a world entering a more unsettled phase, one in which old certainties no longer hold. The return of high-level engagement reflects a growing recognition that disengagement has limits. Despite years of tension, sanctions, and mutual suspicion, China remains deeply embedded in the global economic system. It manufactures a vast share of the world's goods, dominates critical supply chains, and plays a central role in clean-energy technologies that many countries depend upon to meet climate goals. For governments facing weak growth, rising costs and fragile domestic politics, distance from Beijing has become increasingly impractical. Yet this renewed contact does not signal a revival of past optimism. The era when engagement was framed as a pathway to convergence - political, economic or ideological - has clearly ended. Today's diplomacy is stripped of romance. It is transactional, cautious, and carefully worded, shaped as much by fear of instability as by hope of opportunity.

China, meanwhile, is using the moment carefully. By hosting a succession of foreign leaders, it projects an image of steadiness and scale, positioning itself as a constant in an international environment marked by uncertainty. Western governments, however, are not seeking alignment. Their objective is insulation, preserving room for manoeuvre in a fractured world. Engagement with China has become a form of hedging, not reconciliation. Leaders are attempting to keep trade channels open while maintaining security barriers; to talk without trusting; to cooperate selectively without surrendering strategic caution. This balancing act explains the language that increasingly defines such visits. Words like "reset" or "partnership" are avoided. Instead, officials speak of "dialogue," "stability" and "sophistication". The ambition is modest: to manage differences rather than resolve them, to prevent rivalry from tipping into rupture.

At the same time, unease remains profound. Concerns over surveillance, political interference, human rights, and economic coercion have not faded. Nor has the lesson learned by countries that previously faced punitive trade measures after crossing Beijing's red lines. Engagement today is pursued with eyes open, and with contingency plans close at hand.

What is emerging, then, is neither a new alliance nor a renewed cold war. It is a form of diplomatic coexistence shaped by interdependence and mistrust in equal measure. In a world where power is diffuse and instability widespread, governments are concluding that silence is riskier than conversation. The result is a thaw without trust - not a reconciliation of values, but an acceptance of reality. The global order is no longer defined by clear camps. Instead, it is being negotiated, visit by visit, across tables where rivals sit not as friends, but as necessary counterparts.

Last Bastion Crumbling ~ I

But the CPI-M's doctrinaire arrogance and parochial mindset continue to remain its predominant feature. It will not belong before the CPI-M follows the "Bengal model" towards total self-destruction. Who is responsible for this impending collapse? Whoever those CPI-M leader(s) are, they do not deserve the support and compassion that leaders like PC Joshi and SA Dange deserved - then or now



remains electorally relevant, has it reconsidered its anti-Congress stand or dismantled its Stalinist organizational system in order to be in sync with the times?

The answer is expressly not in the affirmative. Is the CPI-M's impending irrelevance any wonder, then? Not only the results of the latest local body elections, but the activities of the CPI-M in the last five years of its governance, as well as its organizational and policy-related changes, have shown beyond doubt that the CPI-M in Kerala is following in the footsteps of its comrades in West Bengal.

The 1964 CPI split marked the beginning of the political destruction of the Left in India, but in the eyes of the CPI-M it was a sacred revolutionary act! Though differences of opinion existed within the Communist movement right from the beginning, these became intense and burst into the open in 1948, after India gained independence.

The central issue of debate then was whether India's freedom was genuine or not. The sectarian group led by BT Ranadive trained its guns on the pioneering General Secretary and towering leader of the CPI, PC Joshi, and his policy of aligning himself with nationalism.

The crucial arguments of the Calcutta Thesis, which Ranadive introduced in the 1948 party congress at Calcutta, were that the gaining of independence in 1947 was a mere case of power changing hands; Pandit Nehru was an agent of the British government, and an armed revolution had to be waged to unseat the Nehru government. There is no greater example of dogmatism to be found in the history of India's Left movement. The havoc wreaked within the party and in the country was simply unimaginable.

What Joshi, who gave a sense of direction to the Indian left movement for a long spell of thirteen years - from 1935 to 1948 - envisioned was a creative spirit of co-operation with the Nehru government in post-Independence India for the purpose of rebuilding our nation. But a group within the (undivided) CPI leadership saw this goal as a sin. Over the course of time, not only the sin but the "sinner" too became the object of hatred. The ingratitude and injustice that the Indian Communist movement showed towards the party Joshi was not just petty but self-defeating

as we can now observe. Ironically, by the time the Calcutta Thesis was rejected as a flawed idea at the Madurai Party congress in 1953, Joshi had already been politically demonized and personally ostracized.

The plain truth is that PC Joshi became the scapegoat for daring to take on the communist dogmas of the time and attempting to pursue solutions rooted in the Indian reality to uniquely Indian issues, albeit under a left and progressive umbrella. Joshi, after the 1948-1953 period, spent the years till his death in 1980 pursuing his academic interests including writing the history of Indian communism, keeping up the pressure on the extremist elements of the Left through his prolific public writings, and swallowing the political slights and personal insults meted out to him by his erstwhile admirers, many of whose political-intellectual careers he had made.

But the CPI-M did not end its campaign of calumny with Joshi. When the mantle of incremental, sensible, and progressive Left politics fell on SA Dange, they targeted him too. The spokespersons of the Calcutta Thesis continued to adhere to their narrow standpoints. Their fundamental arguments revolved around the class character of the Congress and the attitude to be adopted towards that party. In 1964, with China calling upon the Communist parties of Asian and African countries to initiate an "immediate revolution," the split within the Communist Party of India became inevitable.

Dange and his supporters came to be known as "revisionists" who followed the Joshi line and were later accused of promoting "right-revisionism" within the Left, as it were! Although the CPI-M leaders went to the extent of misrepresenting Dange by portraying him as having written to the British government seeking a pardon while he was incarcerated in jail in pre-independent India, they did not succeed in destroying his spirit, like they arguably did with Joshi who, loyal to the end, refused to break ties with the CPI despite the humiliations heaped

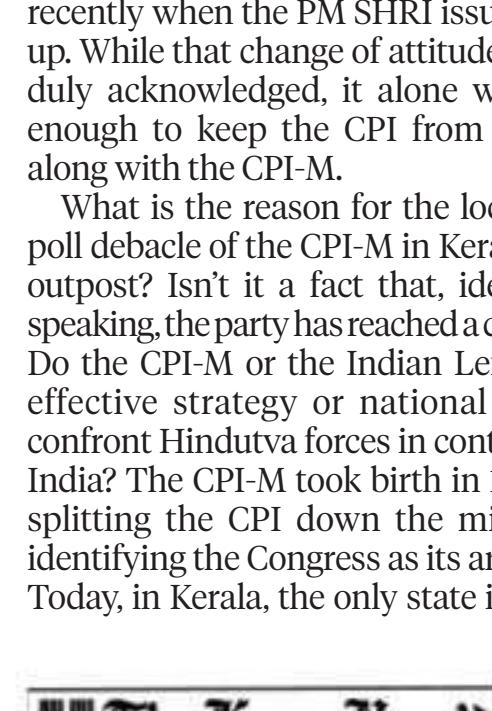
on him and the progressive forces in the Congress waiting to welcome him with open arms. Dange was perhaps less naïve than Joshi. For, in the General Election of 1957, Dange stood for and was elected as MP from the Bombay City Central constituency. That his margin of victory was higher than Nehru's from the Phulupur parliamentary constituency is a matter of public record. Dange became the Opposition leader in Parliament and AK Gopalan, the deputy Opposition leader. Despite his resounding electoral mandate, the CPI-M did hold Dange up to public ridicule. Obviously, intelligence goes awry when destruction is imminent.

Both Joshi and Dange were always of the opinion that our nation's greatest adversaries were: (i) Imperialism, and (ii) Extreme rightwing forces that extended cooperation to it. They also took the position that to fight these two threats, the CPI should participate in the nation-building process by cooperating with the Indian National Congress, the mainstream organization that spearheaded the freedom struggle. What, then, does the extant political-electoral situation in contemporary times tell us against this backdrop?

In present-day Kerala, the only geography where the communists as an electoral force are relevant (for now), it is clear that the CPI-M's political stands ever since it came to power for a second time in the 2021 Assembly election are the cause of the party's debacle in the recently held local body elections. It may be recalled that at its 1978 Bhatinda party congress, the CPI surrendered its policy of "national democratic revolution" at the feet of the CPI-M, and since then the 'Big Brother' has succeeded in maintaining the Left's relevance and electability in Kerala with the support of the CPI (though the CPI-M will never concede this truth).

But the CPI-M's doctrinaire arrogance and parochial mindset continue to remain its predominant feature. It will not be long before the CPI-M follows the "Bengal model" towards total self-destruction. Who is responsible for this impending collapse? Whoever those CPI-M leaders are, they do not deserve the support and compassion that leaders like PC Joshi and SA Dange deserved - then or now.

(To be continued)



Restarting the Kaesong industrial park

On Feb. 10, 2016 - the last day of the Lunar New Year holidays - owners of South Korean companies operating at the Kaesong industrial park received an unexpected phone call from the Ministry of Unification. They were instructed to gather at 2 p.m. for an emergency briefing. At 5 p.m. the same day, then-Unification Minister Hong Yong-pyo announced that the complex would be shut down the following day.

The decision was abrupt and unilateral, underscoring the vulnerability of the first joint inter-Korean economic venture. President Park Geun-hye reportedly ordered the immediate suspension to "prevent Pyongyang from diverting its revenue from the venture to nuclear and missile development." The previous month, North Korea had conducted its fourth nuclear test and soon afterward launched a rocket to place a satellite into orbit - actions widely suspected of being disguised ballistic missile technology tests.

Tenant firms were permitted to send only one employee each to the complex the following day, with a single vehicle, to retrieve whatever belongings they could within a few hours. Their pleas for a week to salvage equipment and accounting records were rejected. Requests for just three days were also denied. They evacuated hastily, like war refugees, uncertain whether they would ever be allowed to return.

South Korean businesses were forced

to abandon production and management facilities, machinery and finished goods, incurring combined losses estimated at around \$200 million. For those leaving, the separation from their North Korean coworkers was equally heartrending. At the time of closure, approximately 55,000 North Koreans from Kaesong and nearby areas worked at the complex, alongside about 300 South Korean managers and staff. Over the years, they had built camaraderie that transcended deep-rooted ideological and systemic divides. As Kim Jin-hyang, former president of the now-defunct Kaesong Industrial District Foundation, has observed in numerous media interviews, workers and managers there "experienced virtual unification within their workplace" each day.

Given the seven decades of hostility between the two Koreas, such interpersonal understanding and empathy among ordinary civilians was a remarkable achievement - one that cannot be fully

measured in monetary terms alone. At the same time, contrary to widespread criticism among some South Koreans that the project amounted to "laddling out" benefits to the North, the economic engagement brought tangible gains to both sides. A 2019 report by the International Crisis Group, titled "The Case for Kaesong: Fostering Korean Peace through Economic Ties," concluded that the complex was a win-win proposition. According to the analysis, South Korean firms operating there between 2007 and 2014 outperformed comparable companies in terms of revenue, capital and profits, many of which had chosen to manufacture there instead of in China or Vietnam.

The Kaesong industrial park was the most successful joint economic venture undertaken by North and South Korea, the report states. "Reopening the manufacturing zone, with improvements to efficiency and worker protections, could help broker wider cooperation and sustain peace talks on the peninsula."

of career counselling.

A 50-hour training must be completed within a period of 2 years. Focus is brought to bear therefore on the urgent need for capacity building. It is essential that these counsellor-training courses are theoretically sound, evidence-based and focused on the skills of career counselling.

Above all, they must be culturally grounded and sensitive to our unequal socio-economic realities. Further, if career guidance is to be effectively delivered, the school must make provisions in the timetable for at least 20 to 25 periods over the year dedicated exclusively to career guidance.

In short, the next steps to optimize this welcome mandate are to create a qualified workforce and also make scheduling commitments for the implementation of career guidance in the classroom.

Yours, etc., Gideon Arulmani, Bengaluru, 28 January.

Letters To The Editor | editor@thestatesman.com

Stay away

Sir, This is to counter V. Jayaraman's letter 'Accept it' (26 January). Only the naive can expect that a board membership would provide India with an opportunity to play a balancing role. And the one billion dollar inducement is just a price to occupy a political position on the board, not a sustainable financial plan for Gaza.

What passes for a 'peace' mechanism for Gaza is actually a colonial mechanism proceeding from externally-imposed trusteeship in humanitarian clothing. India would be on the wrong side of its anti-colonial legacy if it decides to get on board, as India cannot be a signatory to a process that treats Palestinians as subjects to be economically managed, not as a people entitled to self-determination.

BoP, if successfully launched, can be a

death blow to UN as it seeks to supplant it with the muddle of deceit and shenanigans which now characterize the 'fool is fair, fair is foul' global affairs, and India must be

wary of it.

If India gets on board, it cannot control the consequences of the decision it inherits. As one of the leaders of the Global south, and a long tradition of anti-colonial positions, it cannot afford to be seen as a stabilizer of injustice.

From Africa to South-East Asia, from Latin America to West Asia, many countries are looking not at what India says but what it does, and India cannot risk the 'trust' being punctured. India's refusal must be

rooted not in anti-Americanism, which it is not, but in its constitutional morality and strategic autonomy.

Yours, etc., Sudipta Ghosh, Jangipur, 27 January.

Counselling

Sir, The recent CBSE circular dated 19 January 2026, mandating the appointment of career counsellors in every one of its schools, addresses an urgent and pressing need. It presents the career counselling fraternity with an opportunity of unprecedented proportions. At the same time, it presents the heads of CBSE schools with a challenge.

There are about 30,000 CBSE schools in the country. But do we have that many trained career counsellors in the country? Where a career counsellor is not available, the notification provides for the appointment of teachers who must acquire the competencies



Pioneer who taught the world how to run a zoo

PATRANGA BASU

The nineteenth century in India is often remembered for the tightening grip of British imperial rule. Yet, beneath the political upheaval, a wave of intellectual vigour swept across the subcontinent. Among the many Indians who left an indelible mark on global knowledge was Ram Brahma Sanyal (1851-1908). Despite lacking formal degrees in the natural sciences, Sanyal emerged as a world-renowned pioneer in zoology, transforming the Alipore Zoological Gardens into a global benchmark for animal care.

Born on 15 February 1851, Ram Brahma Sanyal originally aspired to be a physician. He enrolled in the Medical College, Calcutta, but was forced to abandon his studies due to failing eyesight. However, his talent did not go unnoticed. George King, a professor of Botany and Superintendent of the Botanical Garden, recognized Sanyal's potential and offered him a position at the newly established Zoological Gardens, Alipore.

The Alipore Zoo, spearheaded by figures like George King, Louis Schwendler and John Anderson, officially opened to the public in May 1876. Sanyal joined in January 1876 as a casual worker, assisting King in landscape gardening. His dedication yielded immediate outcome; by September, he was appointed "Head Baboo" with a modest salary of Rs 40. Within a year, his touch transformed the grounds into a lush, green sanctuary.

As the zoo's animal population swelled - reaching over 800 specimens by 1878 - Sanyal's responsibilities expanded. He became a self-taught polymath, performing duties that would today require a team of specialists. In veterinary care he treated sick animals with his passionate love for animals; even fed them with

his own hands. He performed post-mortems on dead animals, utilizing his medical school background to understand the cause of death.

Ram Brahma ensured every species was correctly identified by its scientific name, maintaining rigorous records of purchases and exchanges of animals. He meticulously collected data and recorded the health, diet, and behaviour of every animal, alongside his administrative duties.

His efficiency was so profound that in April 1880, Ram Brahma was appointed the first Superintendent of the Gardens. Remarkably, the British Managing Committee had searched globally for a European scientist to fill the role - even offering a higher salary and free accommodation - but could find no one whose expertise matched Sanyal's. Sanyal was appointed at a lower salary than that offered to a European, exposing the exploitative attitude of the British management. But Ram Brahma was undaunted and continued to perform his jobs relentlessly and silently.

In 1892, Sanyal published his magnum opus: 'A Handbook of the Management of Animals in Captivity in Lower Bengal'. This was the first systematic manual on zoo management ever written. Based on 13 years of observation, the 350-page book detailed the habits and health of 241 mammals and 402 birds.

The international scientific community was awestruck. The prestigious journal *Nature* praised the work, noting that "its author deserves great credit." This success led to his international recognition. For the first time, zoological scholars abroad learned that an Indian had so skillfully presented his works and ideas to the world.

Ram Brahma spent a good amount of time in global consultancy. He received an invitation to the International Congress of Zoology at Cambridge in 1898. Sanyal toured

major zoos in London, Paris, Berlin, Vienna, Antwerp, Amsterdam, Hamburg, Dresden, Vivaria and Naples; later providing expert advice to establish or improve zoos in Bombay, Rangoon, and Karachi.

Sanyal earned several recognitions. He was made a "Corresponding Member" of the London Zoological Society and conferred the title of "Rai Bahadur" by the British government in 1899. The Asiatic Society of Bengal in 1897 embraced him as an Associate Member where Sanyal contributed regularly by his deliberations on science matters.

Published in 1896, his second book, 'Hours with Nature', aimed to make the subject of nature accessible to a broader audience in easy language and foster a deeper appreciation for the environment.

Ram Brahma had an insatiable thirst for knowledge and he unceasingly acquired it. The scientist in him did not let him rest. His continuous hard work, perseverance, inquisitiveness and unremitting experiments made him a great scientist. Sanyal was a researcher at heart. He conducted various cross-breeding experiments and studied snake venom antidotes, 'moulting' of the great Bird of Paradise, and published his several findings in international journals.

His scientific methods led to the rare birth of a live Sumatran Rhinoceros in 1889, an event that was not seen in captivity until 2001. Sanyal's achievement was a historic one as he had none of the resources, technology or data that were available to scientists in 2001. He organised several other cross breeding programmes in Alipore Zoo successfully.

Ram Brahma was a visionary. In 1908, he advocated for a public aquarium in Calcutta, arguing its importance for studying fisheries and "artificial fecundation" - an idea decades ahead of its time.

Despite his brilliance, Sanyal faced the quiet indignities of colonial life. He was often penalized for trivial errors that his European counterparts might have ignored, and for twenty years, the management failed to provide him with the decent housing they had promised. In a 1908 appeal, he noted with some grief that "Although the necessity and importance of providing a suitable building for the Superintendent's residence was recognised some twenty years ago, I have never had a decent house to live in, and the consequence has been that I have all along suffered the discomforts brought on by my unhealthy and unsuitable housing. As I am now getting on in years its effects are beginning to tell upon my health..." The 'unhealthy and unsuitable housing' was finally taking a toll on his health.

Ram Brahma Sanyal passed away on 13 October 1908, just months before his scheduled retirement. He was treated in his final days by the legendary Dr. Nilratan Sarkar. He left behind a grieving family, 62 employees and a living legacy of 1,384 animals.

Sanyal's work transformed the Alipore Zoo from a simple collection of animals into a respected scientific institution. His methodology was so advanced that the British administration struggled to find a replacement upon his retirement, noting that his specific blend of skills was nearly impossible to replicate. The Managing Committee, once hesitant to appoint a "native" Superintendent, admitted in 1907 that "We do not think that it would ever be possible to obtain a successor of the type of Rai R B Sanyal Bahadur. Experience such as his can only be acquired by the work of a lifetime."

Sanyal believed a zoo should not just be an exhibition, but a place to demonstrate naturalistic behaviour of the animals. His perseverance and inquisitive spirit proved that scientific greatness is born not just from titles, but from unremitting



observation and a deep love for the natural world.

The Alipore Zoo under the able leadership of Ram Brahma Sanyal became a centre of attraction and many reputed persons visited the zoo. The exiled Nawab of Awadh, Wajid Ali Shah was a regular guest and had developed a warm acquaintance with Sanyal. He donated several animals and birds from his personal collection. Swami Vivekananda and Sister Nivedita too visited the zoo in 1898 and accepted the hospitality of Sanyal. Viceroys, governors and rulers of princely states were also on the list of visitors.

Sanyal developed key professional skills of his own. For more than 13 years he recorded daily scientific observations of animal health, diet, behaviour, sickness. He exchanged knowledge regularly with institutions and personalities of repute worldwide. He earned expertise in landscape gardening, mimicking natural environments and designed enclosures for providing safe and comfortable habitats for the animals and birds in captivity.

He was a suave, simple man; yet a disciplined hard worker fully focused on his jobs. He never remained idle, never took rest. What Ram Brahma did in repressed British India is definitely more important than his image that may be delineated today after 175 years of his birth.

(The writer is a Cost Accountant and former General Manager of a state power utility.)

100 Years Ago



Front page of The Statesman dated 02 February 1926

OCCASIONAL NOTE

Yesterday Lord Inecheape had a welcome to Calcutta in which personal affection mingled with respect for his great business career and the public work to which he has devoted the later years of his life. In a speech that breathed his own liking for India and his pride in the achievements of the firm with which he is connected, Lord Inecheape made a defence of business as not the sordid occupation that, in some quarters, it is regarded as being. To him it is more pleasant to think of the friendships that business has brought and to look upon the solid achievement of building up a great firm than to dwell upon the lakhs of rupees that have been made. That is the right spirit, and it is one with which Lord Inecheape has inspired his colleagues. The retirement of one of these, Sir William Currie, who has long been associated with good enterprises here, will be a cause of regret to the whole commercial community.

News Items

GENERAL BULLOCK

DEATH OF FORMER INDIAN ARMY OFFICER

Lieut.-General Sir George Macworth Bullock, whose death was reported yesterday, was born at Warangal, India, in August 1851, was a son of Mr. Thomas Henry Bullock, Deputy Commissioner of Berar. He was educated at Cheltenham, the University College, Oxford and Sandhurst. He entered the 1st Battalion of the 11th Foot in 1872, passed through the Staff College in 1880, and was Brigade-Major at Shorncliffe from 1882-87. He acted as Deputy Assistant Adjutant-General of India from 1889-94 and was awarded the Gold Medal of the United Services Institution, India in 1892. From 1912-17 he was Governor and Commander-in-Chief at Bermuda.

SIR JOHN SIMON

TRIBUTES TO LORD AND LADY READING

London, Jan. Interviewed in London on his return from India Sir John Simon said he had a very pleasant holiday. What struck him most was the evidence on all hands, among Indians and Europeans alike, of the esteem in which Lord and Lady Reading were held. There was no question in his mind that they had made a very favourable impression and were leaving India in a much better position than when they went there. In a brief allusion to Sir Alfred Mond's secession from the Liberals Sir John said that on personal grounds he regretted Sir A. Mond's action, but expressed the opinion that if a man were not a Liberal the best thing he could do was to leave the party. — Reuter.

COAL PROBLEMS

INDUSTRIAL COMMITTEE'S PROGRAMME

(British Official Wireless.)
Rugby, Jan. The special Industrial Committee of the Trades' Union Congress met yesterday for further consideration of the situation that will arise in the coal industry when on April 30 the subsidy granted last autumn is to expire. The Committee anticipates that whatever proposals are made by the Coal Commission, which is now considering its report, some time must lapse before they can be adopted, and a longer time before they can yield re-sults. It is stated that the Trades Union Committee will concern itself primarily with the economic side of the question during this period. Political issues, such as unification or nationalisation, are regarded as being outside the scope of its responsibilities, wages and conditions of labour being its chief concern. The Daily Mail says the Committee has sought the views of the miners on the question of the desirability of an early consultation with the mine owners, and that before the Coal Commission reports, such meetings will take place under its auspices.

IT CAME TO MIND | MANISH NANDY

Hooray, we are a monarchy again!



The last Fourth of July was appropriately spectacular in the US this year. The music was upbeat, the fireworks were impressive. The cynic might say there is a special reason to celebrate: after 24 years, the US is a monarchy again!

Churchill is reported to have said that Americans can be trusted to do the right thing after they have tried everything else. After trying for nearly 250 years every possible variation of democracy, from the Washingtonian to the Jeffersonian, from the Lincolnian to the Clintonian, Americans appear to have finally decided that democracy - a rule by the majority of people - is not their cup of tea. Following the famous 1773 tradition of Boston, Americans have decided to cast the whole democratic rigmarole in the sea and clear the path for what the country originally had: a simple, charming monarchic rule.

Just as the US long retained the Confederate flag and the martial statues of treasonous generals, it has affectionately retained many of the tchotches of its old political system. It has a venerable Constitution, but it also has a President who declares, "I have Article II of the Constitution,

where I have the right to do whatever I want as president" (2019).

President Trump has claimed the authority to prune or purge agencies set up by Congress, deport migrants by invoking an obscure law, remove tenured federal workers, and authorize the Justice Department to enforce or ignore specific laws. No matter that legal experts concur that the Constitution limits presidential power, not provide unlimited authority.

There is universal agreement about how the constitution distributes power: the Congress writes the laws;

the judiciary interprets the laws; the executive executes the laws as written by the Congress and as interpreted by the judiciary. The Founding Fathers had clearly identified the Congress as the supreme authority. The current reality is the reverse.

Trump runs his administration by executive orders, like royal edicts, rather than bills or laws: a yearly average of 225, compared to Obama's 34 and Biden's 41. The legislature simply has no role in these. The only bill, 'big, beautiful bill,' Trump has enacted has been, by every poll, a very unpopular bill, a mixed bag of disparate items, and passed by simply threatening unwilling Republicans to comply.

The Supreme Court, with several members chosen by Trump, has not only expanded the President's power but failed to signal to protect the judiciary, many of whose lower court judges have been threatened by impeachment or worse. Trump has claimed the authority to withhold funds allocated by Congress, ignore environmental laws, deport migrants without a hearing, dismiss federal workers, and direct the Justice Department to enforce or ignore certain laws.

Most dangerous of all, the Supreme Court, more than ever, has used the emergency docket to decide critical issues: no reasons are assigned, a barebones decision liable to be seen as partial. In Trump's first term, he sought emergency relief 41 times - a striking contrast to Bush and Obama's once in two years - and, in the current term, he averages almost once a week.

The simplest guardrail against the misuse of presidential power has always been the precious advice and consent of the Senate.

The historic counsel of Goldwater to Nixon at the height of the Watergate scandal is a spectacular example. Trump has trampled the barrier by carefully

choosing cabinet nominees most of whom have scant credentials for their jobs and are fully subservient to the President for all major decisions, even decisions they had earlier criticized and condemned.

Whatever the rest of the bureaucracy thinks, from tariffs to taxes, from Gaza to Ukraine, from university curricula to military deployment in a state, from shooting up boats in international waters to kidnapping a Venezuelan president, with no input from the elected congress members, every major decision comes from one source alone: President Trump.

These are not marginal changes to the US constitutional system, but its blatant repudiation, to achieve what the constitutional authors had warned against, a monarchical regime with unbridled power. We have slid into monarchy without masterly restraint, royalty without regal grace. Government of the blind, by the deaf, for the people made effectively mute appears unlikely to perish anytime soon.

(The writer is a US-based international development advisor and had worked with the World Bank. He can be reached at mnandy@gmail.com)

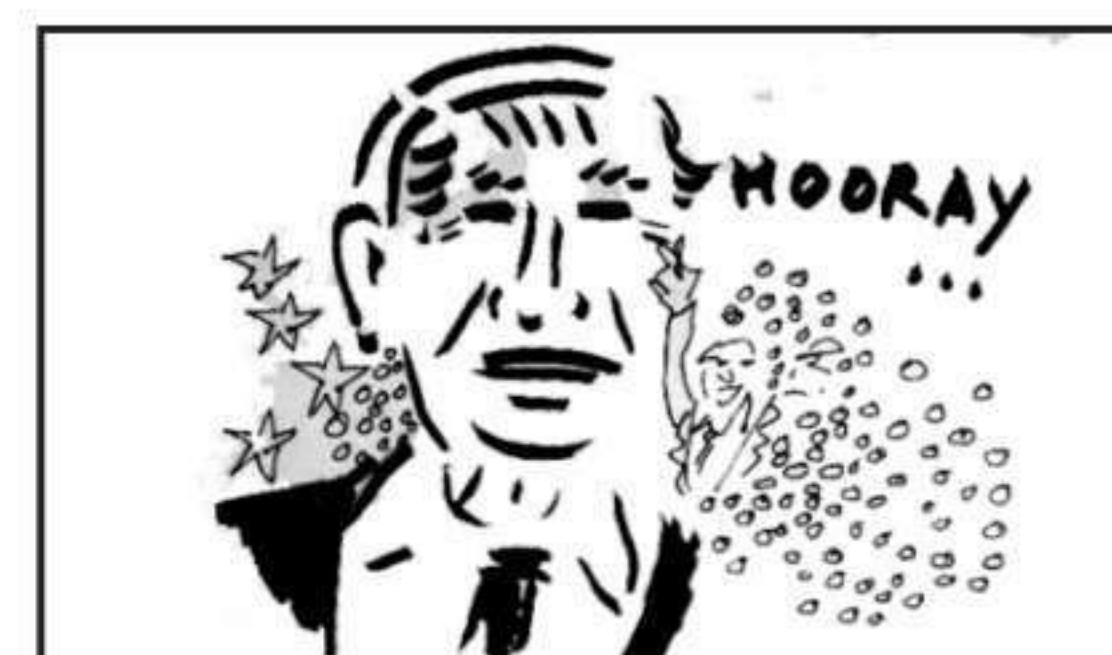
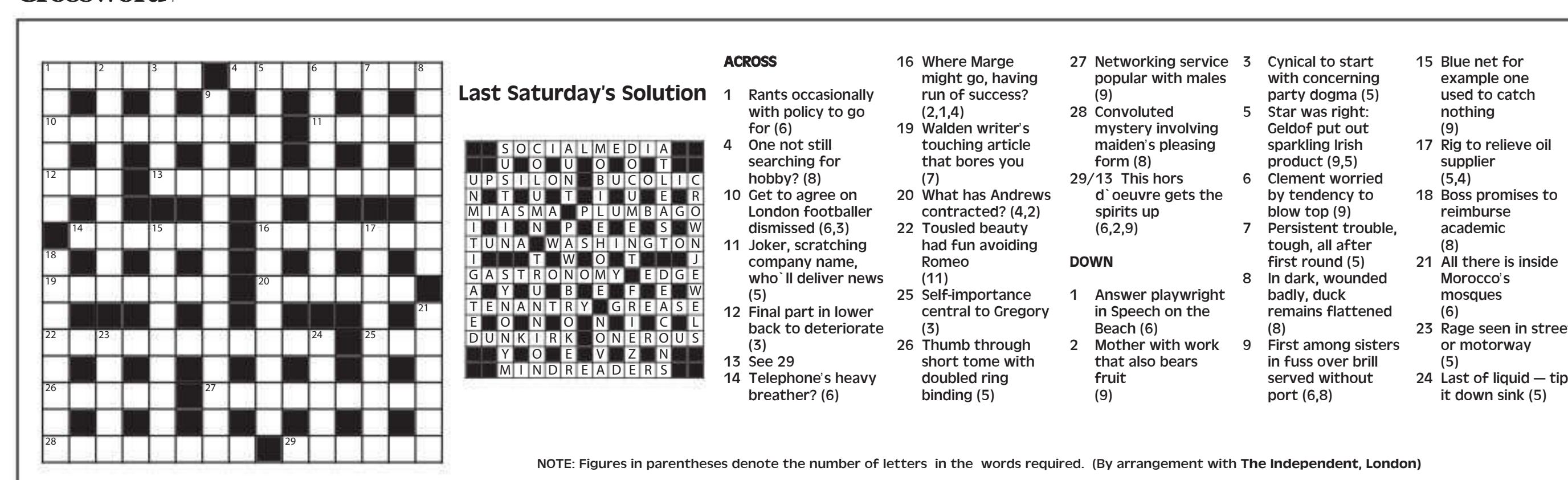


Illustration by: Debabrata Chakrabarty

Crossword | No. 293363



DECCAN Chronicle

2 FEBRUARY 2026

Budget underwhelming, a huge missed opportunity

Finance minister Nirmala Sitharaman has presented an underwhelming Budget, which at best can be considered a work-in-progress policy document that does not show the resolve of a country that is in the midst of unprecedented global economic uncertainty. The BJP-led NDA government appears to have been guided by caution rather than resolve, and as a result, it wasted an opportunity to nudge the country towards difficult reforms, especially in rural areas.

Ms Sitharaman continued fiscal consolidation by lowering the fiscal deficit to 4.3 per cent in the financial year 2026-27 from 4.4 per cent in the fiscal year 2025-26. Similarly, she did not splurge on either populist policies or growth-focused capital spending. Despite Operation Sindoor, capital expenditure grew merely from ₹11.11 lakh crore to ₹12.2 lakh crore in FY26.

This is the kind of financial discipline that global investors and credit rating agencies want governments to have. However, the Budget suffers from one major defect — its business-as-usual approach. When protectionism is rising, and great powers are forcing middle powers to choose sides, India cannot buy time; it must set its house in order and make itself attractive for investors.

On the education and skilling fronts, the FM showed a lack of imagination. Instead of reforming education to make youth employable, she offered the setting up of 15,000 content creation institutes.

Except for offering a tax holiday for data centres set up by foreign investors, the Budget had nothing worthwhile, either in terms of incentives or reforms. The finance minister could have undertaken various steps to improve the operational efficiency of companies without spending from the public exchequer.

Faster legal enforcement of contracts, for instance, could have improved India's ease of doing business metrics immensely. No steps were taken to reduce gatekeepers and rent-seekers, who increase the cost of production in India. Similarly, reforming the archaic agricultural distribution system could have unlocked thousands of crores for farmers.

The Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) got the biggest allocation in the Budget at ₹2,27,429 crore, which is second only to debt servicing. This scheme was intended to provide 5 kg of free food grains to people from economically poor backgrounds. Yet, 80 crore people — representing 50 per cent of the population — are availing it. Tighter implementation of such freebies — granted to people or companies — could have allowed the government to spend this money more wisely elsewhere.

On the education and skilling fronts, the minister showed a lack of imagination. Instead of reforming education to make youth employable, she offered the setting up of 15,000 content creation institutes, which is contrary to the Economic Survey's assessment that higher mobile use is adversely affecting youth's career prospects.

The government also appears to have slowed its push for non-fossil fuel vehicles, as it reduced monetary support under the PM e-vehicle scheme while increasing the Production-Linked Incentive (PLI) for the general categories of automobiles. Unless India reduces its dependence on foreign fuel, it cannot acquire global power status.

It is not enough to merely wish for India to become a *vishwaguru* without a concrete action plan to work towards achieving it. Time doesn't stop for anyone; it's time the BJP government learns this.

Poll states: Welcome lack of bias

Short on rhetoric and focused on reform, stability and continuity, the somewhat underwhelming Budget was also surprisingly silent on special measures aimed at this year's five poll-bound states of West Bengal, Tamil Nadu, Puducherry, Kerala and Assam.

The cynical conclusion that this could be so because the ruling alliance does not fancy its chances much in at least three to four of those five states can be arrived at easily enough because there is a distinct southern and eastern touch to the poll season.

It is, however, to be welcomed if the Union government has deliberately eschewed the temptation of aiming measures or freebies specifically at states going to the polls. It does appear there has been a significant departure from the past regarding announcements favouring poll-bound states.

Regardless of the cost to the exchequer, offers of freebies are coming with the speed of knots this season, which means there is less money for health, education and social sectors. This has been a national trend for a couple of decades now and the Union finance minister may have needed some guts to keep off such politically motivated decisions. She dismissed queries with the logic that there would be criticism either way on this.

Populism has been given the go by, which is to be welcomed because, as a nation, India is far more poll obsessed than many and given the vastness of the country, every year is a poll year. When the finance minister introduced schemes targeting high value crops like coconut and cashew, the measure could be said to be aimed generally at peninsular India, which has far more of them than the rest of India. And if fishing gets some attention with drop in duty, etc. the whole of coastal India would benefit.

The seven high speed rail corridors announced are to do with developing crucial growth connections and serving economic activity along key urban and industrial centres. Chennai, which will connect faster to Hyderabad and Bengaluru, and Siliguri and Dankuni in Bengal to Varanasi and Surat, respectively, will be among the cities to benefit. But this is a national push for enhancing economic activity rather than a sop for any specific state going to the polls. So too the promised rare earths corridor which is part of the effort to keep pace with demand for batteries as part of futuristic sectors in which investments are being made.

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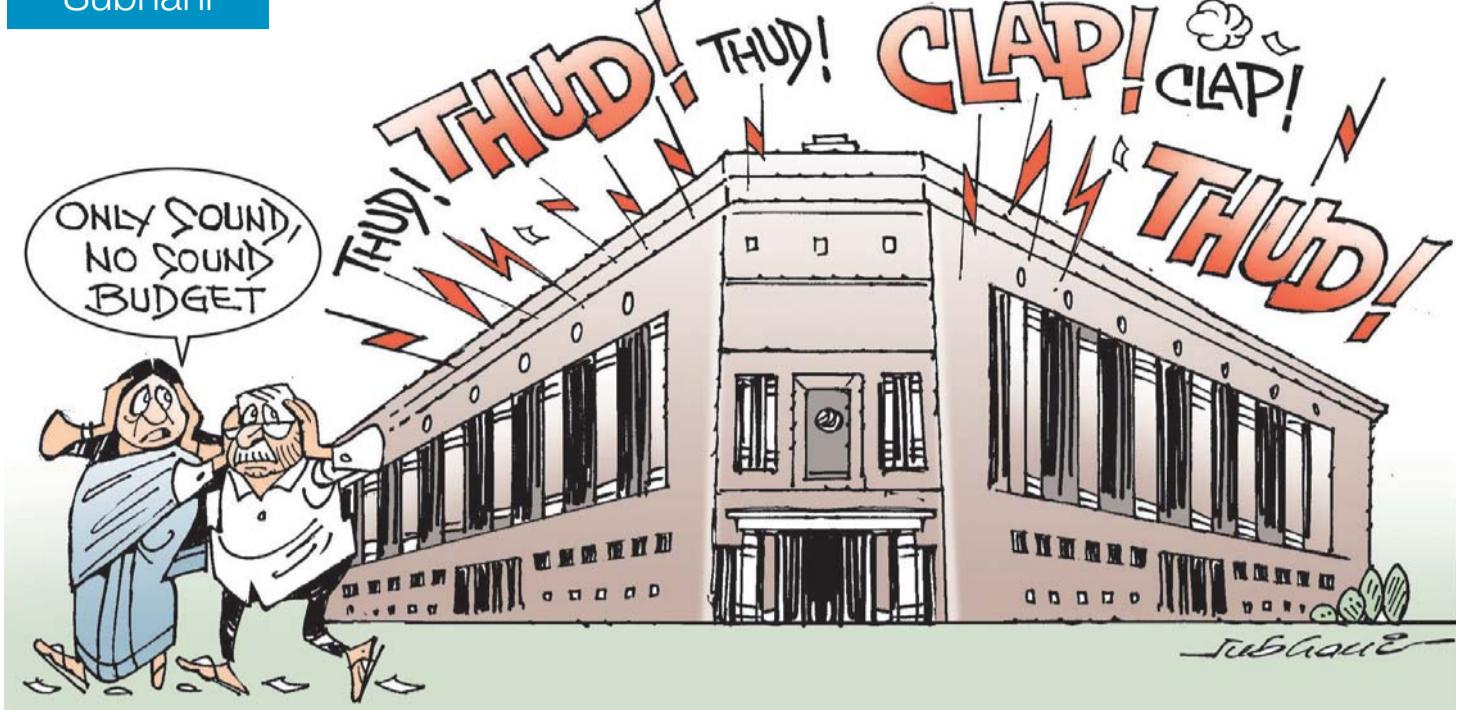
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Union Budget 2026-27 appears to bring back the old populist Congress-era rhetoric of focus on the poor and disadvantaged as one of the government's "kartavyas", or duties. Going by the government's virile optimism of the Indian economy growing faster than many others, including China, the government seems to have realised that there is a need to sort out issues at home. Behind this sober recognition seems to be an acute awareness that the global situation is no too friendly.

For quite some time now, Prime Minister Narendra Modi and his Cabinet colleagues like commerce minister Piyush Goyal and railway minister Ashwini Vaishnaw have avoided mentioning challenges and problems. Theirs is unqualified optimism that the Indian economy is doing well, and it can only do better. And the poor and disadvantaged come into a government statement. Of course, no details are given how many poor there are in the country, who are the disadvantaged and who the underprivileged, and what are the specific measures to be taken to help them. There is a passing mention that 25 crore people, or 250 million, have moved out of poverty on the multidimensional poverty index. And how many more poor are left in the country. There is also not much indication if there are new criteria of counting someone as poor and disadvantaged. Not that these sections of the population had ever dis-

Subhani



Modi-Sitharaman Budgets miss the woods for trees



Sanjaya Baru

Sanjayovacha

Dr Manmohan Singh is still remembered for the historic Budget speech he delivered in 1991. Palaniappan Chidambaram, branded himself author of the "Dream Budget" of 1997, with his tax rate cuts. Yashwant Sinha became famous as the "rollback minister", for reversing many Budget proposals under pressure from allies in Atal Behari Vajpayee's NDA coalition government. Pranab Mukherjee earned notoriety with the "retrospective taxation" proposal of 2009.

After earning the distinction of making the maximum number of Budget speeches in Parliament, nine as of now, what will Nirmala Sitharaman be remembered for? For becoming breathless and almost fainting while reading out the longest Budget speech? For having the biggest number of acronyms in any Budget speech since Independence? For not cracking a single joke in any speech?

Ms Sitharaman's speeches, presenting what should rightly be called the Modi-Sitharaman Budgets, are full of sectoral announcements and initiatives that consistently shy away from defining a larger vision. All about trees with little focus on the woods.

This year was certainly one that required a more forward-looking visionary statement, offering a view of the woods surrounding the trees. Clearly, Ms Sitharaman's many sectoral initiatives have been crafted to deal with the challenge facing the woods — the global uncertainty and domestic demand slowdown. But the Budget speech does not specify how her many initiatives are likely to address these challenges.

The annual Economic Survey, prepared by the Union government's chief

economic adviser and his team, who work within the portals of the historic Finance ministry, in fact offers an excellent account of the global and national economic context and environment and the challenges and opportunities that these present. The Budget speech could have framed the plethora of initiatives within this context, explaining how these policies will address the challenges the economy and the people of India are facing.

In fact, the budgetary strategy does seek to address five significant challenges India is facing without specifying them — youth unemployment, inadequate private corporate investment, the new global trade order, the challenge of acquiring new technologies and strategic resources and the need to enhance investment in health, education and research.

While everyone routinely mouths the slogan that India will become "Viksit" — a developed economy — by 2047, few address the question of "how". As Monkrish Singh Ahluwalia, the former deputy chairman of the now defunct Planning Commission, said at the Centre for Economic and Social Studies, Hyderabad, to become a developed economy by 2047, the country has to push up the average annual rate of growth from 6.5 per cent in the past two decades to 8.0 per cent in the next two decades. What needs to be done?

It was incumbent upon Ms Sitharaman to inform Parliament as to how her expenditure and revenue proposals will enable this acceleration in growth, at least during the remainder of this government's term, that is up to 2029. The three "kartavyas" which Ms Sitharaman mentioned — stepping up growth, meeting aspirations and ensuring equitable development — are well taken. How the

expenditure proposals will deliver on these goals is not quite clear.

Ms Sitharaman has been widely, and deservedly, credited and complimented for adhering to fiscal discipline. By retaining the fiscal deficit to national income ratio at 4.3 per cent in fiscal 2026-27, she has stayed the course. One consequence of maintaining this discipline while yielding on direct and indirect revenues, is that total Central government expenditure has risen by only around 7.0 per cent in nominal terms. If this is so, how do the many sectoral allocations made add up? If the government is spending more in some areas, is it spending less elsewhere?

Many have noted the sharp hike in defence expenditure. It appears that some in the government have gently suggested to the media that should draw attention to this fact in the backdrop of Operation Sindo and the policy of "atmanirbhar" in the defence sector. The curious fact is that ever since 1948, the first India-Pakistan clash, defence spending has always been hiked after each such episode — 1962, 1965, 1971 and 1999 — and then it declines. What the armed forces require is a five-year defence plan, and a procurement policy that guarantees purchase from arms manufacturers so that the latter are incentivised to invest. Episodic hikes mean nothing.

Ms Sitharaman has taken initiatives to attract investment from non-resident Indians, perhaps against the background of declining foreign direct investment. But it remains to be seen if overseas Indians will put their money where their mouth is or merely chant "Bharat Mata ki jai" and

retain their savings overseas. The Budget has also shied away from addressing the issue of putting in place a policy on a bilateral investment treaty that will encourage FDI to return.

As for the many initiatives announced by the finance minister, their impact on the economy and employment generation will depend on implementation by both the Union and state governments. This points to the importance of state capacity — a subject on which the Economic Survey has much to say in its brilliant Chapter 16. Part two of Chapter 16 offers an excellent evaluation of the limitations of state capacity and what needs to be done about it. Unless state capacity is drastically improved, allocated funds will remain either unspent or mis-spent.

Ms Sitharaman has done well to repeatedly refer to the "ease of doing business" (EoDB) and to the "ease of living" (EoL) as policy objectives. These are good intentions but the delivery on these goals is left to other ministries and state governments. To the extent that tax administration has been eased, the finance minister has made her contribution. The burden of delivering on EoDB and EoL rests with the Prime Minister and the chief ministers. Without a decisive move on these fronts, the static within the system that stifles enterprise and slows growth will not be eliminated.

It was amusing to see the reaction of most business leaders representing business associations like the Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry continue to mouth their approval of budgetary policy as they always do. Such fulsome praise as they offer has to be matched by an increase in private corporate investment that has remained virtually stagnant for over a decade. The proof of the pudding will be in the eating.

Sanjaya Baru is a writer and economist. His most recent book is *Secession of the Successful: The Flight Out of New India*.

LETTERS

SUNETRA SWORN IN

Sunetra Pawar took over all the portfolios of her late husband, Ajit Pawar, barely three days after his death in a plane crash in Baramati (From wife of a leader to Maha's 1st female Dy CM. Feb. 1). On similar lines, Supriya Sule will succeed her father Sharad Pawar, Nara Lokesh will succeed his father N. Chandrababu Naidu, K.T. Rama Rao will succeed his father K. Chandrashekhar Rao, Udhyanidhi Stalin will succeed his father Stalin, Abhishek Banerjee will succeed his aunt Mamata Banerjee as president of TMC and many more such examples are available with family-ruled parties in India.

Parthasarathy Mandadi
Tirupati

In a quick turn of events Sunetra Pawar, the wife of Ajit Pawar who died in a plane crash on January 28, became the first woman Deputy Chief Minister of Maharashtra on Saturday. She is a political novice though she hails from a political family as she made her political debut only in 2024 general elections and lost to NCP (SP) leader Sharad Pawar's daughter Supriya Sule in Baramati parliamentary constituency. Her swearing in was conducted in haste so as to prevent reunification between the NCP (AP) and NCP (SP).

Pratapa Reddy Yaramala
Tiruvuru

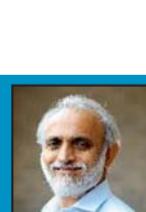
MIGRANT LABOUR

Death could not be more tragic than what happened in Bengaluru to those four hapless migrant labourers from Assam, who died while cooking rice on a stove in a closed dingy room due to carbon monoxide accumulation (4 migrant labourers die of asphyxiation. Feb. 1). This quickly reflects the standard of life "enjoyed" by the crores of daily wagers logging it out there in the entire country with none to address their problems in the right perspective. All that the ruling politicians do is shedding crocodile tears whenever such unfortunate deaths occur, promising better facilities, freebies, compensation to the bereaved kin of the deceased, etc., instead of planning a permanent relief to all such BPL families.

Govardhana Myneedu
Vijayawada

Email your letters to info@deccanmail.com, editor@deccanmail.com.

Parsa
Venkateshwar
Rao Jr



Budget 2026-27
brings back old
populist rhetoric,
but it's still muted

peared. In the last 10 years or more, Mr Modi and his band of optimists have refused to refer to them.

The mood in the corridors of power today is not only sober, but quite chastened. Critics and experts have been talking about the increasing levels of inequality as even the market economies across the world have shown signs of floundering. The arrival of US President Donald Trump on the US political stage with his punitive tariffs has cast a long shadow on the Indian economy as well.

The workmanlike Budget 2026-27 of finance minister Nirmala Sitharaman is a reflection of the sombre mood prevailing at the top. The sense of apprehension was fully articulated in the Economic Survey 2025-26, which was placed in Parliament on Friday. It distinguishes between economic policy and economic statecraft. It says: "How does economic policy differ from economic statecraft? Economic policy employs traditional instruments, including fiscal, monetary and trade tools to achieve economic objectives such as reducing deficits, controlling inflation and promoting economic growth. Economic statecraft goes a step further by employing economic tools to achieve foreign policy or national security objectives, such as compelling a country to stop hostilities with a third party or to liberalise its markets." This indirect reference to Trumpism is writ large in the formulation about economic statecraft. It is elaborated further in the Economic An-

alysis: "Across regions, the resurgence of ultra-nationalism, rooted in claims of cultural superiority and an anti-immigrant stance, is increasingly shaping political and policy issues. This shift is narrowing the space for multilateral cooperation and rule-based trading, while hardening domestic borders and constraining labour mobility." This is both a description of the global situation as well as a national element. Of course, the irony cannot be overlooked: the Narendra Modi government has its own version of cultural superiority and anti-immigrant stance. But that is another debate.

The fact is the Budget looks at all the things the government wants to strengthen in the economy. This starts from providing ₹10,000 crore in support to MSMEs to building hostels for girls in every district to enable them to pursue higher studies and training guides to boost the tourism sector. It makes for an interesting shopping list.

The "atmanirbhar" rhetoric gives way to the need to be integrated with global markets because of trade and capital needs. It is evident that domestic consumption and public investment is not sufficient to sustain economic growth. The sense of triumphalism of this government in 2016-17, when the Indian economy was slotted in the "sweet spot", has given way to tariff hurdles.

Apart from budgetary allocations to different sectors, from manufacturing to infrastructure to setting up institutes of creative technologies to

support and encourage Animation, Visual Effects, Gaming and Comics (AVGC), and a rise in public expenditure from ₹11.1 lakh crore to ₹12.2 lakh crore, there is little indication of how the goals of growth are to be achieved. The pious hope is that public expenditure will pay off in the long run.

At the end of a decade in power, Prime Minister Modi's desire to reach the utopia of "Viksit Bharat" by 2047 seems to be losing steam despite tiresome reiterations. All that the government is able to do, as reflected in the Budget menu, is to put in the money in the different sectors, though funds allocated are not fully utilised. There is no desire to step up the growth rate beyond the optimal seven per cent. The policymakers in the government seem to recognise the harsh fact that given the global economic and political uncertainties, it is not possible to do so. There is also the reluctant admission that external factors matter in the growth of a country's economy, and there is no brushing it aside. The BJP-led NDA of Prime Minister Modi is feeling the constraints faced by the Congress-led UPA in its last years in office. The country's economy is certainly at a higher level than a decade ago, but the problems persist.

That is why Mr Modi's rhetoric of growth remains muted in Budget 2026-27.

The writer is a Delhi-based commentator and analyst

"The budget deepens financial markets through calibrated measures -- higher securities transaction tax (STT) on the derivatives to curb excess speculation." — ASHISH CHAUHAN, CEO and MD, NSE

"Budget focuses on enhancing India's competitiveness in world, takes meaningful steps towards Atma Nirbharata and enables a participation in economic growth." — ANISH SHAH, CEO & MD, Mahindra Group

"Increase in defence spend. Broad fiscal discipline continues. Works on balancing between financialisation of the economy, and focused development of diverse, deep India in the long term." — UDAY KOTAK, Founder, KMB

"It is a Budget which creates opportunities for youth to improve their livelihoods, women to become financially independent and for employment-intensive sectors to take off." — ANIL AGARWAL, Chairman, Vedanta Group

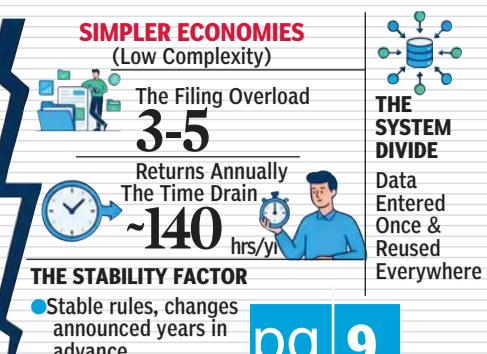
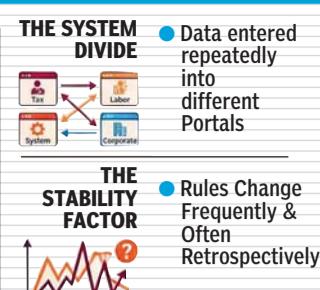
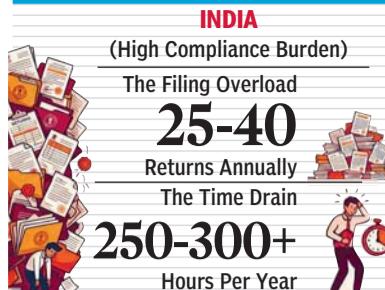
"Continued exemption of basic customs duty on capital goods used for manufacturing lithium-ion batteries for a further two years till March 2028, will enable creation of a robust EV ecosystem in the country." — SHAILESH CHANDRA, President, Siam

"Budget delivers a strong push to domestic manufacturing through targeted sectoral schemes spanning bio-pharma, electronics, textiles, semiconductors, chemicals, defence and infra equipment." — NIRMAL K. MINDA, President, Assocham

The Union Budget sends a strong and reassuring signal for India's long-term growth, anchored in fiscal discipline and a sustained push on infrastructure-led development. — ALOKE SINGH, MD, Air India Express

"MAT credit set-off is being allowed up to 25% of tax liability under new tax. This move improves cash flows and makes new tax regime smoother for companies with accumulated credits." — SUDHIR SITAPATI, MD, Godrej Consumer

"We thank the government for a growth-focused Budget that addresses key bottle-necks and gives fresh momentum to India's gems and jewellery sector. It improves liquidity, supports manufacturing and strengthens exports." — KIRIT BHANSALI, GJEPCL chairman



MKTS BLEED ON HIGHER STT CHARGES

Hike intends to provide a reasonable course correction within F&O segment; generate addl revenues

RAVI RANJAN RASAD
MUMBAI, FEB. 1

Sensex and Nifty-50 dived 2.88 to 2.96 per cent intra-day on steep hike in securities transaction tax (STT) on futures and options transactions by 150 per cent and 50 per cent respectively. Sensex closed 1,546.84 points or 1.88 per cent down after falling 2,370.36 points or 2.88 per cent intra-day on value buying in the closing hour of trade. The Nifty-50 also fell over 1.96 per cent or 495 points to close at 24,825.45 after intra-day fall by 748.9 per cent or 2.96 per cent to 24,571.75.

In the Budget, finance minister Nirmala Sitharaman raised the STT on futures to 0.05 per cent from current 0.02 per cent. STT on options premium and exercise of options are both proposed to be raised to 0.15 per cent from the present rate of 0.1 per cent and 0.125 per cent respectively.

Hike in securities transaction tax or STT rates for futures and options transactions was a surprise for market intermediaries more than investors. The market didn't expect such a measure at a time when the Indian market has been underperforming the global peers over the last one year. It has been under pressure due to foreign fund outflows as well as US tariff-induced avoidance of Indian equities by many market participants.

Badly hit sectors included PSU banks and defense stocks. Investors were quick to unwind their leveraged positions as BSE PSU bank index fell 5.6 per cent while BSE capital goods index fell 3.02 per cent. Metals, already under global sell off pressure last week, extended their fall on Sunday too as BSE Metal index fell another 3.85 per cent after 5.12 per cent fall on last Friday.

Other badly hurt sectors included BSE Oil & Gas and Realty down by 2.77 per cent and 2.15 per cent.

Meanwhile, blue chip IT stocks gained on Budget announcements of safe harbour relaxations and other measures to boost competitiveness of the Indian IT sector.

The BSE IT index was lone gainer by 0.66 per cent while healthcare and consumer durables outperformed benchmarks, and all other sectors ended with sharp cuts.

Market had concerns that saw cautious moves of profit taking on Sunday but more impact may come as Market opens on Monday with foreign investors largely absent on Sunday.

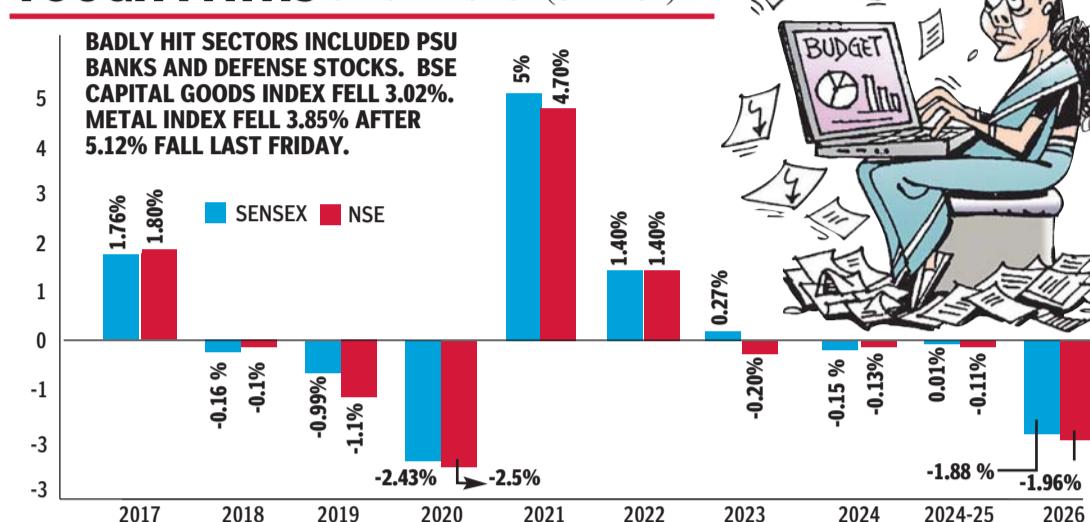
With no relief on capital gains, corporate earnings growth in coming quarter and FY27 will become even more critical for equity market outlook over the next 12-18 months, said Rahul Singh, CIO - equities, Tata Asset Management.

The total allocation for central sector schemes and projects under textiles ministry has come down from ₹5,100 crore in RE FY26 to ₹4,659 crore in BE FY27.

"The budget provides some solace to Indian exporters struggling with US tariffs and suspension of GSP and introduction of CBAM charges by the European Union removing the cap on courier exports, and increasing duty-free import limits for inputs of certain sectors.

For the sake of US aerospace firms, the Budget eliminated country-neutral duties on aircraft components and MRO inputs. In nuclear energy, zero customs duty on nuclear generation equipment

TOUGH PATHS SENSEX VS NSE (CHANGE)



Biopharma gets SHAKTI with ₹1,000 cr for 5 years

SANGEETHA G.
CHENNAI, FEB. 1

The Budget made big proposals for biopharma to develop India as a global biopharma manufacturing hub.

"I propose Biopharma SHAKTI with an outlay of ₹10,000 cr over five years. This will build the ecosystem for domestic production of biologics and biosimilars," she said.

The strategy includes a biopharma-focused network with three new National Institutes of Pharmaceutical Education and Research (NIPER) and upgrading seven existing ones. It will also create a network of over 1,000 accredited India clinical trials sites and strengthen the Central Drugs Standard Control

Organisation.

However, the expenditure demand for the department for pharmaceuticals is estimated at ₹2,102 crore in BE FY27 against ₹2,055 crore in revised estimates.

As India's disease burden shifts toward cancer, diabetes and autoimmune disorders, biologics and biosimilars will be central to improving longevity, said industry experts.

The emphasis on biosimilars is timely as India is

at the cusp of taking a global lead and will be a key enabler for India's journey from volume to value leadership.

The budget demonstrates a focus to prepare India for the future as pharma exports are a critical contributor to India's trade balance, they said.

Pharma exports today are a critical contributor to India's trade balance, foreign exchange earnings, and global health security.

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all types of shareholders as capital gains," finance minister said.

"However, to discentivise misuse of tax arbitrage, promoters will pay an additional buyback tax. This will make effective tax 22 per cent for corporate promoters. For non-corporate promoters, the effective

tax will be 30 per cent," she said.

Under tax provisions applicable from Oct. 1, 2024, the amount received by shareholders from a share buyback was a deemed dividend. The current move cuts inconsistencies, brings transparency, and provides companies and investors with greater clarity.

RAVI RANJAN PRASAD
MUMBAI, FEB. 1

Finance Minister announced change in taxation rules for the consideration received by shareholders on a buyback. It will now be chargeable to tax under the head 'capital gains'.

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Good Budget, but govt must do a lot more

THE Union Budget 2026-27, which Finance Minister Nirmala Sitharaman presented on Sunday, is typical of her government's priorities: fiscal consolidation with high funding for infrastructure. Since important changes in direct and indirect tax regimes were carried out last year, there was not much in terms of taxation. So, unsurprisingly, she laid a great deal of emphasis on enhancing ease of living. But we must remember that economic growth depends not just on the budget day announcements or even on the decisions that economic ministries make; it also depends on decisions and developments in other walks of life. Events in the political arena, social and cultural life, and elsewhere also impact the economy. For instance, while inaugurating the World Audio

Visual and Entertainment Summit (WAVES) 2025 in May, Prime Minister Narendra Modi had said, "India, with a billion-plus population, is also a land of a billion-plus stories and over a billion storytellers." But how do creative people tell stories if they are terrified of politicians, governments and activists, among others? And when they fear legal—or even physical—action. Creative expression thrives in an environment of openness, tolerance, and institutional protection. Writers, filmmakers, journalists, artists and performers must feel secure in the knowledge that disagreement, satire, or critical reflection will not invite disproportionate retaliation—whether legal, political, or physical.

This is where the broader ecosystem intersects uncomfortably with eco-

nomic ambition. When creative individuals operate under constant apprehension—fearful of offending political authorities, social groups, or activist interests, the quality and diversity of expression inevitably suffer. Self-censorship becomes a survival strategy. Gradually, safe and predictable narratives replace experimentation and dissent. Over time, this diminishes not only artistic vitality but also the innovative energy that modern economies depend upon. From an economic perspective, this matters more than is often acknowledged. Creative industries are among the fastest-growing sectors globally, generating employment for young people, attracting foreign investment, and contributing significantly to exports and tourism. Countries that succeed in these sectors

typically combine strong infrastructure and funding with robust protection for free expression and the rule of law. India's own experience offers instructive lessons. Its global cultural influence—from cinema and music to literature and digital content—has historically flourished when creators enjoyed space to explore complexity, contradiction and critique. Conversely, periods marked by excessive control or intimidation have tended to coincide with stagnation and inward-looking production.

In fact, the climate of fear or intolerance has spillover effects far beyond the creative sector. Entrepreneurs hesitate to take risks in an environment where rules appear unpredictable or selectively enforced. Investors become wary when institutions seem vulner-

able to political pressure. Businesspersons fear voicing their concerns lest some minister or a bureaucrat gets angry. Hence, the impact of the Budget 2026-27 will only be minimal unless other conditions are also fulfilled. For India's growth story to remain credible and sustainable, economic policy must be complemented by a broader commitment to institutional integrity, social openness, and cultural freedom. The government's emphasis on stability and continuity in economic management is welcome. But stability must extend beyond macroeconomic indicators to encompass the lived experience of citizens, creators, and businesspersons. Growth flourishes best in a society that is not merely orderly, but confident enough to allow its people to think, speak, and create without fear. India can tell "billion-plus stories" if its storytellers and wealth creators are free to tell them.

A lacklustre central Budget-2026-27

PROF K VIYANNA RAO

DESPITE the global economy being very fragile and diverging, the Economic Survey presents a rosy picture about the Indian economy. It has projected that the real GDP growth would stay at 7.4 per cent for the Financial Year 2025-26 and the medium-term growth potential has been put at an average of seven per cent.

Fiscal discipline has remained elusive ever since the Fiscal Responsibility and Budget Management Act was passed in 2003. The goals that were set remained unrealised with the three-year period of Covid-19 dubbed as the cog in the wheel.

The Economic Survey has set a goal of capping the combined fiscal deficit of the Centre and States at six per cent. But the Budget estimated it to be hovering around 4.3 per cent of GDP. What is not focused hitherto is the unfettered fiscal indiscipline of the States. The Survey has noted that the gross fiscal deficit of the States has increased from 2.6 in 2021-22 to 3.2 per cent in 2024-25, which is quite alarming. Similarly, liabilities of the States are also shooting up to almost one-third of the States' GDP. The new trend among the States is that they are devising newer ways of borrowing through domestic and international lenders. Wisdom has prevailed very lately on the Central Government that the sovereign borrowing cost is on the rise; till then it thought it wise to ensure fiscal discipline among the States.

As a matter of fact, the N K Singh Committee constituted

to review and recommend changes in the FRBM Act 2003 proposed a maximum limit of 40 per cent in case of the Centre and 20 per cent in case of States of their GDP. All these targets belied long ago. To quote an example of how States are let loose in imposing fiscal discipline, we must cite the example of Andhra Pradesh. The State has raised direct loans to the extent of Rs 5.62 lakh crore, taking the total loans to a staggering Rs 11.62 lakh crore, which is about 33 per cent of its GSDP.

Similarly, a major worrying factor comes in the form of rising loan to GDP ratio growing to almost 85 per cent; with the Centre sharing 57 per cent and states holding the remaining 28 per cent. The Centre hopes to bring it down to 55.6 per cent by 2026-27.

Informal sector is a reality in India with about 450 million, constituting about 90 per cent of the labour force and contributing about 50 per cent to the GDP of the economy. Another startling revelation is the growing presence of the gig economy, accounting for about two per cent of the country's workforce. It is noted that gig workers are increasing at a phenomenal rate of about 55 per cent from 7.7 million to 12 million between 2020-21 and 2024-25. The plight of around 40 per cent of this category earn a pittance below Rs 15,000 per cent; which is well below the minimum Rs 20,358 wages fixed by the Central government for unskilled workers.

The government is claiming that the implementation of four Labour Codes is helping consolidate the 29 central laws to simplify the compliance and



In the long march towards Viksit Bharat, many fundamental infirmities are conveniently being ignored. One such issue is about the growing inequalities between the rich and the poor. Inequality is so vast that the top one per cent of Indians are controlling about 40 per cent of the wealth and receiving about 23 per cent of income. The 'Billionaire Raj' is deepening with the number of Indians joining the club year after year at 358 dollar-billionaires; occupying the third place, next only to the USA and China

ensure safety and security for the labour. But the opposition has been raising a hue and cry stating that these codes weaken protection of workers and increase job insecurity and thus make 'hire and fire' easy for the employers. Surprisingly, the Budget is silent about these issues and there is no mention of creation of any fund or allocation to ensure their safety and security; excepting a few general measures proposed to ensure well-being and wellness of citizens.

It is laudable that human capital formation is accorded priority in the context of realising Sustainable Development Goals (SDGs). The present budget highlights this as the second kartavya to fulfil the aspirations of the people of the country and build their capacity, making them strong partners in India's path to pros-

perity. The measures are distributed under health, MSME and agriculture. Instead, there should have been a consolidation allocation at a single place.

But the quality of human resources in India is not of any reckoning in terms of education, health and social security. The literacy rates are low with significant divergence between rural and urban, men and women plains and hilly areas are not certainly comparable with any advanced country. The country's HDI ranking is not appreciable with India placed at 130th position out of 193 countries. There is a claim that there has been a significant reduction in poverty levels, and the poverty rates are estimated at 5.3 per cent during 2022-23 for extreme poverty. But India is put under 'serious category' with a score of 25.8 by the Global Hunger

Index (GHI) and the country stands at No 102 position from among the 123 countries that were surveyed. The Report is also categorical about the challenges of malnutrition, stunting and wasting faced by our young kids.

In the long march towards Viksit Bharat, many fundamental infirmities are conveniently being ignored. One such issue is about the growing inequalities between the rich and the poor. Inequality is so vast that the top one per cent of Indians are controlling about 40 per cent of the wealth and receiving about 23 per cent of income. The 'Billionaire Raj' is deepening with the number of Indians joining the club year after year at 358 dollar-billionaires; occupying the third place, next only to the USA and China. Secondly, the basic principle of 'socialistic pattern of society' is glossed over in preference to private participation in almost every sector, including defence. Time alone shall decide whether the nation is making the right choice in a country devoid of equal opportunities in education, health and even in political power. The third is the domain of maintaining harmony between the Centre and the States, upholding the sanctity of federal structure.

The non-BJP ruled states are vehemently vocal about the unfair distribution of financial and other resources. In the context of the recommendations of the 16th Finance Commission due for finalisation, States are reeling under high hopes of fair share in the increased tax revenues. Against these, the budget proposed just 41 per cent transfer to states as

against their demand of minimum 50 per cent. Unless this is balanced properly, the already strained relations would beat a new low and discontent turning perennial.

It is usual to expect in any budget that there will be a higher focus on increasing the investment through public and private sectors towards capital expenditure. During the last budget, the finance minister had proposed an amount of Rs 11.2 lakh crore in this regard but spent only Rs 6.2 lakh crore. This time, the FM is proposing an amount of Rs 12.2 lakh crore. But how much of it is going to be spent will be the point of concern. As a matter of fact, there is a near standstill in the capital spending by the private sector. A cautious 'wait and see' approach is being adopted by private players.

Finally, there is a great disappointment for the individual taxpayers, who were hoping to have some relief in the form of a hike in the 'no tax' limit. As already indicated, the new tax regime is aimed at rationalising the tax structure and procedures with the new Income Tax Act being made operational with effect from April 1. Similarly, the FM has proposed a simplified tariff structure on the indirect taxation front; providing a boost to the genuine exporters and importers. Overall, the present budget can be termed as 'just another exercise in continuation' without any exclusive treatment to any important segment, including agriculture, human capital, corporate investment and the much-awaited fiscal discipline.

(The writer is a former Vice-Chancellor of Acharya Nagarjuna University)

A quiet Budget that roars with intent



DR MONA N SHAH

SAT through the Union Finance Minister's Budget speech—her ninth in Parliament—on Sunday and for the first time, came away with a distinct impression that quickly crystallised into a thought.

This was a 'quiet' Budget. Quiet not because it escaped the usual parliamentary commotion, but because of its tone. Measured. Composed. Confident. It conveyed quiet resolve. It carried the assurance of a government that has internalised resilience, built policy depth over the past decade and more, and is prepared to act decisively amid global uncertainty. There was no overt theatrics—only a firm resolve and continuity of purpose.

Like in the past eleven years, Budget 2026-27 reinforces an infrastructure-led growth strategy, anchored in sustained public capital expenditure, manufacturing revival, human capital development, and strategic technology investments.

Infrastructure: Scaling growth while managing risk:

The centrepiece remains infrastructure. Public capex is scaled up to approximately ₹12.2 lakh crore by FY27, but more importantly, the Budget focuses on how this capital is deployed and financed. It aims at asset monetisation through REITs and InVITs, NII and NABFID to crowd in private finance while recycling brown-field assets.

Logistics and connectivity receive a decisive push through new Dedicated Freight Corridors, 20 National Waterways, coastal shipping promotion, and seven high-speed rail growth corridors, with an explicit emphasis on Tier II and Tier III cities. The proposed City Economic Regions (CERs) aim to unlock agglomeration economies by aligning city growth with sector-specific strengths.

Equally significant is the emphasis on de-risking infrastructure delivery. The proposed Infrastructure Risk Guarantee Fund, ₹2 lakh crore of capital support to states (SASCI), and energy-enabling infrastructure for nuclear power, energy storage, critical minerals, and CCUS collectively enhance investor confidence and long-term sustainability.

Manufacturing and SMEs: A strategic new direction:

Manufacturing's share of GDP has remained stagnant at

around 15 per cent for years. Budget 2026-27 signals a clear intent to reverse this trend by combining sector-specific industrial policy with financing, liquidity, and compliance reforms, particularly for MSMEs.

The strategy rests on three pillars: deepening domestic manufacturing capabilities under Make in India; positioning MSMEs as employment and supply-chain anchors under Atmanirbhar Bharat; and improving competitiveness through ecosystem and policy support. The emphasis is not merely on survival, but on scale—enabling MSMEs to emerge as national champions integrated into global value chains.

Education and skilling: Turning demography into advantage:

Human capital development receives sustained attention. The Budget commits to training 1.5 lakh youth as caregivers and allied health professionals, with an additional one lakh to be trained in professional yoga and allied health services over the next five years.

Beyond numbers, the focus is structural. Expansion of STEM education, allied health institutions, university townships near industrial and logistics corridors, and upgraded research infrastructure strengthens India's innovation base. Industry-aligned skilling—through NSQF programmes, AVGC and design institutions, creative economy

initiatives, and services-export-oriented training—aligns workforce capabilities with future demand. The launch of AYUSH institutes, including an evidence-based research institute in Jammagat, further integrates traditional knowledge with modern research.

R&D, AI and semiconductors: From adoption to co-creation:

Budget 2026-27 reflects India's determination to move from a technology adopter to a technology co-creator. Investments in advanced research infrastructure and industry-academia collaboration aim to lift Total Factor Productivity—critical for long-term competitiveness. A combined allocation of ₹72,133 is set aside for R&D, AI and semiconductors.

Education and skilling: Turning demography into advantage:

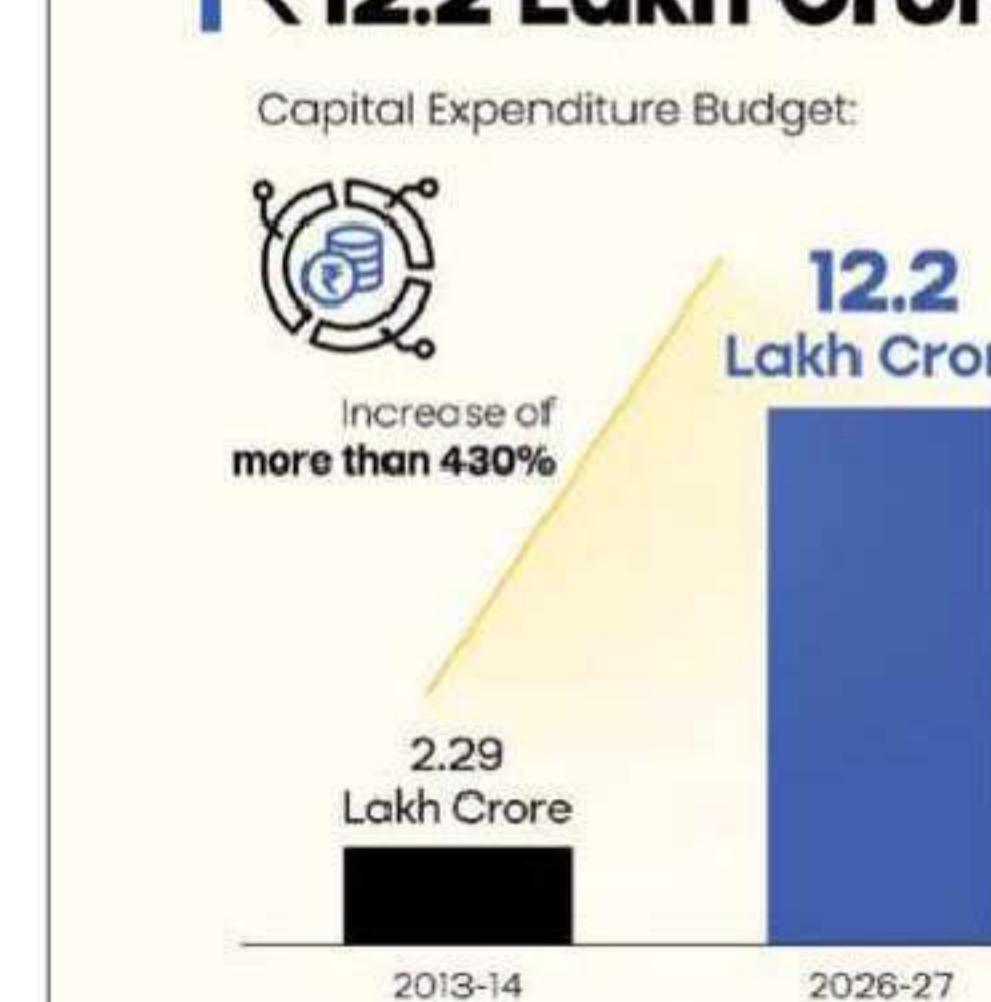
An allocation of ₹1.63 lakh crore for agriculture under-scores continued focus on

agriculture, and services-export-oriented training—aligns workforce capabilities with future demand. The launch of AYUSH institutes, including an evidence-based research institute in Jammagat, further integrates traditional knowledge with modern research.

Agriculture, rural growth and inclusion:

A combined allocation of ₹29,634 for digital infrastructure. The Budget's long-term tax holidays up to 2047 for foreign cloud and data-centre companies, along with a 15 per cent safe-harbour regime and simplified tax rules, are designed to position India

Budget of Big Dreams: Capex Soars to a Massive ₹12.2 Lakh Crore!



BUDGET 2026-27

as a global digital and AI infrastructure hub. Anchoring data, cloud, and AI value chains domestically reduces dependence on overseas capacity and strengthens innovation-led services exports. This is going to be a definite game changer.

In sum, this Budget may sound quiet—but it speaks with confidence. Its strength lies in calibrated intent, institutional risk mitigation, and long-term capacity building rather than headline-grabbing announcements.

In a volatile global economy, that quiet resolve is precisely what makes it roar.

(The writer is founder and Director of Vayati Systems and Research Inc.)



LETTERS

Budget signals consolidation over populism

India's Union Budget for 2026-27 reflects a clear preference for consolidation and structural deepening over short-term populism. The policymakers have chosen to safeguard macroeconomic credibility while redirecting public resources towards durable growth drivers like infrastructure, manufacturing, MSME resilience, urban transformation and ease-of-doing-business reforms. However, for the middle-class salaried segment, the proposals appear underwhelming. With no changes in income tax slabs or rebates, the Budget offers little immediate relief to households facing rising costs and subdued income growth, making its growth narrative feel distant for ordinary taxpayers.

N Sadhasiva Reddy, Bengaluru-560056

Nothing for villages and tribal areas

This has reference to the Union Budget 2026-27 that was presented in Parliament by the Union Finance Minister Nirmala Sitharaman on Sunday. The Budget is focussed on reforms and growth. Apart from more measures for farmers, education, MSMEs and health care have been introduced, it is a welcome measure to focus on tourism and sports and boost employment opportunities. However, it is unfortunate that villages and tribal areas remain largely ignored. Meanwhile, although 17 cancer-related medicines and seven more lifesaving medicines are exempted from custom duties, the government must ensure their easy availability.

P Victor Selvaraj, Tirunelveli-627002

Focus on poll-bound States

THE Union Budget does not address several burning problems like unemployment, effect of Trump's tariffs, welfare of senior citizens, depreciation of the rupee and revival of the economy. It is basically poll-bound States that have been favoured. Meanwhile, the move to have girls' hostels in every district is a welcome initiative. Overall, it is an election-centric budget.

Sravana Ramachandran, Chennai

Forward-looking fiscal plan ignites hope

THE record ninth Union Budget presented by Finance Minister Nirmala Sitharaman charts a path for sustained growth amid global challenges. With enhanced capex at ₹12.2 lakh crore, focus on manufacturing, biopharma, semiconductors, and high-speed rail, it empowers youth and MSMEs while lifting millions from poverty. This visionary roadmap inspires confidence in India's resilient economy and inclusive future. Meanwhile, people await tangible benefits in jobs and affordability. The budget heralds a new era of strategic investments in high-growth areas, from rare earth corridors to high-speed rail and electronics manufacturing. With emphasis on capacity building and export resilience, it counters global headwinds effectively. This forward-looking fiscal plan ignites hope for accelerated development and shared prosperity.

T S Karthik, Chennai-10

Homage to K Vishwanath on his death anniversary

A director par excellence, the Repalle-born K Viswanath, whose death anniversary is on February 2, wore many hats with rare dexterity. Born on February 19, 1930, Viswanath secured a B.Sc from Andhra University and joined Vahini Studios as an audiographer where his father was an associate. He worked as associate director for "Pathala Bhairav" in 1951 and took up the megaphone with the ANR-star Aathma Gowram in 1961 and the rest, as they say, is history. In all, he directed 53 Telugu and Hindi movies in an illustrious career spanning six decades. Most of his movies were super-duper hits. A good story, wonderful screenplay and loaded with cultural nuances, delectable music, and wonderful songs with an overwhelming aesthetic appeal were the hallmark of his movies. The 2016 Dadasaheb Phalke awardee was reverently addressed as 'Kalatapaswi'. Everyone is aware of his tiff with NTR when the latter wore a pair of sunglasses during the making of a particular scene in a movie. After the sudden demise of lyricist Sirivenna, Viswanath said that SPB and Sitarama Sastry were his eyes. He was part of the directorial triumvirate, alongside K Balachandra and Bapu. Unlike the other two, Viswanath was also a talented actor, who essayed many award-winning roles and wrote some beautiful songs. Once he spoke of his desire to make a biopic on M S Subbulakshmi. Alas, he passed away without fulfilling the wish on February 2, 2023, aged 92. He leaves behind an eternally inspirational body of work.

M Somasekhar Prasad, Hyderabad-20

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OPINION

Chicago Tribune

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EDITORIALS

Brendan Reilly for Cook County Board president

We will stipulate this upfront. Toni Preckwinkle has had a storied career of political service in Chicago, first as 4th Ward alderman serving as one of Chicago's few independent City Council voices during Richard M. Daley's mayoralty and then as the four-term Cook County Board president.

Throughout, this formidable intellectual and leader has been a consistent voice of progressivism before that term was slung around as liberally as it is now. She has been an ardent advocate for policies to help our society's have-nots with their most basic needs — health care, housing, income.

Some 16 years ago, Preckwinkle defeated Todd Stroger, tapped by the remnants of the Democratic machine to succeed his father, John Stroger, as Cook County Board president, in the name of reform. In many corners of that sprawling government apparatus, she cleaned things up and got government to do what it's supposed to do — provide services to taxpayers and do so reasonably economically. She has support among some business leaders who view her as an effective partner; we heard from them on her behalf.

Had Preckwinkle opted to retire after her current term expires, we would be going on at greater length about her formidable record of accomplishment. Instead, she is vying for a fifth four-year term on March 17, which coincidentally will be the day she turns 79. She told us that she has been motivated and energized by a determination to withstand the attacks on her county by President Donald Trump. We don't doubt her sincerity.

There is another side to her record as well. That part of the narrative involves her central role in propelling her protégés, Kim Foxx and Brandon Johnson, into positions of power in Cook County and Chicago.

Foxx, of course, served two terms as Cook County state's attorney after a stint as Preckwinkle's chief of staff. Foxx opted not to run for reelection in 2024, in our view because she most likely would have lost due to the unpopularity of her emphasis on helping those she believed wrongfully accused of crime over prosecuting offenders, even as violent crime



Ald. Brendan Reilly, 42nd, smiles as he stands next to Ald. Timmy Knudsen, 43rd, during a City Council meeting at Chicago's City Hall on Dec. 10. EILEEN T. MESLAR/CHICAGO TRIBUNE

rates were soaring in Chicago.

Johnson, we don't need to remind Chicagoans, is the city's mayor and has presided over a period of economic stasis and a series of yawning budget deficits that have fractured the City Council and led to an aldermanic majority that has seized control of the budget process from Johnson's administration. Preckwinkle endorsed Johnson's election to the County Board in 2018, in so doing helping to oust Commissioner Richard Boykin, one of the board's leaders for the repeal of her widely hated soda tax. She endorsed Johnson's mayoral campaign in 2023.

Today? While happy to defend Foxx's tenure as state's attorney, Preckwinkle declines to comment on what she thinks about Johnson's performance in office. That silence speaks volumes.

The negative side of the ledger has entries that range beyond her promotion of politicians who've underperformed. Preckwinkle in her day job has helped give us a governmental failure of epic proportions. The board president's decadelong project to overhaul the county's antiquated information technology — something she envisioned as a legacy initiative when it began — has been so balky under Texas-based

vendor Tyler Technologies that the resulting delay in distributing property tax revenues to local taxing bodies over the past several weeks is costing school districts throughout Cook County well over \$100 million in interest on loans to maintain operations and other expenses.

The episode has punctured Preckwinkle's reputation for managerial skill — a primary reason this page has endorsed her in previous elections despite some disagreements with other aspects of her record.

So we believe it's time now for a change at the top of county government.

As we saw when Eileen O'Neill Burke defeated Preckwinkle-endorsed Clayton Harris III last year to become Cook County state's attorney — a reaction in part to Preckwinkle's heavy emphasis on criminal justice reform as reflected in Foxx's tenure — we believe local voters will be better served by both a fresh eye and a more moderate Cook County Board president as this region attempts to emerge from a period of economic stagnation and recapture some of the dynamism we used to see in Chicago.

But, as they say in political circles, you need somebody to beat somebody. Preckwinkle's

opponent is Brendan Reilly, 54, who represents much of downtown Chicago as 42nd Ward alderman. Reilly is a City Hall veteran, first winning office in 2007, and has been a voice of reason on behalf of taxpayers and economic growth during the tumultuous period of Chicago politics following the retirement of Mayor Richard M. Daley in 2011.

Preckwinkle and Reilly met

together with the editorial board

last week and discussed the Tyler Technologies contract as well as other issues in the race. Preckwinkle acknowledged the fiscal pain the Tyler-related woes are causing

taxing bodies but emphasized

that other elected officials in Cook

County had agreed to hire Tyler

years before and had signed on at

various stages when decisions had

to be made on whether to stick

with Tyler or find another vendor.

She pledged categorically that tax bills will be mailed in time for the first installment due April 1 of this year and that the Tyler problems were all solved. We will see.

Reilly said the original contract with Tyler was flawed and didn't give the county enough opportunity to address the situation when things went awry or to penalize

Tyler sufficiently when it didn't

meet deadlines. He pledged to

amass a team of lawyers and technology experts to examine the system and Tyler's abilities to continue maintaining it, which as of now is the plan despite the harsh criticism of the vendor by all the county's elected officials.

That absolutely should happen regardless of who wins the primary in March.

Separately, Reilly has good ideas on how to reform Cook County's land bank, which holds roughly 1,000 properties the county has accumulated via sales due to unpaid taxes. He wants to emulate what cities like Detroit have done by establishing an independent intergovernmental oversight agency that could think more strategically about how to turn those properties into economic development opportunities. That would require legislation in Springfield, for which he said he would lobby.

We agree with Reilly that the county could do far more to coordinate with state government and the city of Chicago, on the land bank and on other issues on which all those governmental bodies have an interest. Chicago is the economic engine of Illinois. A thriving Chicago means more tax revenue for the city, county and state. Elected officials should cooperate on ways to further that goal — without raising taxes.

On that score, Reilly promised not to raise the county's base property tax levies, as Preckwinkle to her credit has done over her 15 years in the job. Should he win, we will hold him to that pledge.

Preckwinkle's oversight of Cook County's sprawling health system, by far the largest part of county government, has left the operation in good shape. We believe Reilly, the son of a former chief of medicine at Cook County Hospital, can continue with that good work.

Toni Preckwinkle has served the city of Chicago and Cook County ably throughout her long political career and done much to make life better for the unfortunate among us. She deserves great credit, and she has our gratitude.

But, as the Book of Ecclesiastes offered us, there's a season for everything. The time has come at last for a new leader of the Cook County Board.

Brendan Reilly has our endorsement.

The Tribune Editorial Board to begin endorsements in 2026 primaries

Today, the Chicago Tribune Editorial Board begins its endorsements for the upcoming primaries in Illinois. Our tradition of political endorsements goes back many years and is a cornerstone of this newspaper's history.

In the primaries, board members endeavor to help both Republican and Demo-

cratic Party-affiliated readers make their best choices while also considering broader issues affecting this city, state and nation. It is also notable that many of these races have a large number of talented candidates for office, and thus some of our endorsements will discuss more than one candidate approvingly, noting their appeal to different

voters; however, we do plan one endorsement except in the rare cases in which we do not feel we're able to endorse any candidate on either one or both sides of the ticket.

As the largest newspaper in Illinois, read throughout the Land of Lincoln, we are making endorsements in statewide races both for the U.S. House of Representa-

tives and the Illinois statehouse, as well as in county-specific races involving Cook County. We make our choices carefully and consult a variety of sources.

A corporate edict from Tribune Publishing prevents us from making formal endorsements in the Illinois races for U.S. Senate and the Republican gubernatorial primary. Nonetheless, we plan

on offering our frank opinions on the policies and qualifications of those candidates at the conclusion of our process, as we always do.

We've been impressed with many candidates and believe Illinoisans will have many excellent choices. And over the next several days, we will do our best to help you make your best choice.

QUOTES OF THE WEEK

"Just know that your big brother in Chicago will have your back, whoever you are — big city, small city — wherever you are, you have a partner in Chicago."

— Mayor Brandon Johnson

"Brandon Johnson can preside over a renaissance in Chicago, but only if he takes the best parts of Chicago and amplifies them."

— U.S. Rep. Raja Krishnamoorthi

"I'm going to be watching over it. I want a very honorable and honest investigation. I have to see it myself."

— President Donald Trump on the investigation into the killing of Alex Patti

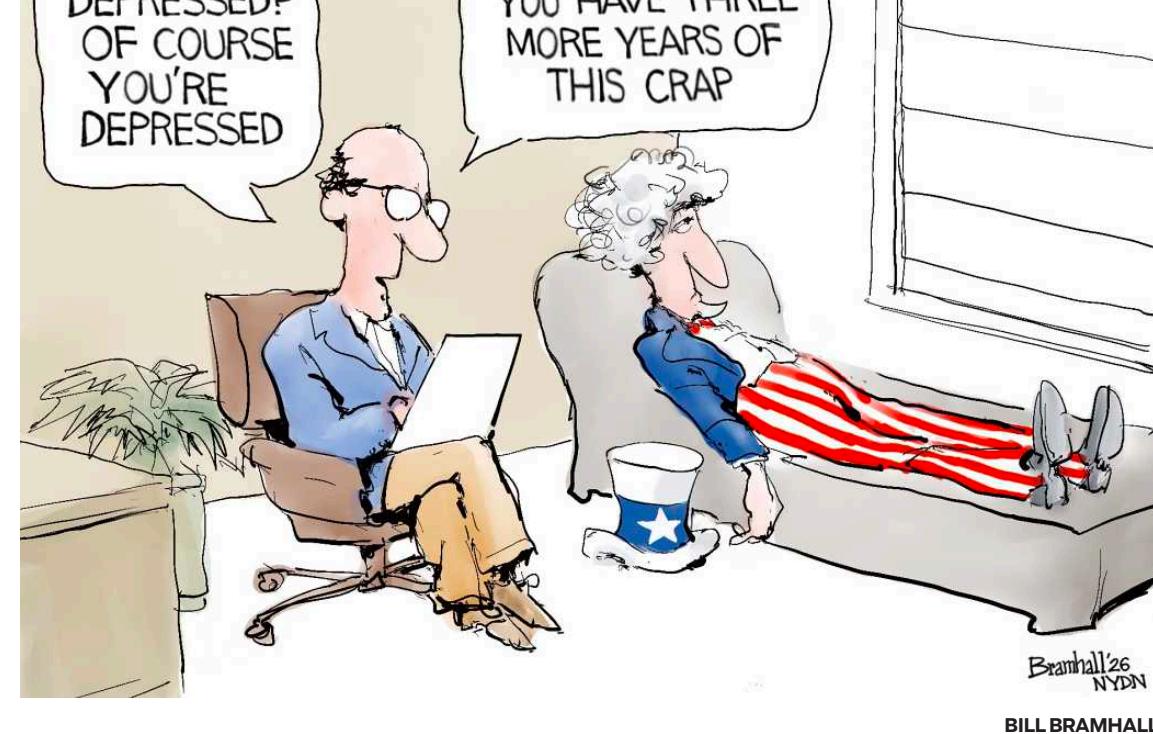
"This is a very difficult outcome one week before the Olympics... but if there's one thing I know how to do, it's a comeback."

— Lindsey Vonn, skier who injured her knee in her final downhill race before the Olympics

"What is our world now if we don't have love? I could cry."

— Patti LuPone

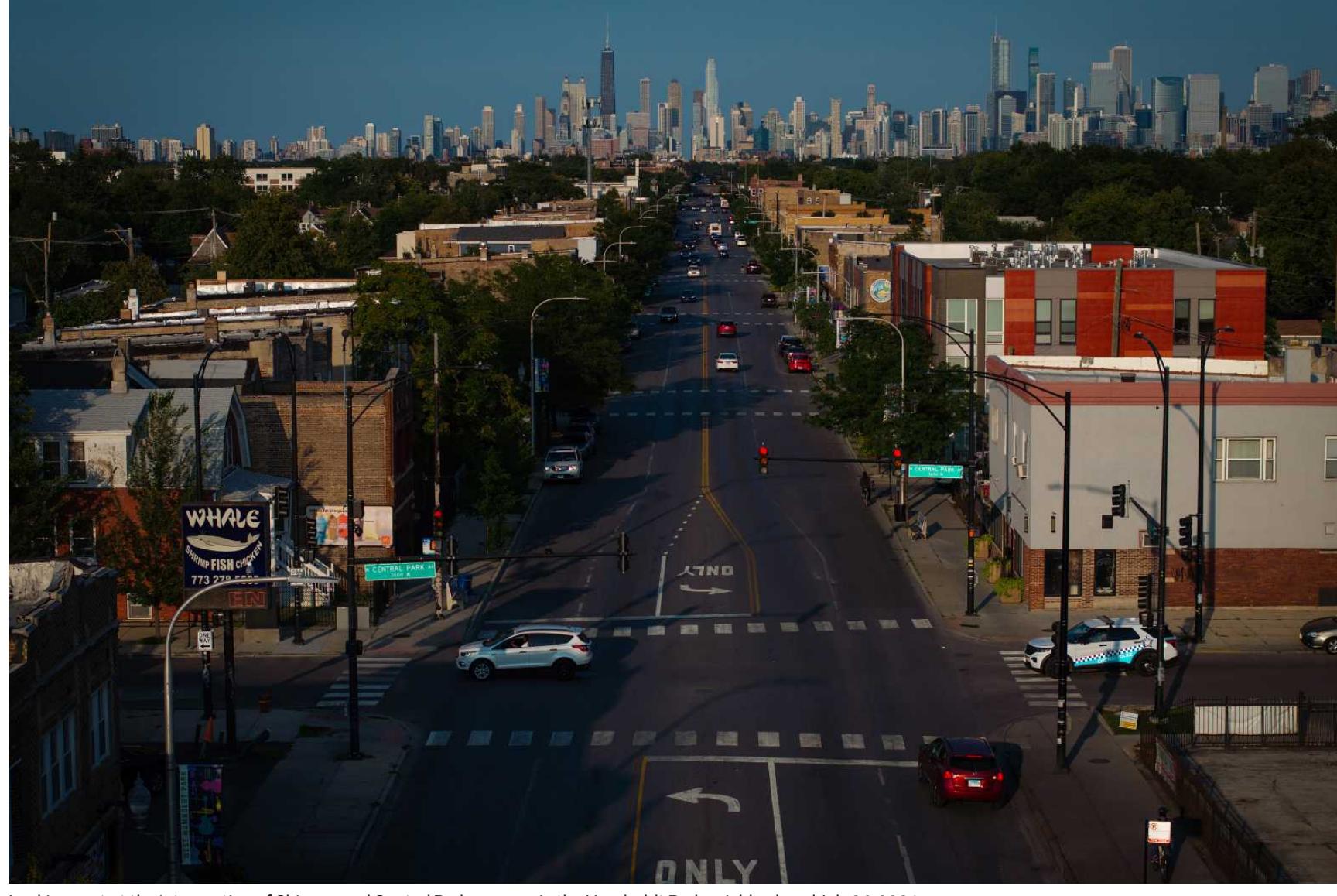
EDITORIAL CARTOON



Bramhall 26
NYDN

BILL BRAMHALL

OPINION



Looking east at the intersection of Chicago and Central Park avenues in the Humboldt Park neighborhood July 26, 2024. E. JASON WAMBSGANS/CHICAGO TRIBUNE

Why are we seeing a drop in violence in Chicago?

By Katie Hill and Jens Ludwig

Chicago just turned the page on a great year for public safety. But no one is really sure why. That means no one can guarantee this current progress will continue. That's to say, with respect to our efforts to improve public safety, this is no time to take our foot off the gas.

Let's start with the good news. Homicides were down 29% in 2025 compared with 2024. That's 171 fewer families getting a 2 a.m. phone call that no parent should ever get, and it continues the drop in gun violence we've seen since the pandemic-related peak in 2021.

Why is this happening? The honest answer is: No one knows. What we do know mostly serves to rule out different candidate explanations, rather than help us pinpoint a clear cause.

For example, some wonder if the drop in homicides is actually the result of some gaming of the numbers — that homicides are, for example, being classified as something else. If true, that explanation would predict we'd see a surge in other causes of death such as suicides or accidents. But that's not what we see in the medical examiner data.

The fact that the declines in violence we're seeing are so sweeping also helps rule out other possible explanations.

For example, we see big declines for almost every type of violent crime, which rules out explanations specific to a given crime such as a new inter-agency task force on carjackings or some such. We see big drops in most neighborhoods, which rules out explanations specific to any part of the city. And we see big declines in cities across the country, suggesting that what's going on here may not be due to anything specific or unique that Chicago's doing.

These patterns have three important implications.

First, the fact that no one knows why violence is dropping so dramatically across Chicago and the country means we can't guarantee things won't regress. In fact, Chicago's homicide rate seems to show increased volatility over the last decade: Big declines are frequently followed by equally big increases. Of particular concern is the end this year of federal pandemic relief funding, which for several years has helped prop up the budgets of all American cities — the evaporation of those funds will make the task of sustaining progress only more difficult.

Second, as the city decides how to spend its increasingly scarce dollars, we need to remember that public safety is an issue that sits upstream of every other challenge Chicago is facing. Gun violence is a terrible head-

wind for improving education, reducing poverty, developing communities or recruiting businesses to the city. When making tough budget calls, this is not the area to cut back.

Third, we also need to work even harder to get more public safety benefit from each increasingly scarce dollar of city spending, as we argued in a series of Tribune op-eds this fall. The encouraging recent crime trends do not at all diminish the importance of that.

When we look around the country, there are large differences in crime rates, even across cities with similar levels of criminal justice spending and similar social conditions. One thing that differentiates the best-performing cities is relentless use of data, to make sure that police are focusing on the times and places where crime and gun violence are most likely to occur, to prioritize prosecutorial attention on the people driving gun violence and to make sure cases progress through the court system as quickly as possible.

Cases that take forever don't just drain public dollars; justice delayed is justice denied for both defendants and victims.

As we also argued, most cities devote too little attention to improving neighborhood vibrancy. The data shows that neighborhoods with stores and restaurants that people want to walk to have

much less crime than ones filled with vacant lots and abandoned buildings. But government bureaucracy is often a barrier to such changes. Anything Chicago can do to accelerate the progress of the "Cut the Tape" initiative would have surprisingly important (and low-cost) benefits for public safety.

2025 saw important and promising progress in violence for Chicago. We should celebrate that — but we cannot take our eye off the ball.

Even after last year's progress, Chicago's homicide rate is nearly 13 times London's; our "success" would be an unprecedented emergency in the United Kingdom. Put another way, today's homicide rate in Chicago remains higher than it was in 1930; surely no one thinks "only slightly more dangerous than the Al Capone era" should be our goal.

It is far too soon to declare mission accomplished.

Katie Hill is former executive director of the Crime Lab and founder of Next Hill Strategies. Jens Ludwig is the Edwin A. and Betty L. Bergman distinguished service professor at the University of Chicago, Pritzker faculty director of the University of Chicago Crime Lab and author of "Unforgiving Places: The Unexpected Origins of American Gun Violence."

War on drugs never has been, nor will it be, the answer

By Sterling Elliott

With news of multimillion-dollar lawsuits arising from President Donald Trump administration's military incursion to apprehend Venezuelan leader Nicolás Maduro, America's drug problem remains front and center. The White House demonstrated it believes a military campaign against alleged drug trafficking from Venezuela is central to protecting Americans. I won't decry that effort. Reining in the supply of illegal drugs will always be crucial, but it's not the principal solution.

In the 1970s, beginning with Richard Nixon's White House, crushing the supply line was the focus of U.S. strategic policy. But that changed early this decade when it became clear this was an ineffective primary approach — something the Trump administration would do well to acknowledge.

In the '70s and '80s, the drug trade was a thriving business with all the hallmarks. Sales were booming. Innovation was a strategic priority with new products emerging. The cartels found unique ways to get the products into the U.S. and to their consumers. Today, the digital-age explosion sees the cartel wholesalers and the local dealer leveraging the internet, smartphones and cashless payment systems to create an entirely digital marketplace. Throughout these different snapshots in time, we've seen sectors evolve, all while the so-called war on drugs has been in full force. But the war on drugs is not the key solution.

So what is the path forward if trounc-



Defent One, a fentanyl detection device, is displayed while outreach workers are trained on Dec. 30 at the West Side Heroin/Opioid Task Force offices in Chicago's West Garfield Park neighborhood. BRIAN CASSELLA/TRIBUNE

ing the supply lines won't produce results? As a pharmacist-scientist at a prominent institution who has researched new ways to curb opioid addiction, I've thought long and hard about the best direction. The reality is that America needs to refocus its energy on driving down the demand. The American street drug trade is a steamrolling business engine. Let's treat it that way. Suppliers operating in a thriving market will always rise to meet the demand, and they'll exit the market when it's no longer profitable to stay in the game. I'm urging my fellow citizens to join me in the call to curb the demand.

The drug problem is fueled by a deadly trend of rising demand. Someone who's facing that daunting battle is fighting against a very powerful force. Substance use disorders are the result of ever-growing demand for dopamine stimulation in

patients' brains. Sadly, opioid disorders are the standard-bearers for this problem. Millions of American families know all too well the power of that driving force. Maddeningly, the cartels and dealers know just how to capitalize on that overpowering reality of the human condition. They're harnessing it to drive sales.

With that in mind, consider this a call to action. We need a full commitment from Americans on the street, and our leaders, to help those battling addiction and misuse disorders gain control over the dopamine driving force. When we do that, we'll regain control over the recently declining death toll by reining in the predominant market force.

Controlling the demand takes a community effort. We need to invest time, energy and money into unique solutions that give people the ability to change the course of their addictions and recover by effectively integrating back into their communities. The budgeting process needs to fund federal and state programs to treat substance abuse.

We need to support efforts to bring effective treatments to patients suffering from daily pain. Plenty of Americans suffer injuries and have surgery every day. Programs to teach patients how to manage their pain and focus on recovering from injuries or surgery are an untapped resource.

For instance, I'm co-leading a group that's studying a program that teaches patients to treat pain based on answers to questions about their functional abilities. The idea is if patients can stick to over-the-counter drugs such as ibuprofen and acet-

aminophen to treat their pain, they'll rely less on opioids. Surgery and injury recovery are significant entry points to the river of despair that becomes opioid use disorders and addiction. As an example, a 2021 study in the Journal of the American Medical Association found nearly 7% of people continue using an opioid one year after surgery when they'd never used them prior to surgery. That's never the intent when we give patients opioid pain medication. If we can make this commitment, we'll make an impact far greater than a forceful attack on the supply lines.

We're at an inflection point. In the last two years, America has seen great strides in causing the opioid death toll to plummet. It's a source of great pride, and we need to harness it. The reality is that the battle to help our families, friends, co-workers and neighbors win this fight means we need to press forward with this momentum. We need to be vocal and challenge our leaders in Washington, D.C., and at home to prioritize efforts to promote healing and healthy behaviors.

When we do this, we'll shrink the demand for products and create a business with less profitability. In the end, reining in demand will be more powerful than attacking the supply. The war on drugs is not the principal solution, because it never has been, and it never will be.

Sterling Elliott is a faculty member and researcher in the Department of Orthopaedic Surgery at Northwestern University Feinberg School of Medicine in Chicago.

OPINION

The information war rages amid Trump's immigration chaos



Clarence Page

There's something uncomfortably familiar about President Donald Trump's jackboot approach to the immigration debate.

It brings to mind a memorable off-the-cuff stumble by Chicago's legendary Mayor Richard J. Daley when he was asked about allegations of excessive force by city police officers.

"The policeman isn't there to create disorder," he said. "The policeman is there to preserve disorder."

Say, what?

Well, as Earl Bush, the mayor's press secretary for 18 years, memorably advised reporters on another occasion, "Don't write what the mayor says; write what he means."

A variant of that advice resurfaced in 2016, when Donald Trump, a candidate known for shocking, even extreme, rhetoric started seeming to be the likely next president. Here's how it was phrased this time: Take Trump seriously, not literally.

This was repeated by journalists and advisers, among others. And in retrospect, we should have been taking Trump more seriously — as well as literally. Especially as he taunted the press as "fake news," and as he urged supporters to get violent with protesters who showed up at his campaign events. "Knock the crap out of 'em," he said at an Iowa rally. "I promise you, I'll pay for the legal fees."

Barely into his first administration, Trump began referring to the media as the opposition party and the "enemy of the American people." Meanwhile, fact-checking the president became a preoccupation of major media outlets, leading one deep thinker of the Fourth Estate to use the term "Trump's Firehouse of Falsehood."

By the end of his first, chaotic term, Trump's messages on Twitter became so out of bounds that the social media platform censored him. After losing the



President Donald Trump departs after speaking with reporters in the Brady Press Briefing Room at the White House in Washington on Jan. 20.
ALEX BRANDON/AP

2020 election, he launched a failed legal campaign to overturn it and exhorted his followers to "Stop the Steal." After thousands of those followers stormed the U.S. Capitol on Jan. 6, 2021, even many Republicans were ready to be through with Trump's chaos.

Yet now we find ourselves back in it. Those on the ground in areas where Immigration and Customs Enforcement or U.S. Border Patrol agents mount their raids describe feelings of terror. People shelter in their homes and avoid public places — even those who are in this country legally.

The feeling for the rest of us is disorientation. Why is this happening? Indeed, what is happening?

The jackboots are only part of the chaos, of course. Another key element is the Trump administration's communications strategy, which really should be termed an information war.

Early on in the Department of

Homeland Security's operations, ICE and the Border Patrol made all sorts of perp walks into videos and memes optimized for social media. As violence escalated, a sort of disinformation pattern became established. An administration official would make a claim about what happened, and later evidence would find these contentions to be misleading.

A shifting series of explanations would be provided for the missions or individual incidents, with no apparent urgency to be accurate or consistent. As litigation commenced and DHS officials were called to testify, judges became frustrated at the rampant false testimony and disobedience of the government.

To many Americans, it seems as if the various authorities of DHS and the Justice Department can no longer be trusted to tell the truth. And that is terrifying.

To take this back to Daley for a moment, after the "police riot,"

as the chaos on the streets in 1968 was labeled by a special investigative commission later, governors, big city mayors, police chiefs and community leaders learned a lot and took to heart the need to reform.

Police departments and academies have set clear rules about use of force and other issues.

Courts have done a decent job of enforcing them.

By contrast, the immigration agents Trump has unleashed on select American cities have invited more disasters because they do not seem bound by such protocols.

In Minneapolis, we see a large-scale escalation over earlier operations in Chicago, New York, Washington and other cities. A truckload of video has been generated showing roving squads of masked federal agents in military gear snatching people out of cars, releasing canisters of tear gas into crowds and visibly ignor-

ing basic human rights as they target Minnesotans, especially targeting Somali, Latino and other minority communities.

It's possible there would be much more widespread support for Trump's immigration crackdown if it corresponded more closely to the stated aim of taking violent criminals off the street.

Unfortunately, that correspondence is wholly lacking. We see violence. We read deeply reported accounts and find credible evidence that constitutional rights are being violated. And we also hear lies.

On Thursday, border czar Tom Homan seemed to suggest that a drawdown of the ICE-Border Patrol operation in Minnesota was imminent. That would be a blessing, but I'll believe it when I see it. Meanwhile, expect the information war to continue.

Email Clarence Page at cptimee@gmail.com.

VOICE OF THE PEOPLE

Climate Change Superfund

Across Illinois, people are making hard decisions about what they can afford and what they cannot. A public works director weighs whether to repave a street or replace a storm drain after another heavy rain. A homeowner opens the mail and braces for an insurance premium increase that pushes a family budget over the edge. These moments are becoming more common, and they point to a system in which families and local governments carry most of the cost of a changing climate, while the companies that helped drive this damage continue to post profits.

That is why I am introducing the Climate Change Superfund Act in the Illinois Senate.

Illinois already spends heavily to maintain infrastructure that was never built to handle the extreme weather we see today. Roads, bridges and sewer systems now need constant repair, and school districts are facing the cost of keeping classrooms safe and usable during long stretches of extreme heat. Every dollar that goes to emergency fixes is a dollar that cannot go to teachers, classroom materials or basic upkeep.

Flooding adds another layer of strain. Illinois averages hundreds of millions of dollars in flood losses annually. In the summer of 2023, parts of Chicago saw nearly 9 inches of rain in a single afternoon, and 1,400 homes reported basement flooding. For many, that meant months of repairs, drained savings and insurance changes that affect property values and local tax bases.

Right now, the costs of climate damage are spread across taxpayers and local budgets alone.

The Climate Superfund proposal would change that. Major fossil fuel producers would contribute to a state fund based on how much pollution they produced in the past. Those dollars would go directly to work that communities can see and use, including stronger stormwater systems, a more reliable power grid, cooling in schools and public buildings, and protection for infrastructure along Lake Michigan's shoreline.

Because the contributions are tied to past production, not current sales, they cannot simply be tacked onto families' utility bills. Energy prices are set in global markets, not by what one state decides to do.

Illinois would not be alone. Vermont passed a climate superfund law in May 2024, and New York followed later that year. Dozens of other states are now weighing similar steps.

This comes down to who pays when damage is done. Families and local governments have been covering the cost for years. The Climate Change Superfund Act asks the companies that helped create this problem to take on their share, giving communities something they rarely get — the chance to plan, not just recover.

For online-exclusive letters, go to www.chicagotribune.com/letters. Email your letter submissions, 400 words or less, to letters@chicagotribune.com. Include your full name, address and phone number.

Illinois has taken on hard problems before, and this is another moment to do it again.

— State Sen. Graciela Guzmán, D-Chicago

Unplugged oil wells' legacy

Thank you to the Tribune for its investigative reporting on unplugged oil and gas wells in Illinois ("Illinois' oil crisis," Jan. 18) and to ClientEarth USA and Northwestern University's Environmental Advocacy Center for their recent report on the same issue. Together, they have brought long-overdue attention to a crisis that has remained out of sight, out of mind and dangerously out of order.

The Tribune's enlightening article reminds us that Illinois was once the nation's third-largest oil producer. Today, thousands of unplugged wells remain scattered across rural Illinois, quietly leaking methane and threatening soil and water. Because they are largely invisible and concentrated in southeastern Illinois, they've also been largely ignored — by regulators, lawmakers and even much of the environmental community.

I work for Prairie Rivers Network (PRN), an Illinois environmental nonprofit, where I address legacy coal pollution and help communities navigate the energy transition. Oil and gas rarely come up in conversations about our state's energy past, present or future. Yet as Illinois charts a path to 100% clean energy, guided by two landmark climate bills passed over the past five years, we must also confront the liabilities left behind by past energy industries. PRN has long advocated for coal ash and abandoned coal mine cleanup, and now, with problems and solutions laid out by the Tribune and the EAC's report, we can help do the same for oil and gas wells.

The new EAC report "Illinois' Billion-Dollar Blind Spot" finds that Illinois does not collect individual well production data, cannot reliably identify when wells become inactive, allows operators to delay plugging indefinitely and requires inadequate financial bonding. This "regulatory blindness" makes existing laws unenforceable and burdens taxpayers and rural communities with cleanup costs.

President Joe Biden's infrastructure law funding provided a temporary infusion of resources to address some abandoned wells. But it is nowhere near enough to clean up the full scope of the problem, and it will not prevent the possible billion-dollar crisis the report warns of.

The Illinois Department of Natural Resources and the legislature should act on the report's recommendations with actions to strengthen reporting, enforce existing laws, prevent further abandonment of wells and ensure polluters pay for cleanup. Illinois' oil legacy may be out of sight, but solutions are not out of reach.

— Amanda Parkau, director of energy and community resiliency, Prairie Rivers Network, Champaign

Well-researched reporting

The story about the abandoned oil wells in the Jan. 18

paper by Jonathan Bullington and Adriana Pérez was excellent. This is the type of well-researched story that keeps me a subscriber while living far from Chicago and Cook County.

— Dave Hubert, Yorkville

Clarity in wetland regulations

The Jan. 15 editorial "A Supreme Court ruling has put Illinois' wetlands at risk. Springfield should respond" omits an important perspective from Illinois' transportation builders.

I write on behalf of the 300 member companies of the Illinois Road & Transportation Builders Association (IRTBA), which design and build the roads, bridges, transit systems, ports and aviation facilities Illinois residents rely on. We work daily under the Clean Water Act and have long complied with environmental requirements while delivering critical infrastructure.

Protecting wetlands and improving transportation are not competing goals. Our industry supports clear, science-based regulations applied as intended. What concerns us is adding new state-level uncertainty to an already-evolving federal process in ways that risk regulating features never meant to fall under wetlands law.

For decades, the definition of "Waters of the United States" has shifted across administrations, creating real-world consequences: features deemed regulated mid-construction, redesigns, delays and cost increases that waste taxpayer dollars. Inconsistent interpretations make it difficult to plan work, price bids or schedule crews.

The U.S. Supreme Court's ruling in *Sackett v. EPA* clarified — rather than eliminated — federal jurisdiction, reaffirming that Clean Water Act permitting applies to waters with relatively permanent flow and a continuous surface connection to navigable waters. That clarity benefits regulators, environmental specialists, landowners and builders alike. EPA is now updating its rules accordingly.

There has long been agreement that transportation features such as roadside ditches and stormwater controls are engineered systems. Treating them as wetlands would not improve water quality but would slow emergency repairs, delay safety projects and increase taxpayer costs — especially after storms when mobility matters most.

When projects affect regulated waters or wetlands, our members obtain permits and follow mitigation requirements. They are active in their communities and want clean water and healthy ecosystems, along with the ability to deliver transportation improvements that keep people and commerce moving.

Predictability and clarity in our laws are not anti-environment. They are essential to deliver safe, affordable infrastructure for the people of Illinois. Lawmakers should allow the federal process now underway to work and avoid disrupting long-standing, well-understood permitting frameworks that balance environmental protection with the state's transportation needs.

— Michael Sturino, president and CEO, Illinois Road & Transportation Builders Association

Columns & Commentary

JAMELLE BOUIE

MAUREEN DOWD

Minneapolis Is Trump's Gettysburg



JULIA DEMAREE NIKHINSON/ASSOCIATED PRESS

It was clear after the killing of Renee Good on Jan. 7 that "Operation Metro Surge" — the Trump administration's pretextual immigration crackdown in Minnesota — was a failure. Far from cowering the people of Minneapolis, Good's death at the hand of an ICE officer stiffened their resolve and led even more Minnesotans to join the fight against the president's masked paramilitaries.

A less fanatical White House might have used that moment to stage a tactical withdrawal, to pull back on the assault and recalibrate in the face of stiff resistance. But in the actually existing Trump administration, immigration policy is dictated by rigid ideologues. They met Good's death with insults, slander and the promise of further repression.

Kristi Noem, the secretary of the Department of Homeland Security, said Good was engaged in "domestic terrorism." The White House press secretary, Karoline Leavitt, called Good a "deranged lunatic." Vice President JD Vance said her actions were "an attack on law and order" and "an attack on the American people." He also said that officer who shot Good was protected by "absolute immunity." (He later backtracked from this claim, insisting instead that he said the opposite, video evidence notwithstanding.)

We know what happened next. Last weekend, officers with Customs and Border Protection detained, beat, shot and killed Alex Pretti, a 37-year-old I.C.U. nurse who had been observing and filming ICE and C.B.P. operations. Like Good's death, Pretti's was caught on camera, and like Good's death, it was egregious. Images and video of Pretti's killing exploded on social media. Before the White House could even respond, there were protests on the ground, demands for accountability, calls to abolish ICE and palpable discontent from across the political spectrum.

And when the administration did address the killing, it returned to the same lies and distortions it used to try to discredit Good.

"This individual went and impeded their law enforcement operations, attacked those officers, had a weapon on him and multiple dozens of rounds of ammunition, wishing to inflict harm on these officers, coming, brandishing like that," Noem said, as if video of the confrontation did not exist. Similarly, Stephen Miller, the president's homeland security adviser, called Pretti a "domestic terrorist" and accused Senator Amy Klobuchar of Minnesota of "flaming the flames of insurrection for the singular purpose of stopping the deportation of illegals who invaded the country."

By Sunday, officials in the Trump administration had begun to backpedal. By Monday,

The White House has failed to achieve its strategic goals.

they were doing everything they could to appease the public's anger. First, administration officials announced that they would remove Gregory Bovino, the highly visible field commander for Customs and Border Protection, from the area. Homeland Security said it would remove some C.B.P. agents from Minnesota, and President Trump said that he would withdraw ICE officers as well. "At some point, we will leave," he said. "We've done, they've done, a phenomenal job."

This was no longer a defeat; it was a rout. The White House had failed to achieve its strategic objectives — the mass removal of immigrants from the Minneapolis area and the suppression of the administration's political opponents through force and the fear of force — it had also lost much ground with the public on its most favorable issue.

NICHOLAS KRISTOF

Whose America Do We Want?

This is the story of two men who embodied opposing visions for America.

Alex Pretti, the 37-year-old I.C.U. nurse gunned down by federal agents, represents one set of values. Gregory Bovino, who until a few days ago commanded federal agents in Minneapolis, represents a different set. A nation cannot be reduced to two men, of course, but perhaps their choices can clarify our own. Do we want to live in Alex Pretti's America? Or Gregory Bovino's?

Pretti "just exuded friendliness and kindness," Dr. Dimitri Drekonja, who worked with Pretti, told me. Drekonja said that Pretti did not talk about patriotism as such, but that his choice of a Veterans Affairs hospital revealed his values.

"There are many jobs in nursing, but choosing to work with veterans is something many of us do because we appreciate being in a system that does what is needed and doesn't bill patients," Drekonja said.

Pretti reportedly had his garage door fixed recently and gave the repairman, a Latino, a \$100 tip because of the crackdown on immigrants.

"He cared about people deeply, and he was very upset with what was happening in Minneapolis," Michael Pretti, his father, told The Associated Press.

Pretti was both a sensitive man and a brave one, trying in his last moments to shield a woman in distress.

Federal agents had attacked the woman, shoving her hard to the ground. Pretti stepped between her and her assailant, even as the agent sprayed chemical irritant in his face. That's when a group of agents seized him, took his legal firearm from him and then shot at him 10 times as he was unarmed and defenseless on the ground.

"All Alex ever wanted was to help someone — anyone," his younger sister, Micayla, said in a statement. "Even in his very last

moments on this earth, he was simply trying to do just that."

Bovino represents an alternative kind of masculinity, a swashbuckling, armed-to-the-teeth, never-retreat machismo that has infused the Trump administration. Bovino joined the Border Patrol in 1996, but his career took off only last year, reportedly after the Trump administration noted his aggressive style and tapped him to manage a major operation in Los Angeles. His team's ferocity appalled many Californians, but won plaudits in MAGA circles.

In Chicago last year, Bovino's masked and heavily armed agents undertook a series of

violent operations, including one that foreshadowed what happened in Minneapolis. An agent shot a U.S. citizen, Marimar Martinez, five times as she sat in her vehicle, and administration officials then accused her of being a "terrorist" who had attacked them. She survived and the case against her collapsed, but the authorities have refused to release body cam video of the incident.

In a scathing 233-page judgment, a U.S. District Court judge, Sara Ellis, described a pattern of violent and lawless behavior in his face. That's when a group of agents seized him, took his legal firearm from him and then shot at him 10 times as he was unarmed and defenseless on the ground.

"Tear gassing expectant mothers, children, and babies shocks the conscience," she wrote. She dismissed Bovino's testimony as "not credible," adding that "Bovino admitted in his deposition that he lied multiple times."

Apparently unconcerned, Trump administration officials then dispatched Bovino to

run the operation in Minneapolis in which Renee Good was killed first, and then Pretti.

"Hats off to that ICE agent" who shot Good, Bovino declared. "I'm glad he made it out alive." He later suggested, contrary to evidence, that Pretti had wanted to "massacre law enforcement."

There's a danger in telling these stories of shoehorning everything into a too-neat narrative. Neither Pretti nor Bovino is a caricature. A video has surfaced of Pretti cursing federal agents, spitting at them and kicking their vehicle and damaging it, 11 days before his killing. In those moments, he does not seem as saintly as some eulogies suggest, but perhaps a bit more human.

I've framed this as the story of two men, but of course in reality it's the tale of two Americas. Bovino was not a rogue actor, and the policy was never his; it was always President Trump's.

For now, Bovino has been exiled from Minneapolis, but the White House described him as "a great professional" who is "going to very much continue to lead Customs and Border Patrol throughout and across the country."

To me, this feels like one of the epic confrontations of my early childhood, the civil rights movement, when law enforcement turned fire hoses and police dogs on peaceful protesters. Back then, it was the states that employed violence, while federal agents tried to restrain them; now it is the reverse.

Those civil rights battles were resolved in part because the public recoiled after seeing the brutality police employed against protesters. These days, the bloodshed is even more visible, revulsion is similarly growing — and the horrors we have witnessed should impel more of us to take a stand. The question is straightforward: Which America do we choose?

Slovenian Sphinx's Flick Nixed!

WASHINGTON

The riddle of the Slovenian Sphinx has been solved. The perennial question about what Melania Trump is really like, behind her exquisite mannequin's mask, has been answered by her new infomercial, "Melania." It turns out there is no riddle, no enigma, no mystery, no dark anguish.

Melania is not Rapunzel in the tower, pining to be saved from the ogre imprisoning her. She is comfortable in the frosty vertical solitude of the tower, swaddled in luxury.

Some theaters showing "Melania" were so empty that wags suggested that undocumented immigrants should hide out there. Reviews are brutal: The Independent said the first lady came across as "a preening, scowling void of pure nothingness in this ghastly bit of propaganda." The Guardian dismissed the movie as "gilded trash," and Variety asked, "Why would Amazon spend \$75 million on a movie this boring?" (I think we all know the answer to that.)

But the portrait of "The Portrait," as Melania was nicknamed by Ivanka, is revealing because it doesn't reveal anything. We don't even learn whether Melania's feet ache after hours of wearing stilettos. (I picture her as having Barbie feet that cannot flatten.)

We knew everything we needed to know about her in the wake of Jan. 6. In the memoir of Stephanie Grisham, Melania's former aide and confidante, Grisham told a chilling story about the chilly first lady. When the rioters broke through the barricades outside the Capitol, Grisham sent Melania a text: "Do you want to tweet that peaceful protests are the

Melania's movie, not exactly boffo box office.

right of every American, but there is no place for lawlessness and violence?" Melania texted back simply "No." She was busy getting ready for a photo shoot of a rug she had chosen for the White House.

Melania knows her deal with the author of "The Art of the Deal." She seems to have no problem with his authoritarian ways.

The president, who once dreamed of being a Hollywood macho, casts his cabinet based on who looks right for each part. He cast Melania as the alluring, supportive and often-silent wife. She accepts that role, and isn't, as her movie claims, reinventing the role of first lady. The East Wing, until Trump tore it down, was her drop-by.

Over the years, liberals have fantasized that she was a secret member of the #resistance; that one day the Slovenian immigrant would renounce Trump's harsh policies on immigration, castigating his crude talk about women's private parts and looks.

But stop waiting. She chose Brett Ratner, a director driven out of Hollywood after sexual assault and misconduct claims, to be her hagiographer. He dwells salaciously on her five-inch stilettos, long legs, comely ankles and cascade of frosted hair.

Melania is where she wants to be, in the bosom of a corrupt family prostituting the People's House. The first lady got a windfall from Jeff Bezos. Bezos' Amazon MGM studio made her movie, providing a whopping \$40 million for the film and \$35 million for marketing. The Wall Street Journal reported her cut of the \$40 million was at least \$28 million.

This is particularly gross given that Amazon is engaged in mass layoffs and Bezos seems intent on starving his Washington Post of money and talent. The split screen of Bezos and his spendthrift wife, Lauren Sánchez, frolicking while the tech mogul defiles the crown jewel nurtured by Ben Bradlee and Kay Graham, is sickening.

Speaking of sickening, in a 2002 email from the newly released Epstein files that The Times said is from a "Melania" and appears to be written to Ghislaine Maxwell, "Melania" praises a profile of Jeffrey Epstein in New York magazine and says of Ghislaine, "You look great on the picture." Ghislaine calls "Melania" "Sweet pea" and "Melania" signs her email "Love."

The "documentary" features a candlelight dinner the night before Trump's second inauguration, where all the tech moguls who lavished him with money and gold gifts are partying at the National Building Museum — including Bezos, with Sánchez, and Elon Musk, with his date on his lap.

In a voice-over, Melania talks about her "creative vision" coming to life in the room "filled with the elegance and sophistication of our donors. They're truly the driving force behind the campaign and its philosophy and the reason our victory is possible."

Thanks, Bezos, Musk, Tim Cook, Sam Altman and Mark Zuckerberg!

Melania had editorial control over the movie, which covers the 20 days before the 2025 inauguration. There's a scene where Melania is proud to have persuaded her husband to proclaim in his Inaugural Address that he's going to be "a unifier." She seems oblivious to the fact that his rhetoric and policies are designed to enrage and divide.

She has a warm chat about her immigrant roots with a designer who is an immigrant from Laos, ignoring that her husband has torn America apart by denigrating immigrants and unleashing a rabid ICE force on American cities. (Now, Trump has restricted visas from 75 countries, including Laos.)

Melania, the movie star, lives up to the message on the infamous jacket she wore to a migrant child detention center: "I really don't care. Do U?" It turns out she does care — for herself.

OPINION

Trump's Board of Peace Won't Help World Conflicts

Thant Myint-U

A historian and the author of "Peacemaker: U Thant and the Forgotten Quest for a Just World."

THE most striking thing about President Trump's proposal for a Board of Peace, a new group he has billed as a global conflict-solving body, is not its billion-dollar permanent membership fee or the eccentric list of nations, such as El Salvador, Belarus and Saudi Arabia, that have apparently signed on.

It's that for the first time, the United States — the primary architect of the United Nations — is openly experimenting with a rival body at least nominally aimed at peacemaking. "I'm a big fan of the U.N.'s potential," Mr. Trump said recently, "but it has never lived up to its potential."

This move is best understood, though, not as a sudden break between the United States and the U.N., but as an accelerant. It is the latest chapter in a much longer history of America's estrangement from its own creation, made possible by a global forgetting, often willful, of how war was once restrained.

For much of the postwar period, the United Nations helped prevent crises from spiraling into wider war, acting as a firewall when bilateral diplomacy failed. As much of that history has faded from view, political leaders from around the world have come to think of the U.N. as an obsolete talking shop of empty words.

This amnesia has narrowed the horizons of those shaping foreign policy, leaving them unable to envision a security framework that isn't a zero-sum game of rival blocs. If we continue to let ourselves forget the lessons of the mid-20th century, when the U.N. was a successful bulwark against conflict escalation, we will find ourselves unable to imagine the kind of international cooperation needed to prevent future catastrophes.

Just over 80 years ago, the United Nations was established by men and women who had lived through the deaths of tens of millions across two world wars. It was not a utopian project but a practical effort by battle-hardened founders alarmed by the destructive potential of the atomic age to permanently remove war as a tool of international relations. They believed a new kind of politics was possible, and sought to create a body that could impose discipline on the use of force, institutionalize multilateral diplomacy, safeguard state sovereignty and foster the economic conditions essential for stability.

Much of the world signed on. In the first few decades of the United Nations, dozens of newly independent states from Asia and Africa that had been shaped by decades of anticolonial struggle joined, transforming the U.N. into humanity's first near-universal body. Although the Security Council, with China, France, Britain, the United States and the Soviet Union as veto-wielding permanent members, was often deadlocked by the politics of the Cold War, a surge of ambition from the new so-called third world energized the U.N., turning its secretaries general into the world's pre-eminent peacemakers.

For a time, they were remarkably effective. In 1956, Secretary General Dag Hammarskjöld helped prevent the Suez crisis from intensifying into a great-power war by deploying the U.N.'s first peacekeeping op-



FPG/GETTY IMAGES

eration. In 1962, his successor, U Thant (my grandfather) proved indispensable in de-escalating the Cuban missile crisis, mediating between John F. Kennedy, Nikita Khrushchev and Fidel Castro — a part of the story that has been almost entirely erased from popular memory.

A year later, in Congo, an Indian-commanded U.N. force under Thant's authority routed a Belgian-backed secessionist army buttressed by white-supremacist mercenaries, protecting the newly independent state from dismemberment. Over the following years, Thant and his deputy, Ralph Bunche, helped end or contain half a dozen conflicts, from Cyprus to Kashmir.

Throughout this period, the United Nations enjoyed overwhelming support among American political leaders and the public. Washington was comfortable with an organization that seemed broadly aligned with, or at least did not obstruct, its own desires to strengthen American military and economic primacy around the world.

Eventually, though, the U.N. started to become unfashionable in Washington — not because it was ineffective, but because it began to take opposing positions on what were seen as core American interests.

The first decisive break came in the mid-1960s over Vietnam, when Thant publicly challenged the war, questioned its strategic assumptions and pressed for a negotiated settlement, provoking the ire of President Lyndon B. Johnson and hawks on Capitol Hill. The 1967 Arab-Israeli war marked

another turning point. In its aftermath, the U.N.'s push for a Middle East accord that included a full Israeli withdrawal from occupied territories fueled a growing belief among many Americans that the organization was institutionally biased against the Jewish state.

In the 1970s, efforts among developing nations within the U.N. to fashion a fairer global economy through commodity agreements, technology sharing and development financing were judged inimical to the globalization of U.S.-anchored free markets. Tensions also emerged in the body over Washington's opposition to action against apartheid South Africa throughout much of the 1970s and 1980s, when the United States favored more conciliatory policies over the sweeping sanctions that the U.N. General Assembly demanded.

Throughout the 1980s, even as Washington's focus pivoted further from the global body, Secretary General Javier Pérez de Cuellar and his team of veteran mediators quietly unlocked peace accords in conflicts in Central America, Southern Africa and Cambodia. In the process, they ensured that the proxy wars unfolding in those countries would not continue to poison superpower relations, setting the stage for an end to the Cold War.

The collapse of the Soviet Union in 1991 ushered in an era of American global supremacy. But the triumph of this U.S.-led so-called liberal international order also required that the achievements of an earlier,

International cooperation has become unfashionable in Washington.

more internationalist order centered explicitly on the United Nations be quietly slipped down the memory hole. As the U.N. was increasingly retooled by the United States and other Western countries as a technocratic mechanism for managing faraway civil wars, largely through humanitarian aid and peacekeeping operations, its previous role as a mediator between states withered from view. What emerged was an institution deeply enmeshed in the U.S.-led order but peripheral to the strategic thinking of policy elites in capitals everywhere.

War and instability are once again on the rise, as is the risk of nuclear confrontation. We've suffered periods of intensified conflict and great-power rivalry many times since 1945. But for the first time since World War II, we are confronting these crises amid the near-complete erosion of U.N. norms, institutions, and practices that, however imperfectly, constrained escalation and identified pathways to negotiated resolution. Only reinvestment in a radically remade U.N. — not Mr. Trump's Board of Peace, whatever its ultimate remit — can fill that void.

Peace cannot be improvised. It needs to be designed, carefully and deliberately. An international politics unmoored from the core U.N. principles of universality, sovereign equality and clear limits on the use of force, combined with a collective amnesia about how wars were once prevented, can lead only to our sleepwalking back into the cataclysmic bloodshed of the early 20th century.

A United Nations chamber in New York City around 1947.

I Have No Problem With Holding the Clintons in Contempt

Michelle Cottle

A writer about national politics for Opinion.

IN ANOTHER sign that American politics is trapped in the Upside Down, on Jan. 21 a rogue band of House Democrats voted to hold Bill and Hillary Clinton in contempt of Congress.

It was a bit of a surprise turn in these hyper-polarized times. The charges stem from the Clintons' refusal to testify behind closed doors before the House Oversight Committee in its investigation of the sex offender Jeffrey Epstein.

On Jan. 13, just hours before Mr. Clinton's deadline to appear before the committee, the Clintons sent letters to its chairman, James Comer, denouncing their treatment and defying their subpoenas. The committee voted to recommend contempt charges to the full House the next week. Nine of the panel's 21 Democrats joined Republicans to pass the measure against Mr. Clinton. Three supported the one against Mrs. Clinton as well.

The Democrats did this despite pleas from the minority leader, Hakeem Jeffries, to oppose the charges — to give the Clintons more negotiating time and to thwart this shameless Republican play to put Democrats on the defensive and fracture the caucus. Post-vote, Nancy Pelosi, the fearsome House speaker emerita, privately took the rebels to the woodshed, according to CNN.

I feel the leadership's angst. And the Clintons' reluctance is understandable. Mr. Comer's investigation has been geared primarily toward shifting the heat off President Trump, a former pal of Mr. Epstein's, and onto prominent Democrats with past ties to the disgraced financier. But to the rebel Dems, I say: Way to go!

Yes, their contempt votes are politically ticklish. And of course Mr. Comer is bending the oversight process to deflect the Epstein focus from Mr. Trump. These are dark times, dominated by a morally bankrupt president.

But as the Democrats work to regain the public's trust and to shed their image as the party of elites, they cannot be seen as treating elites in their party as above the law. Especially with a scandal about sexual abuse. Even more especially when the situation involves Mr. Clinton, whose own licentiousness has haunted the party for over three decades. (Both Mr. Trump and Mr. Clinton have denied any knowledge of Mr. Epstein's purported sex trafficking of young women and underage girls.)

Several of the Democrats who backed the contempt measures are on the younger side (grading on the congressional curve, of course), including Representatives Sumner Lee, Emily Randall and Maxwell Frost. Among the party's rising generations, there is little lingering nostalgia for the Clinton era or the Clintons personally. Far from it. Many are itching for their party to embrace fresh values, fresh blood and a fresh start.

Refusing to get drawn into this showdown is a good step toward helping Democrats at last turn the page on Bill and Hillary, who for many in the party wore out their welcome long ago.

With their votes, the nine outliers denied Republicans an easy line of attack about how Dems don't give a flip about truth, justice and decency when one of their own *blah, blah, blah*. The vote also drew a stark moral line between their caucus and a G.O.P. that recognizes no higher principle than covering the current president's backside.

It's no secret that Mr. Trump needs a shiny distraction in the Epstein scandal. When the oversight committee released a batch of documents from Mr. Epstein's estate in November, the president responded by ordering the Justice Department to dig for Epstein dirt on Mr. Clinton and other Democrats. Pam Bondi, the attorney general, jumped right on that, despite her department's having previously asserted that the scandal merited no further investigation. And despite her current slothlike release of the existing files.

Democrats cannot be seen as treating elites in their party as above the law.



POOL PHOTO BY KENNY HOLSTON

Mr. Comer's subpoenaing of the Clintons, especially of Mrs. Clinton, feels equally noxious and desperate. It also seems based partly on the calculation that Democrats would feel compelled to blindly circle the wagons around their team's V.I.P.s, as Republicans so often do around Mr. Trump.

But the 2020s are not the 1990s, and Democrats long ago learned the price of protecting a self-indulgent leader from the repercussions of his bad behavior. "But what about Bill Clinton?" has for too long been the G.O.P.'s stock answer when a sex scandal rocks its ranks. Mr. Trump himself has repeatedly brandished Mr. Clinton's sexual misconduct as a way to distract from his own. In 2016 Mr. Trump even invited multiple women who had accused Mr. Clinton of sexual abuse to attend one of his debates against Mrs. Clinton. It was a gross — and brilliant — stunt aimed at undermining whatever moral high ground Mrs. Clinton hoped to occupy.

Mr. Clinton insists he has nothing to hide regarding Mr. Epstein. Yay for him. But not even a former president can defy a subpoena — issued with bipartisan approval, mind you — because he and his wife consider it unfair. Mr. Clinton had a relationship with Mr. Epstein. He owes the American people answers, even if he does not get to dictate the terms of disclosure.

The best outcome now is for the Clintons to feel newly motivated to work out a deal with the committee and short-circuit a House vote on contempt. Barring that, the entire Democratic caucus may soon need to take a position on this mess. If so, Democrats should take a deep breath, and make clear that they are on the side of transparency, accountability and the law, no matter who is in the hot seat.

Then they should double down on pummeling Mr. Comer and other Trump enablers for continuing to drag American politics down the rabbit hole toward nihilism.

OPINION

The Moment Has Come for the U.S. to Act in Iran

Masih Alinejad

A founder of a campaign against the compulsory hijab and the author of "The Wind in My Hair: My Fight for Freedom in Modern Iran."

DIPLOMATS often reach for a favorite phrase when civilians are being gunned down in the streets: We are monitoring the situation. I heard similar words when I was invited by the U.S. Mission to the United Nations to brief the Security Council last month on Iran's crackdown on protesters.

We are watching, diplomats at the session said. We are concerned. We condemn. It felt ritualistic — observe, express sorrow, move on.

Iran's rulers understand this ritual better than anyone. On Jan. 8, facing nationwide protests, the Islamic Republic imposed a near-total communications blackout, while security forces launched a military-style assault on unarmed protesters in dozens of cities. Now that some internet service has returned, the world can witness how the Iranian regime attacked its own civilians as if they were enemy combatants.

Its leader, Ayatollah Ali Khamenei, has acknowledged that "several thousand" people were killed. Independent accounts suggest that the toll is far higher. Some reports say the number could be as high as 16,500; activists in Iran talk of 20,000.

I'm in constant contact with Iranians inside the country, and what I hear from activists who witnessed killings, and mothers who are now mourning their children, is that we need the world to act. Iranian officials sent assassins to kill me on U.S. soil three times. I was saved only by the vigilance of U.S. law enforcement agencies. My dream, and the dream of millions of my compatriots, is to see Mr. Khamenei held accountable, and tried for the crime of killing so many Iranians.

Last month, President Trump repeatedly threatened leaders of the Islamic Republic, saying that if they used force against the protesters, the United States was "locked and loaded," and would come to the protesters' "rescue" if the killing continued. He encouraged Iranians to intensify their mass protests, writing, "HELP IS ON ITS WAY."

That help never came, and many protesters now feel betrayed. Still, the U.S.S. Abraham Lincoln aircraft carrier strike group has recently arrived in the Middle East. Mr. Trump has not said what he plans to do now that it is there, but it does give him the option of striking a blow against government repression.

I'm no military planner, but it's clear that attacks on the infrastructure of the Islamic Revolutionary Guards Corps and the Basij militia that it controls would damage the Islamic Republic's protest-crushing ma-

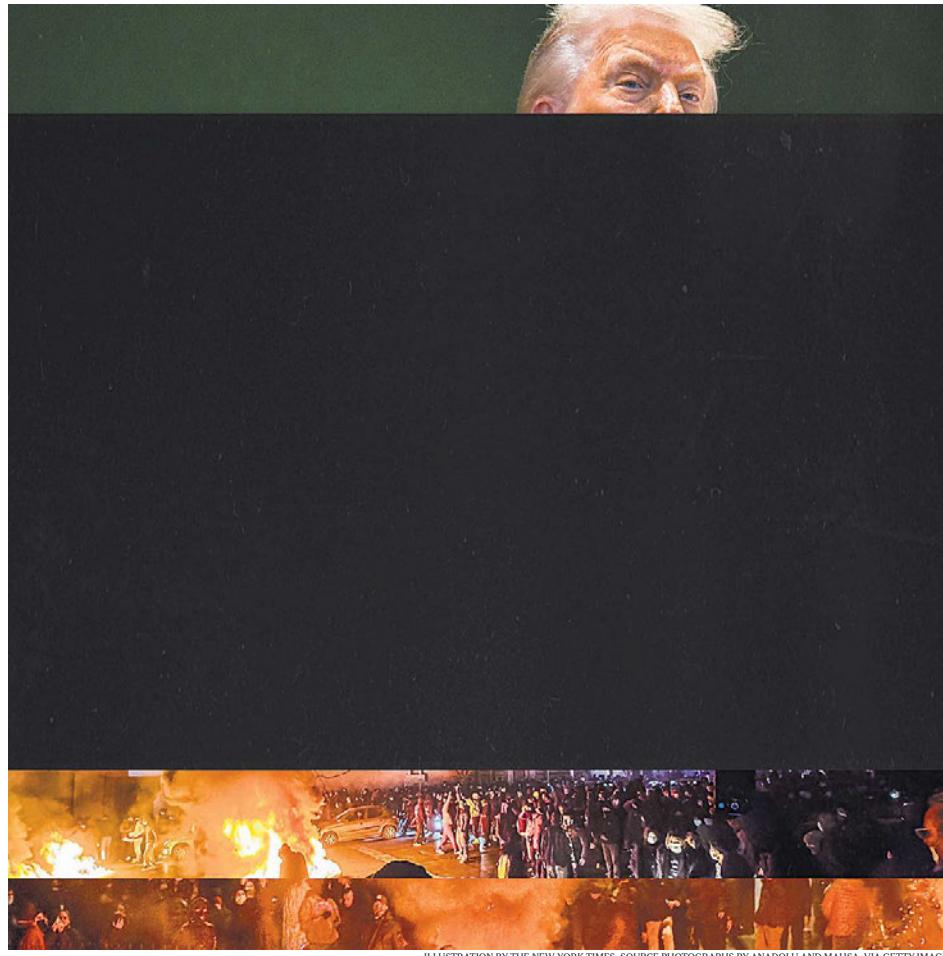


ILLUSTRATION BY THE NEW YORK TIMES; SOURCE PHOTOGRAPHS BY ANADOLU AND MAHSA, VIA GETTY IMAGES

chinery. The goal should be to disrupt the regime's ability to shoot, jail and terrorize. The strike could also encourage fence-sitters inside the security services to stand down, if not actually join the protesters.

Europeans should designate the Islamic Revolutionary Guards Corps as a terrorist organization, something they have yet to do despite a mountain of evidence about the violence it has perpetrated. While they are at it, they should expel Iranian diplomats and close the country's consulates.

Along with the standard expressions of concern I heard at the United Nations, Western governments reached for another familiar warning as the crackdown escalated in January: We cannot intervene. Experts invoke the disastrous war in Iraq or the chaotic violence in Libya. The conversation ends.

Inaction will give Tehran's theocrats time to rebuild their machinery of repression.

Both of those military misadventures are real scars. Skeptics of military action in Iran may argue that the United States would be violating Iran's sovereignty with an attack and that it could create a rally-around-the-flag effect. But sovereignty comes from the will of the people, and a regime that mows down thousands of its own citizens has lost its legitimacy. During the recent protests, Iranians burned the Islamic Republic flag and instead waved the pre-revolutionary Lion and Sun flag, a sign that limited strikes might not ignite wide-scale anti-American feeling.

Too often, the argument about the dangers of intervention is less about prudence than paralysis. It turns failures into a permanent permission slip for every dictator watching: Kill enough people and the world

will be too afraid of past mistakes to stop you. The argument is dishonest because it pretends that intervention means invasion.

Iranians are not asking for foreign tanks to roll down the streets of Tehran. They are asking for the world to stop acting as if the only options are occupation or indifference. Inaction gives a regime time to regroup, rebuild its machinery of repression and return with a cleaner narrative and a longer list of prisoners.

In Bosnia, the world delayed until the Srebrenica massacre made inaction politically unbearable; eventually, a combination of pressure and force helped to end the slaughter in the former Yugoslavia. The peace was imperfect, but the killing stopped. In Kosovo, NATO intervention prevented a humanitarian catastrophe.

Outside of NATO's backyard, after a referendum favoring independence triggered violence in East Timor in 1999, the U.N. Security Council authorized a multinational force to restore security and allow for humanitarian assistance. It was a focused intervention to stop militia violence and protect civilians. In Gambia in 2017, a dictator refused to give up power after losing an election. The region didn't shrug. West African states brought pressure to bear, backed by a credible threat of force, to ensure a peaceful transfer of power. The dictator stepped down and fled into exile.

These are not fairy tales. They are evidence that the world has options besides the two extremes we sometimes pretend are the only ones.

When the world doesn't choose one of the available options, we are left with graveyards.

Ask the Rohingya in Myanmar, where top military leaders are accused of genocide against the Muslim minority. Look at the Darfur region in Sudan, where civil war has led to the killing of tens of thousands of people, a stain on the international community for its lack of decisive action. The international response to the Rwandan genocide is not remembered as a cautionary tale about interventionist overreach. It is remembered as cowardice. The world had notice about the catastrophe but lacked the will to act.

President Barack Obama had a chance in 2009 to support millions of Iranians who protested a rigged election. He spoke out but chose not to do more, to avoid undermining the protesters, he said, and to avoid ruining negotiations over a nuclear deal with Iran that he believed would help secure a wider peace in the region. Mr. Obama has since regretted that decision.

Now America has another chance to act in support of Iranian protesters. History will not accept "We're monitoring the situation" as an answer. Inaction has a body count.

Meet the Federal Debt, the Fed's Actual New Boss

Binyamin Appelbaum

An Opinion writer focusing on economics and business.

FOR the past half-century, policymakers have taken for granted that the Federal Reserve would seek to maintain control over inflation, and that it had the power to do so.

It is time to start rethinking both of those assumptions.

President Trump's nomination of Kevin Warsh as the next Fed chairman is intended to break the Fed's focus on inflation. Mr. Trump made clear that he wanted the Fed to deliver lower interest rates, inflation be damned, and said plainly and publicly that he would nominate someone willing to deliver on his demands. "Anybody that disagrees with me will never be the Fed chairman," he posted on social media in December.

Even if the central bank under Mr. Warsh defies Mr. Trump and keeps trying to do its job, it will face a second problem: Its hands will be increasingly tied by the federal debt.

The government's dependence on bor-

rowed money is growing at an unsustainable rate. The Treasury paid \$970 billion in interest last year, or about 19 cents of every dollar collected in taxes. By 2035, interest payments on the debt could consume 27 cents of every tax dollar.

It is a problem that Mr. Trump has exacerbated through his reckless approach to fiscal policy, including another round of large tax cuts in 2025. There are also signs that foreign investors are reconsidering their appetite for lending to the United States. A Danish pension fund recently announced plans to divest its U.S. Treasuries.

Congress could ease the pressure by embracing fiscal probity through some combination of raising taxes and reducing the growth of entitlement spending. If federal borrowing instead continues to outpace the nation's economic growth, it will force the Fed onto the horns of a dilemma. Governments that struggle to pay their debts often turn to monetary policy for relief, pressing their central bankers to print more money. That drives up inflation. The alternative, however, is allowing a government default.

Economists describe this situation as "fis-

cal dominance" because the profligacy of the fiscal authorities effectively forces the hand of the central bank.

It calls to mind the old saying that if you owe the bank \$100, that's your problem, but if you owe the bank \$100 million, that's the bank's problem. When the debts are large enough, the debtor calls the shots, because default becomes unbearable.

In short, this is not a fun time to be a central banker. The president doesn't want you to do your job, and Congress is making the job even harder. At an annual meeting of the American Economic Association in early January, several prominent economists participated in a panel discussion about the Fed's future. The perspectives ranged from bleak to bleaker. The nearest thing to reassurance was offered by Janet Yellen, a former Fed chair, who emphasized that the government still has time to improve its fiscal health.

"The Fed is not and must never become the fiscal authority's financing arm," Ms. Yellen said.

David Romer, an economics professor at the University of California, Berkeley,

agreed that there was time to act, but given the state of Congress, didn't see much reason for optimism.

The Fed's future "is likely to be very different," he said.

The Fed is charged by Congress with maintaining the health of the financial system and the stability of the broader economy. Its main tool is its ability to raise and lower interest rates, modulating the pace of economic growth to keep unemployment low and inflation steady.

Raising interest rates to maintain control of prices is never popular, but presidents since the inflationary 1970s have generally accepted that it is in the national interest, even if it causes political pain. One of the most consistent aspects of Mr. Trump's political identity, however, is a refusal to countenance short-term sacrifices.

There's a famous psychology experiment: A single marshmallow is placed in front of a child, who is told that he can eat it — or, if he waits 15 minutes, he will receive a second marshmallow, and then he can eat both. As I've said previously, Mr. Trump is a man who always chooses to eat the first marshmallow immediately.

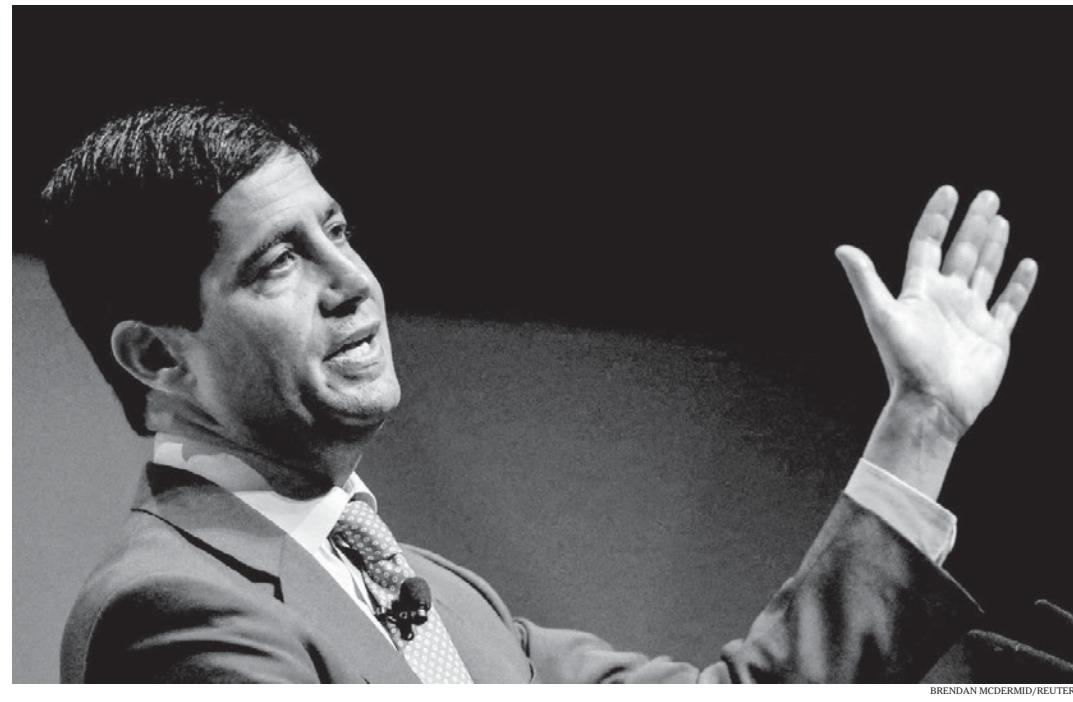
He has said repeatedly that the Fed should lower interest rates, both to increase economic growth and to reduce the government's borrowing costs.

Of course, if Mr. Trump does get his way, he may still be in for a rude shock. The central bank can force down short-term interest rates, at least for a time, but if markets conclude that the effect will be inflationary, both short- and long-term rates are likely to increase. By messing with the Fed, Mr. Trump could end up increasing the federal government's borrowing costs — and those of consumers, to boot.

Installing Mr. Warsh wouldn't guarantee that the Fed embarks on this counterproductive course. The chair holds only one of the 12 votes on the Federal Open Market Committee, which sets monetary policy, and just three of the other voters were chosen by Mr. Trump.

But the Fed has the feel of a castle under siege. The current chair, Jerome Powell, is now the subject of an investigation by the Justice Department that appears motivated less by any plausible evidence of wrongdoing than by Mr. Trump's fury that Mr. Powell has not bent to his will. Mr. Trump is seeking the Supreme Court's blessing to oust another board member, Lisa Cook, who has similarly resisted his demands for lower rates.

The Fed so far has managed to continue its work, but it will not be able to resist political pressures indefinitely. And there is no cavalry on the horizon.



Kevin Warsh, whom President Trump has picked as his nominee to be the next Fed chair.

BRENDAN McDERMID/REUTERS

اجعل بيربك في واحد
ومنها لك في ألف
امن حلم العرب

YOUR DAILY ARABIC PROVERB
Never tell your secret to more than one;
but if you seek advice, consult one thousand.
An Arab maxim

Opinion

Demolishing UNRWA HQ an act of folly and weakness

YOSSEI MEKELBERG



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In every sphere of activity in which Israel's government operates, it does so in a thuggish and mindless manner. Nuance, subtlety, restraint, consideration, and weighing options are just not in its vocabulary. The immorality of this approach is obvious and in the long term self-defeating, leaving the country living by the sword, with fewer friends, and constantly losing public sympathy.

The latest episode in this long-running series of acts of sheer folly took place last week when the government sent its enforcers, accompanied by security forces, to demolish the headquarters of UNRWA, the UN agency that since 1949 has been in charge of providing services for the well-being and protection of Palestinian refugees until a just resolution of the question of Palestine is found.

This is an Israeli government that tries to conceal its true intentions and incompetence with performative politics. Does it really believe that if UNRWA ceases to exist, the Palestinian refugees will disappear with it,

and that their political, human, and civil rights will no longer exist? Israel blames UNRWA for perpetuating the Palestinian right of return by granting refugee status to successive generations. However, it is not UNRWA that perpetuates the right of return; it is their legal right in line with international law and UN General Assembly Resolution 194, for instance, which states that "refugees wishing to return to their homes and live at peace with their neighbors should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return."

Mistakenly, negotiations over the issue of refugees were framed as addressing the right of return rather than how to translate this right into practical terms that would avoid a mass return leading to new difficulties. The right of return is recognized under international law, and hence not negotiable as such. UNRWA is not the custodian of this right — international law is. Years of negotiations to translate this right into practice have yielded a number of plans for workable

solutions, including trade-offs for those who will not return, such as becoming citizens of a Palestinian state, becoming citizens of their current host countries, and compensation for their loss and suffering.

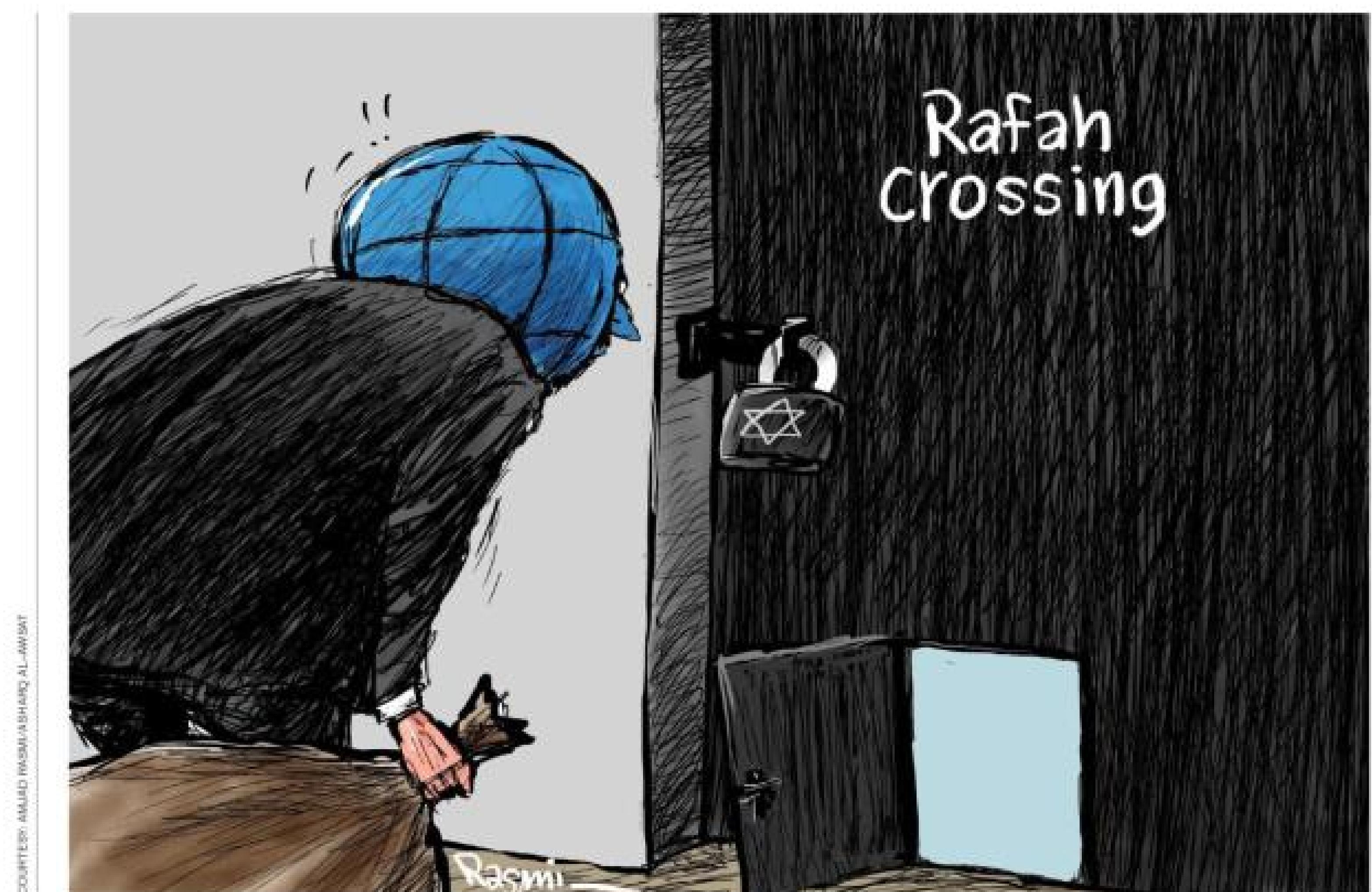
Destroying the UNRWA headquarters in East Jerusalem will not make the Palestinian refugees and their rights go away. It is a mere act of vandalism, which activated a piece of legislation passed in the Knesset in October 2024, barring the agency from operating in Israeli territory and curtailing its activities in Gaza and the West Bank by banning state authorities from having any contact with it. In addition, late last year, in another act of harassment, a law prohibiting the provision of electricity or water to facilities owned by or operated on behalf of UNRWA passed its third and final reading in the Knesset. This was another Pyrrhic victory, which appeals to the current government's electoral base that has been fed endless lies about the objectives and operations of this UN agency, leading the base to believe that it is hostile to Israel.

Awareness among Israelis of the

humanitarian nature of the organization and its contribution to the well-being of millions of Palestinians, to whose plight Israel has been a major contributor for so many decades, is almost nonexistent. By declaring all-out war on UNRWA, Israel gets closer to a moment of reckoning when it must demonstrate that it has found an alternative humanitarian instrument to the UN agency.

Eliminating UNRWA's capacity as a service provider is an act of brutality directed at Palestinians, but also an act of self-harm by Israel, especially given the lack of a viable alternative. It is morally bankrupt to deprive millions of people under your control access to the most basic needs; it is also a recipe for unrest that risks pushing the population, especially the young, into the hands of the radicals while alienating those who want to live in peace with Israel. Demolition of the agency's headquarters is both a physical and symbolic manifestation that Benjamin Netanyahu and his government are simply not interested in peace, if anyone needed further evidence.

Demolition of the agency's headquarters is a physical manifestation that Netanyahu is simply not interested in peace



CARTOON: RASHED AL-AWIAS

Europe has begun to step up its engagement in the Arctic, a development that will be welcomed in Washington

The Arctic remains a zone of sustained competition

LUKE COFFEY



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U.S. President Donald Trump's recent statements about the need to acquire Greenland caused considerable division within the transatlantic community. Fortunately, these tensions appear to have been resolved for now. One positive consequence of the Greenland debate, however, has been to elevate the strategic importance of the Arctic region on the international agenda.

The Arctic region is home to some of the harshest terrain and environmental conditions on Earth. There are eight countries that can call themselves Arctic states: the US, Canada, Denmark via Greenland, Iceland, Norway, Sweden, Finland, and Russia. Many more countries are now seeking to expand their influence in the region.

The region is important for scientific, environmental, trade, transit, and energy reasons. Tourism has also been growing,

boosting local economic activity. The region is widely believed to contain vast amounts of untapped oil and gas reserves, along with significant quantities of rare earth minerals. The challenge lies in finding ways to access and extract these resources that are both economically viable and environmentally responsible. This is made even more difficult by the lack of infrastructure and limited logistical connectivity.

The Arctic Council, an intergovernmental body led by the eight Arctic states, was established to promote cooperation on issues such as search and rescue coordination, environmental protection, and scientific research. However, the council has all but stopped functioning since Russia's invasion of Ukraine in 2022, severely limiting one of the few institutional mechanisms for Arctic-wide cooperation.

For the US, it is clear that the Trump administration views the Arctic primarily through the lens of great power

competition. The US became an Arctic state in the 1860s with the purchase of Alaska from Russia. What was widely seen at the time as a mistake has since proven to be one of the most strategic decisions made in the post-Civil War era. Despite the rhetoric from multiple Washington administrations, however, relatively little emphasis has been placed on improving American capabilities or presence in the Arctic. For example, the US Coast Guard currently operates only one heavy icebreaker there.

It has not always been clear to Europeans, beyond those countries that are Arctic states, what role the rest of the Continent should play in the region. While the EU as an institution holds policy competencies over many issues that directly affect the Arctic, member states that are Arctic countries have largely kept decision-making at the national level. In fact, the EU has attempted multiple times to join the Arctic Council as an observer, only to be blocked.

In the wake of Trump's rhetoric over Greenland, however, Europe has begun to step up its engagement in the Arctic, a development that will be welcomed in Washington. From a security perspective, the accession of Finland and Sweden into NATO means that seven of the eight Arctic states now fall under the same security umbrella. For the first time, NATO itself has adopted a more direct and active role in the region.

Still, the future of Arctic cooperation hinges on the growing competition and divisions among the great powers. With relations between the West and China increasingly uncertain, and with the Arctic Council sharply reducing its activities due to the breakdown in relations between Russia and the other Arctic states, it is clear that the region will remain a zone of sustained competition. What must be avoided at all costs is allowing the Arctic to become the next theater of global conflict.

Opinion

Balance key as Gulf states' soft power grows

MAHA AKEEL



At a recent international conference on geopolitics that I attended, a prominent speaker discussed the growing influence of the Gulf states. Political commentators, analytical papers, and research studies are repeatedly highlighting this growing role and influence. This is not us claiming leadership, this is international recognition of the shift in how power is exercised in the region, especially in terms of mediation and humanitarian aid when considering the receding role of the usual Western powers, particularly the US.

Over the past decade, the Gulf states have emerged as indispensable actors in mediation and humanitarian aid.

From facilitating prisoner exchanges and ceasefire talks to underwriting large-scale humanitarian responses, Gulf states have positioned themselves as brokers in crises that extend well beyond their borders.

As with other countries, Gulf states use mediation and humanitarian aid to project influence, stabilize regions, and meet geopolitical goals. Whether through UN organizations or bilateral agreements for reconstruction efforts, funding education

and health programs, vocational training and development projects, Gulf diplomacy skillfully blends substantial financial aid with active mediation to achieve tangible political and strategic outcomes, solidifying these states' roles as significant regional actors.

At its core, this strategy is about soft power. Acting as intermediaries in conflicts where traditional powers are either distrusted or overstretched enhances their reputations as pragmatic, solution-oriented actors. Humanitarian aid, meanwhile, projects an image of responsibility and leadership, particularly in the Middle East and North Africa region, where several countries are fatigued by war, displacement, and institutional collapse.

The Gulf states project soft power through investments to support postconflict reconstruction and incentivize dialogue, as well as investing in media, education, cultural diplomacy, and hosting major international events that enhance their international visibility and reputation. On the other hand, states such as Kuwait and Oman emphasize impartiality and "quiet diplomacy" to establish

credibility, making them acceptable as mediators to all parties in a conflict.

In addition to providing access to global decision-makers, conflicting parties and international institutions, soft power also bolsters the Gulf states' standing in global forums. Their voices increasingly carry weight not only because of energy markets or financial clout, but because they are seen as problem-solvers.

Saudi Arabia's successful participation in the World Economic Forum in Davos illustrates its impactful presence through meaningful dialogue, pragmatic cooperation, and the launch of major initiatives designed to address global challenges and capture opportunities.

The Global Soft Power Index 2026, released during Davos, indicates that while the US continues to exercise hard, economic and soft power, its overall soft power performance has declined, creating space for other nations to expand their influence, particularly China, but also the Gulf states. Saudi Arabia climbed from 20th to 17th and Qatar from 22nd to 20th through proactive diplomacy, economic diversification and new efforts across culture, tourism, and sports.

However, with rising influence comes growing pressure to meet expectations and maintain neutrality, credibility, and transparency. Qatar's central role in ceasefire and hostage negotiations in Gaza has placed Doha under intense scrutiny. Because it hosts key Hamas interlocutors and publicly commits funds for humanitarian relief, delays or restrictions on aid access have rebounded into political pressure on Qatari diplomacy.

Despite lacking control over conditions on the ground, mediators are often blamed when humanitarian corridors stall or ceasefires falter, thus raising expectations that mediation must also produce tangible humanitarian outcomes.

As Western powers recalibrate their roles in the region, Gulf states are often expected to step in — not just financially, but diplomatically and strategically. This can stretch capacity and blur the line between facilitation and responsibility.

Therefore, the challenge ahead for Gulf states when it comes to mediation and humanitarian aid is balance. Gulf states need to institutionalize their mediation and humanitarian efforts, anchoring them in clear principles.

Over the past decade, the Gulf states have emerged as indispensable actors in mediation and humanitarian aid

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With rising influence comes pressure to meet expectations and maintain neutrality, credibility, and transparency

Fragile consensus as Africa heads to the polls

HAFED AL-GHWELL



Africa enters 2026 with elections scheduled in more than a dozen countries and with voter rolls that now exceed 600 million people across the continent. Elections have become the most common ritual of political life in Africa, more frequent than coups, civil wars, or constitutional rewrites. Yet frequency has not produced comfort. Voting has turned into a dual-use instrument: a tool for peaceful transfer of power in a minority of cases, and a method for laundering political capture in many others. It is a contradiction that now sits at the heart of what this year is likely to bring.

Uganda offers a useful example. Yoweri Museveni, the country's president, secured another term, extending a rule that began in 1986. Official results awarded him almost three-quarters of the vote, despite urban districts breaking heavily for the opposition and youth unemployment hovering around 60 percent. Turnout slipped below 60 percent as security forces ring-fenced the process, curtailed opposition rallies, and intermittently restricted digital platforms. Uganda demonstrated how elections now function in many entrenched systems: a choreographed exercise that delivers continuity while preserving

the appearance of democracy. Similar dynamics will likely shape several of the other headline contests this year.

First, Benin is often cited as a reform success story of the 1990s. Today, it offers a perfect illustration of the "buy-in paradox." President Patrice Talon is constitutionally barred from a third term, but the political field has been narrowed to the point where succession remains a controlled affair.

Electoral laws passed since 2019 require

parties to meet high national thresholds before fielding candidates, a rule that has sidelined most opposition groups. Parliamentary races since then have produced

legislatures with over 80 percent pro-government seats.

Yet voters are still asked to participate, foreign observers invited, and results tabulated in public view. Opposition leaders face a puzzle: boycott and concede legitimacy or compete and validate a contest structured against them. Many will choose the latter, because absence guarantees irrelevance.

Second, Ethiopia's general elections will be the most complex event on the calendar. The country has more than 120 million people, dozens of armed factions, and federal regions that are still operating under emergency regulations since the Tigray war. The 2021 polls were held in stages because of insecurity and logistical failure. In 2026, similar obstacles remain.

Ethnic parties control large regional blocs

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Prime Minister Abiy Ahmed Ali retains national visibility, but his coalition is thinner than when he took office in 2018. Ethnic parties control large regional blocs, and voter registration in contested areas remains incomplete. The result may still produce a government with a parliamentary majority, but one whose mandate is geographically uneven and politically fragile.

Third, Somalia plans indirect elections again, relying on clan delegates rather than universal suffrage. Roughly 14,000 elders select members of parliament, who then choose the president. The system is defended as pragmatic in a country where Al-Shabab is steadily increasing the territory it controls.

Zambia and Gambia represent a rather different picture. Zambia's 2021 election removed an

incumbent through the ballot box for the third time since 1991. President Hakainde Hichilema enters 2026 with approval ratings near 60 percent, buoyed by debt restructuring, and the return of International Monetary Fund support. Inflation remains high, and youth job creation lags behind population growth, but institutions showed resilience in the last transfer of power.

Gambia, after ousting Yahya Jammeh in 2017, held a competitive vote in 2021

and is preparing for another. Turnout exceeded 80 percent, among the highest on the continent. Media pluralism has expanded, and civil society monitoring is now routine. Neither country is immune to backsliding, yet both demonstrate that electoral credibility can still compound over time.

Many parties now run not to win, but to remain visible, hoping demographic change will eventually tilt the field.

Africa's median age is 19.7. By 2035, voters under 35 will form a majority in almost every country on the continent. Incumbents understand this and increasingly

invest in youth wings, social media campaigns, and cash-for-support programs tied to election seasons.

However, 2026 will not reverse the structural trend toward executive dominance. Ballots will

legitimize power grabs in several states and ratify managed successions in others. Uganda has already shown how little suspense remains in systems where institutions bend early and often.

The deeper question is not whether Africans will keep voting. They will. It is whether elections will regain their original function as instruments of choice rather than rituals of consent. For now, the continent lives with both meanings at once.

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