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FOUNTAINHEAD OF EXCELLENCE

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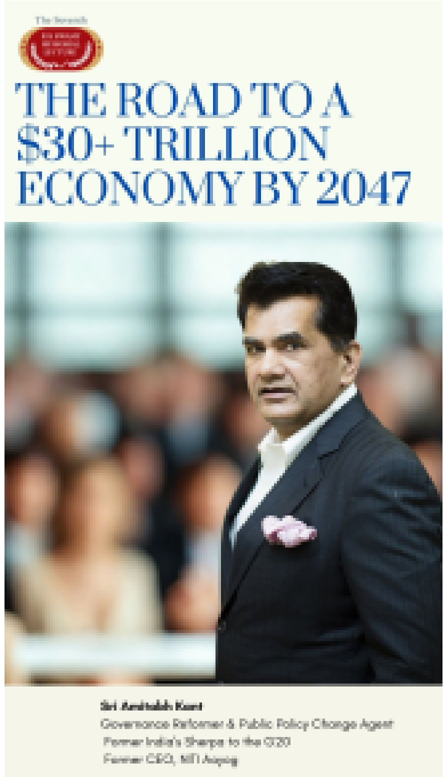

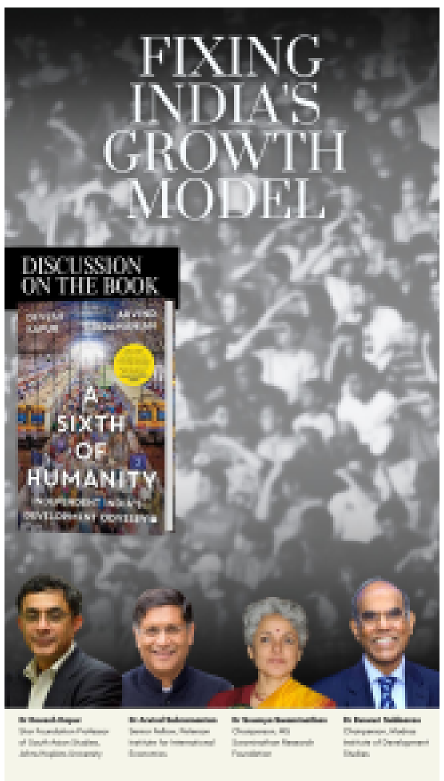

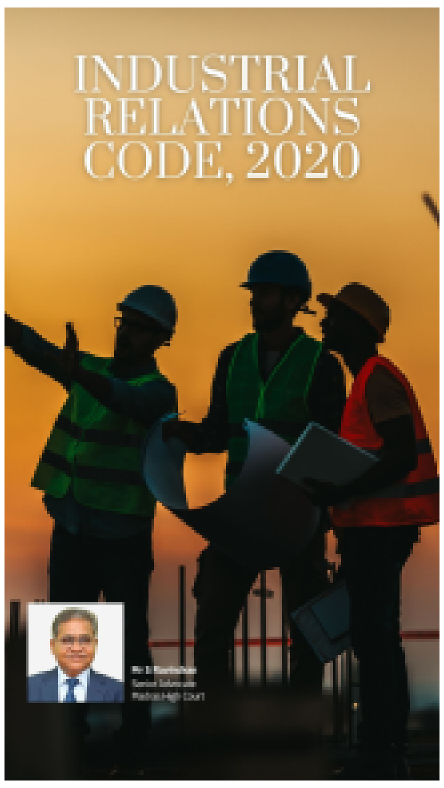

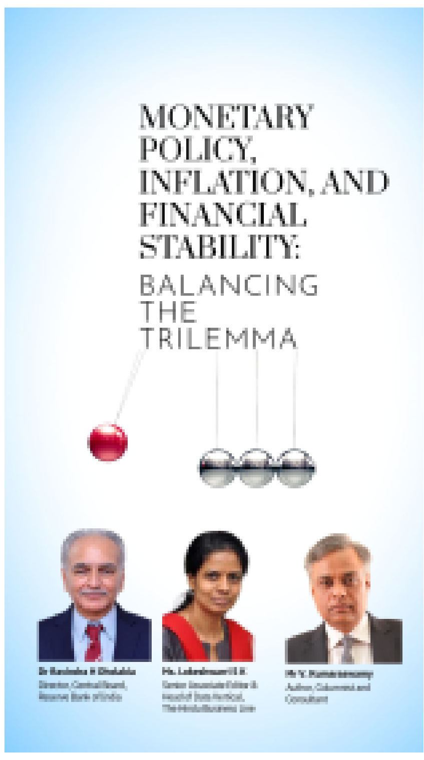

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EDITORIAL

Gp Capt R Vijayakumar (Retd), VSM

What Are You Built On?

A New Year Resolve: What really keeps you steady is the foundation. As I meet leaders, big thinkers, builders, risk-takers, and passionate professionals, one truth stands out clearly: the ones, who last, never rely on talent alone. They stand on something deeper — a foundation that brings out the best in them. And most importantly, it's a foundation they build on purpose.

For years, many of us have been told that success comes from doing more — more hours, more grinding, more plate spinning. I believed that too for a long time. But over time, I learned a truth that is rarely taught: Real power often comes from the parts of life that never show up on a resume. Your habits. Your values. Your discipline. Your character. Your mindset when no one is watching.

From *Bulletin* to *Business Mandate*: 50 Years of Impact

Golden Jubilee Special Edition

January 2026

It is with immense pride and heartfelt gratitude that I present the Golden Jubilee Special Edition of MMA Business Mandate – January 2026, marking 50 years of continuous reach and influence. This milestone is not just a celebration of a publication, but a tribute to the enduring spirit of MMA and its commitment to building management excellence through knowledge, reflection, and engagement.

Over the decades, this magazine has journeyed from its beginnings as the MMA Bulletin to becoming today's MMA Business Mandate, a premium interactive digital magazine with a truly global readership. While the format has transformed, the mission has remained the same—to strengthen the management movement and connect the professional community with ideas that matter.

Since July 2020, Business Mandate has embraced a fully digital approach, combining quality editorial content with embedded videos, web links, and immersive features—published unfailingly on the 1st of every month. Today, reaching over 80,000 readers worldwide, it stands as a proud legacy of consistency and relevance.

My sincere thanks to every reader and supporter. This golden journey belongs to you! ■

Everyone loves to talk about motivation, hacks, and mindset. But here's the reality: motivation means nothing if the foundation underneath is weak. Motivation comes and goes. Some days you feel unstoppable, and some days you don't. But commitment and discipline keep you steady. They hold you up when motivation fades. And like anything strong, a foundation needs maintenance. Just like a house — you repair it, reinforce it, and rebuild pieces when life cracks them. So strengthen your foundation. Protect it. Keep checking the cracks. Keep tightening the bolts. And when necessary, add support beams. Because a strong foundation gives you something priceless:

- The freedom to take risks
- The confidence to grow
- The courage to be bold

As we enter 2026, take a moment to reflect:

- What are you built on?
- What keeps you steady when life shifts?
- What keeps your humanity intact?

At MMA, we strongly believe that the secret lies in building and sustaining a strong foundation — not just for success, but for peace. The combination of authenticity, a non-judgemental space, and empathy, is what makes our community special and integral to who we are — and who we become. That belief is reflected in everything we do — from our thoughtfully curated programmes, to the use of technology, to publishing outstanding collections of articles and insights. Our two-volume series, "Turning Points: Management Lessons from Legends," is a must-read for management professionals and students who want to build a foundation with purpose — for both achievement and inner steadiness. I also encourage you to watch inspiring talks by Mr. Kanwal Rekhi, Mr. N. Srinivasan, Ms. Devina Mehra, and others in January 2026 —powerful voices that remind us what true leadership looks like.

As we step into the New Year, here is my wish: A very happy and prosperous New Year to each of you.

Keep strengthening your foundation; keep building with purpose; and, build a life that lasts. Build your foundation, and the future will take care of itself.

For India, nuclear energy offers a compelling pathway — reliable base-load power, low-carbon generation, and the potential to complement renewables in meeting future demand.

MMA ANNUAL CONVENTION 2026 – A CONVERSATION ON INDIA'S FUTURE

I am delighted to share that the MMA Annual Convention 2026, on the theme, *"India @ 2035: Driving Progress in a Changing Global Paradigm,"* is scheduled to be held on **Wednesday, 11th February 2026,** from 9:30 a.m. to 5:30 p.m., at Hotel Taj Coromandel, Chennai.

The year 2035 may seem distant, but the decisions we make today — as leaders, managers, entrepreneurs, and professionals — will shape the India we live and work in tomorrow. In a world that is increasingly dynamic and interconnected, progress is no longer linear. It is influenced by shifting economic forces, evolving technologies, changing global partnerships, and emerging leadership expectations. This year's theme promises to be thought-provoking, timely, and deeply insightful, offering fresh perspectives on how India can continue to drive progress amid a rapidly changing global paradigm.

We are also happy to share that a stellar line-up of eminent speakers has confirmed their participation. Their presence will ensure a rich, engaging, and future-focused experience for all delegates — one that combines vision, strategy, and practical insights.

YOUNG MANAGERS COMPETITION — A PRELUDE WITH PURPOSE

As a meaningful prelude to the convention, MMA invites young managers to participate in a competition based on the convention theme. This is an excellent opportunity for emerging talent to:

- Showcase ideas and leadership potential
- Represent their organisations with pride
- Learn from the process of research, reflection, and presentation
- Win attractive cash prizes

We encourage organisations to nominate their young managers and provide them this platform to think, speak, and contribute to India's future readiness.

Click here to view the Young Managers' competition brochure and send your nominations soon.

The participation fee for the convention is highly subsidized, making it accessible to a wider audience. We look forward to your active participation in the Convention and to shaping a conversation that truly matters — for organisations, industries, and for India's journey toward 2035. As the world changes faster than ever, India's next decade will define its destiny.

WHEN POLICY OPENS DOORS, OPPORTUNITY FOLLOWS

India has taken a significant step toward reshaping its clean energy future with the passage of the SHANTI Act — a landmark legislation that not only opens the door for private participation in India's nuclear power sector, but also actively encourages it. With this, the Government hopes to accelerate progress toward its ambitious goal of

Recent data suggests that a significant share of Indian start up patents never reach the examination stage and do not get granted. Many others are quietly withdrawn

achieving 100 GW of nuclear power generation capacity by 2047. Globally, interest in nuclear power is witnessing a revival, driven by a growing recognition of the role it can play in climate action and energy security. For India, nuclear energy offers a compelling pathway — reliable base-load power, low-carbon generation, and the potential to complement renewables in meeting future demand.

However, laws alone do not create transformation. The true impact of the SHANTI Act will depend on what follows: investment, innovation, and execution. Equally important will be regulatory clarity and certainty, which can build confidence among private players, encourage long-term commitment, and ensure safety remains paramount. If implemented effectively and supported by robust governance, this Act could prove transformative as it unfolds on the ground. In this context, MMA is organising a timely event on: *"100 GW by 2047: India's Nuclear Roadmap and the New SHANTI Act."* This will be followed by an expert panel discussion on: *"What Business Models Will Work for Private Participation in Nuclear?"*

The event will be held on 29th January 2026, and we are pleased to share that **Mr. Hans Raj Verma, IAS (Retd.),** along with other domain experts, has agreed to participate and share insights on the evolving technology landscape, policy direction, and emerging business opportunities.

We invite you to join us in person or watch the live session online.

Click here to view the invite.

As India charts its progress toward 2047, conversations like these matter. Because the future of energy will not only be about megawatts — it will be about strategy, innovation, partnerships, and leadership.

THE NEW LABOUR CODE: FROM ADOPTION TO ACTION

India's labour ecosystem is undergoing a landmark transformation with the transition from 29 central labour laws to four unified labour codes. This is not merely a legal change — it represents a shift in how organisations will approach compliance, workforce strategy, industrial relations, and employee well-being in the years ahead. In this context, MMA organised a masterclass on *"The New Labour Code – Adoption to Action."* The sessions provided a comprehensive and practical understanding of the four codes covering:

- Wages
- Social Security
- Industrial Relations
- Occupational Safety, Health and Working Conditions

The sessions also highlighted the key nuances and implications of each code, helping participants understand what these reforms mean for employers, employees, and HR leaders in real operational terms.

Click to watch the full recording.

I am also delighted to present, in this issue, a well-curated article summarising the most valuable insights shared by our experts — with an embedded video. I urge you to read it closely, as it offers clarity and context that can support better understanding and stronger compliance readiness.

As the nation moves from policy to implementation, staying informed is not optional — it is essential. This is a change that every organisation must prepare for, and every professional must understand.

KARAKURI KAIZEN: LOW-COST, HIGH-IMPACT INNOVATION FOR SUPERIOR OPERATIONAL EFFICIENCY

India's start up ecosystem appears to be in the midst of a historic intellectual property boom. Patent filings by start-ups have crossed 13,000 since 2021, and trademark filings have exceeded 44,000. On the surface, this surge looks like an innovation renaissance. But the shine wears off when we look beyond the numbers.

Recent data suggests that a significant share of Indian start up patents never reach the examination stage and do not get granted. Many others are quietly withdrawn — or "die" before they truly come to life. This signals an important truth: filing activity alone is not innovation. What India needs now is a renewed focus on strengthening R&D capabilities, cultivating problem-solving depth, and building a culture where innovation is defined by impact, execution, and sustained value creation. As our innovation ecosystem evolves, depth must replace decoration. This is the mindset shift we need — where a patent boom signals innovation that can be counted upon, not just counted. In this context, MMA is organising a thought-provoking talk by **Mr. Kanwal Rekhi** — Entrepreneur, Investor, Mentor, Thought Leader, and Co-founder of TiE — on: *"The Ground Breaker: Risks, Rewards, and Lessons from a Legendary Entrepreneur"*

This will be followed by a Conclave on: *"Karakuri Kaizen: Leveraging Low-Cost, High-Impact Innovation for Superior Operational Efficiency."*

Karakuri Kaizen is a powerful approach that demonstrates how organisations can achieve meaningful operational improvements through simple mechanical ingenuity, low-cost solutions, and high-impact process innovations — often without large capital investment. Participation is complimentary for MMA members.

We invite you to join us and be inspired by ideas that combine innovation with practicality—and entrepreneurship with enduring relevance.

Click here to view the invitation.

GDP GROWTH: WHEN INDIA OUTRUNS EXPECTATIONS

The Indian economy posted a surprisingly strong growth rate of 8.2% in the July–September quarter, exceeding expectations — including the RBI's. Several factors appear to be driving this momentum: a stronger pace of growth in manufacturing, financial services, and consumption, along with a significant statistical lift from a low base effect and subdued inflation. Importantly, India's growth continues to outpace most major global economies, reinforcing confidence in the resilience of our economic engine.

At MMA, we have been privileged to host some of the nation's most respected voices on India's economic journey. One particularly thought-provoking perspective shared by Dr. Arvind Subramanian was that, even more than 75 years after independence, India still remains a relatively poor country. Several nations that began at comparable starting points have surged ahead — not only in per capita GDP, but also in the quality of life for their citizens. Many of the deep economic and social ruptures inherited at independence, he observed, remain unresolved.

He also offered an important reminder: economics often tends to look beyond immediate adjustment pains and underestimates the political and social costs that arise in the interim. The challenge for policymakers and political leaders is to anticipate how these costs will play out — and determine whether the reforms are worth pursuing. Those with vision, he noted, are willing to consider the "unborn votes" — the future generations who will benefit from long-term choices.

Continuing this forward-looking conversation, **Mr. Amitabh Kant** delivered the R.K. Swamy Memorial Lecture to MMA members on, *"The Road to a $30+ Trillion Economy by 2047."* With multiple sectors of the economy showing strength, it is reasonable to view these indicators as early signs of renewed "animal spirits" returning to the economy. Consumption remains robust, and private investment shows encouraging signs of revival — both critical for sustaining long-term growth.

In this issue, I am delighted to present the transcripts of three brilliant lectures — featuring **Mr. Amitabh Kant** as our cover story, along with incisive insights from **Dr. Ravindra H. Dholakia** and **Dr. Arvind Subramanian** on the Indian economy, GDP dynamics, and what lies ahead. The numbers tell a story — but the insights tell us what to do next.

I invite you to read the article, watch the embedded video recordings, and explore the deeper forces shaping India's economic progress.

BEYOND THE BUZZ: INVESTING WITH CLARITY IN 2026

The present market calls for balance rather than bravado. After years of frenzy, 2025 delivered a loud and valuable lesson: valuation matters — and buying a stock at the right price matters even more. High P/E stocks can fall sharply, punishing investors who ignore stretched valuations. Many retail investors also experienced first-hand that market movements are cyclical — reinforcing the importance of diversification and discipline.

As we step into 2026, the message is clear: keep expectations moderate and stay grounded. Go beyond the buzz. Avoid being swept up by short-term narratives. Instead, prioritise companies with:

- credible business models
- sustainable growth potential
- strong governance and fundamentals
- reasonable valuations

In a time when market noise is high, steady investing is a competitive advantage. In this context, MMA is delighted to host a special session with **Ms. Devina Mehra,** Founder & CMD of First Global, on: *"From Lucknow to Wall Street: Leadership Lessons from Building a Global Research Powerhouse."* Ms. Mehra is also the author of the widely discussed book, *"Money, Myths and Mantras: The Ultimate Investment Guide."*

We invite you to join this exclusive session featuring

Ms. Devina Mehra in conversation with **Mr. Chandu Nair** and **Mr. Shyam Sekhar,** as they share insights on markets, mindset, and investing with clarity.

Click to view the invitation.

INDIA'S DATA CENTRE BOOM: CAN GROWTH STAY SUSTAINABLE?

As India accelerates its digital transformation, data centres are fast becoming critical national infrastructure — powering everything from financial services and e-commerce to cloud storage, AI, and public digital platforms. Their growth reflects the scale of India's digital ambition.

However, experts caution that building data centres at scale must be supported by careful strategic planning and stronger regulation, especially to reduce dependence on conventional energy and to manage rising water consumption. Data centres also generate heat and processing-related emissions, raising important questions about the sustainability of such power-hungry infrastructure.

One key concern, in particular, deserves greater attention: water used in some data centre cooling systems cannot always be easily reused or recycled to freshwater suitable for human consumption. In a country where water stress is increasingly becoming a strategic issue, this makes responsible planning not only desirable, but essential.

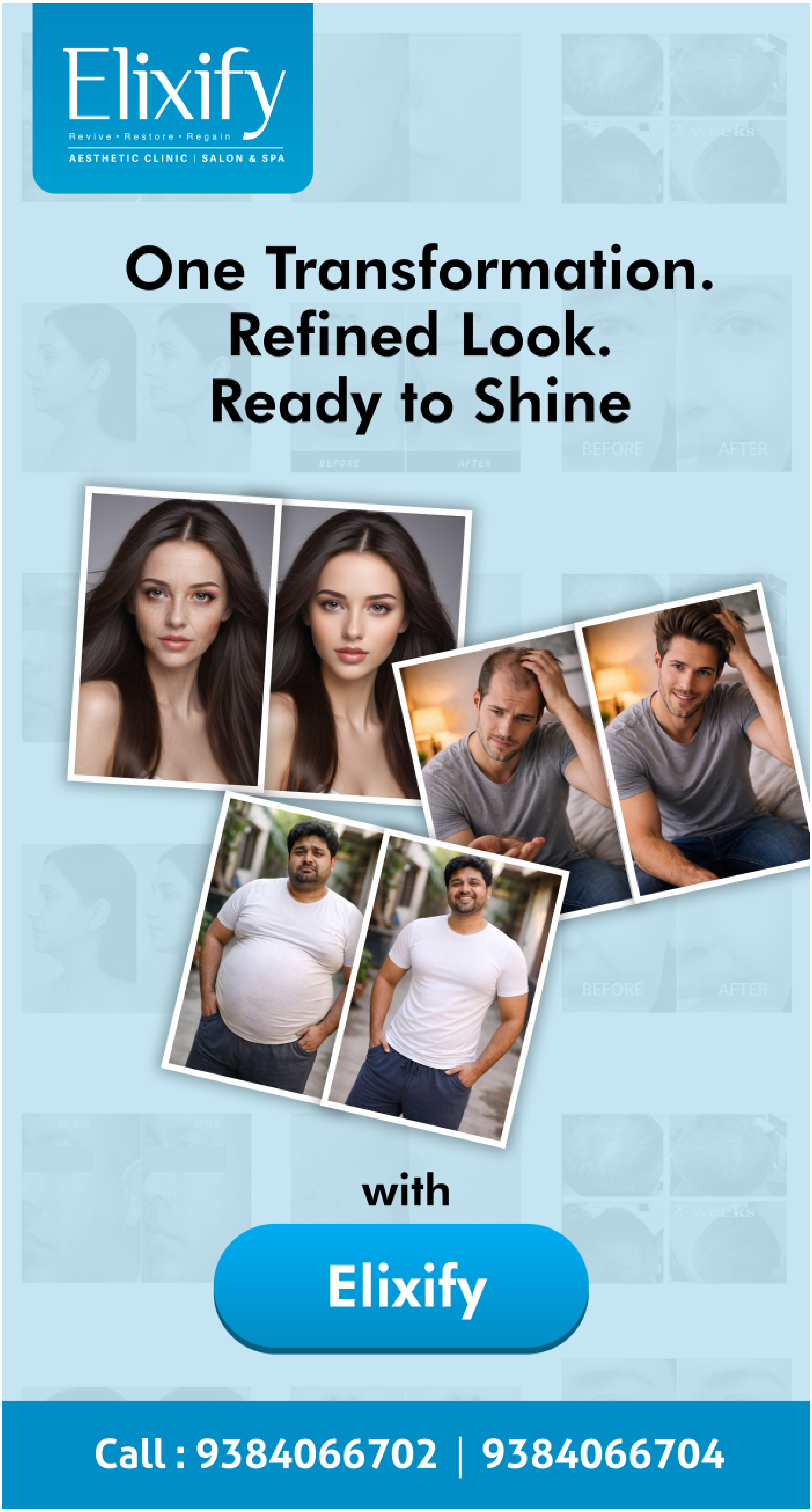
To understand this fast-evolving ecosystem better, MMA organised a visit to the **CtrlS Chennai Data Center** — a state-of-the-art facility in Chennai on 22nd December 2025, in two groups. Our members thoroughly enjoyed the visit and gained valuable insights into how modern data centres operate, the technologies involved, and the challenges of scaling them responsibly.

We look forward to hosting more such knowledge-driven visits and immersive learning experiences in 2026 — helping our members stay ahead in understanding the infrastructure shaping India's digital future.

As always, we would be happy to hear your views, comments and suggestions.

Happy Reading…. And a brilliant New Year!!!

Regards,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The Seventh

R K SWAMY MEMORIAL LECTURE

THE ROAD TO A $30+ TRILLION ECONOMY BY 2047

Sri Amitabh Kant

Governance Reformer & Public Policy Change Agent

Former India's Sherpa to the G20

Former CEO, NITI Aayog

At the 7th R K Swamy Memorial Lecture, India's former NITI Aayog CEO **Mr. Amitabh Kant** discusses structural reforms, digital transformation, and infrastructure development driving India's economic growth trajectory toward becoming a global economic powerhouse.

I'm truly delighted to be here to deliver the seventh RK Swamy lecture. Mr. RK Swamy was a great thought leader, a great intellectual, an immensely creative person, and he was an institution builder. But more than anything else, he was a nation builder. So this event is unique in many ways. It brings Mr. RK Swamy's vision of ideas, his perspective of creating great institutions which he did, and his concepts of building a great nation altogether.

Mr. RK Swamy started his career in J Walter Thompson advertising company simply because he knew Gujarati; he knew Tamil; he knew three different languages. He almost started at a very low rung in the ladder as a language interpreter. He rose up the J Walter Thompson creative agency and eventually started a branch of J Walter Thompson in Chennai. At that period of time and at that history, creative work all


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used to be done out of Kolkata or out of Mumbai. Nobody ever thought of Chennai. Mr. RK Swamy came to Chennai and brought the world of creativity, the world of advertising, the world of doing innovative marketing in Chennai.

Ladies and gentlemen, it was Mark Twain, an American philosopher, traveller and humorist, who had said at one point of time that India is the cradle of human civilization. It is the mother of history. It is the grandmother of tradition and the great-grandmother of legend, and all instructive material of history to be found in India. When he said this, India had been colonized by the British. He said this around the 1860s, and India, when it was colonized by the British in 1700, actually had about close to 30% of the global share of global GDP. That's 2% more than what the United States holds today. United States' share of global GDP is 28%. India's share was about 28-30%.

By the time the British left India in 1947, the share of India in global GDP had dwindled down to about 3.5%. So from being the leading driver of growth, trade, exports, prosperity of the global economy, India had moved to the periphery of the global economy. And then the British Raj was replaced by the License Raj. For a long period of time, we saw socialism in India, and every single industrial license was cleared by the government of India.

It was only in 1991 that we saw the first wave of liberalization when industrial licensing was done away with, but many hard areas of control by the state still remained. Just about a decade back, many of you would recall that India was a “fragile five” country. It was termed as a “fragile five”. From fragile five, India's moved to the top four countries of the world, and in another two years we'll overtake Germany to be in the top three.

We are a $4 trillion economy. The Prime Minister's vision is that India should go on to be a 30-plus trillion dollar economy by the time it becomes 100 in 2047.

STRUCTURAL REFORMS

First and foremost, what has India done to move from fragile five to the top four and become a $4 trillion economy? This will give us the road to the future. India has made very major structural reforms in its economy. The first of which is that we have one tax across the economy which is digital, which is Goods and Services Tax, and that tax has led to higher revenues for the government and for the state governments. GST has been further liberalized, consolidated, improved upon, and a lot of process of digitization has happened.

The second has been that in India we used to say

that India was a country which had socialism with very complex entries, and capitalism—when it moved to capitalism—it had no exit points. Therefore, insolvency and bankruptcy code was critical for this country. Bringing in the insolvency and bankruptcy code has actually brought in a huge amount of financial discipline because many large companies used to borrow and not pay back the financial institutions.

The third has been that for many middle-class people like me who used to borrow money to buy houses for their families and never get them through real estate builders—this particular problem was particularly severe in Gurgaon and Noida—the Real Estate Regulation Act was brought in, and the real estate sector has boomed as a consequence.

The fourth has been that India brought down the corporate tax rate level. Three years back, India gave away Rs.145,000 crores to its private sector so that its tax regime could be on par with the world's best.

And the fifth, which is critical, is that the government focused on removing a lot of rules, regulation, procedures, and paperwork. There was a huge focus on ease of doing business. The government eliminated over 2,000 laws, digitized many things, and made things easier and simple.

DIGITAL TRANSFORMATION

But the biggest thing in the economy that happened was that India digitized its economy. Every Indian has a digital identity: 1.5 billion people have a digital identity. Between 2015 and 2017, we opened 550 million bank accounts. Every bank account was seeded

EVENT SCHEDULE

SAT 10 JAN
10:00 AM TO 1:00 PM
MMA MANAGEMENT CENTER

CONCLAVE ON KARAKURI KAIZEN: LEVERAGING LOW-COST, HIGH IMPACT INNOVATION FOR SUPERIOR OPERATIONAL EFFICIENCY
BY INVITATION ONLY
B SANTHANAM

SAT 10 JAN
6:15 PM TO 7:30 PM
TANISHQ, ANNA NAGAR

TIMELINKS GOLDEN EDGE SERIES LECTURE
STEPPING OUT OF COMFORT ZONE
SHREEDEVI RAMESH

MON 12 JAN
6:00 PM TO 7:30 PM
MMA MANAGEMENT CENTER

THE GROUNDBREAKER: RISKS, REWARDS, AND LESSONS FROM A LEGENDARY ENTREPRENEUR
KANWAL REKHI, R RAMARAJ

TUE 13 JAN
6:00 PM TO 7:30 PM
MMA MANAGEMENT CENTER

THE GREAT REVIVIAL: C.G POWER'S COMEBACK FROM BANKTRUPTCY TO A $10-BILLION COMPANY
VELLAYAN SUBBIAH, N SRINIVASAN, L RAMKUMAR

MON 19 JAN
6:00 PM TO 7:30 PM
MMA MANAGEMENT CENTER

FROM LUCKNOW TO WALL STREET: LEADERSHIP LESSONS FROM BUILDING A GLOBAL RESEARCH POWERHOUSE
DEVINA MEHRA

THU 22 JAN
6:00 PM TO 7:15 PM
MMA MANAGEMENT CENTER

READ & GROW SERIES
BURNT OUT TO LIT UP: HOW TO REIGNITE THE JOY OF LEADING PEOPLE

WED 28 JAN
6:00 PM TO 7:00 PM
ANDHRA CHAMBER OF COMMERCE

ANDHRA CHAMBER OF COMMERCE
CHANGE MANAGEMENT - ALIGNING PEOPLE, PROCESS AND PURPOSE

THU 29 JAN
6:00 PM TO 7:30 PM
MMA MANAGEMENT CENTER

100 GW BY 2047: INDIA'S NUCLEAR ROADMAP AND THE NEW SHANTI ACT
HANSRAJ VERMA, IAS (R), E NAND GOPAL, M CHANDRASEKAR

FRI 30 JAN
6:00 PM TO 7:30 PM
MMA MANAGEMENT CENTER

LAUNCH & DISCUSSION ON THE BOOK
- MRIDULA RAMESH

weekend ONLINE QUIZ

MMA – KAS Weekend Quiz on every Saturday and Sunday from 9:00 AM to 9:00 PM - DEC 2025

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31

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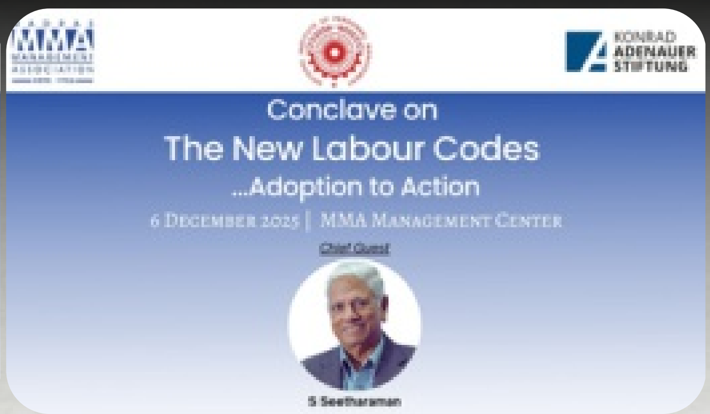
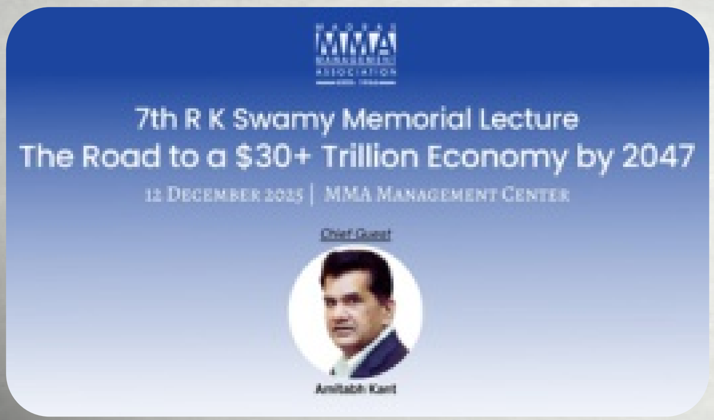
CLICK TO VIEW THE FULL RECORDING





with Aadhaar and your mobile number. When we started this opening of bank accounts, only 18% of the women in India had a bank account. Today, 90% of the women in India have a bank account.

That led to Indians doing fast payments. We use our mobile to do most of our payments now. We don't go to physical banks. At least I haven't been to a physical bank for 4-and-a-half years. I've not used my checkbook. But then there were many young Indian startups—Mobikwik, Pine Labs—who started providing credit based on your payment history. There were another set of startups like Zerodha, Groww, Upstox who took the stock market to tier-two, tier-three cities of India. There was another set of startups like Go Digit and Acko who took insurance to tier-two, tier-three cities and rural areas.

India is the only country which from fast payment to credit to insurance to stock market transaction does everything on the back of mobile within 30 seconds to 1 minute. No other country does that. The Bank of International Settlements in its study said that India achieved in 7 years what it would have taken the country 50 years to achieve normally, because the leakages in the Indian economy came to an end. You could put money straight into the bank account of the beneficiary without any leakage.

During the COVID period, we could do 2.2 billion COVID vaccinations and over 800 million people could get benefits without leakages. Whereas in the United States, the American government sent out checks—22% of the checks came back. They could not identify the right people. Same thing happened in Germany. Here, all vaccination was a digital process on the mobile. In America, everything was paperwork.

India technologically leapfrogged and built up an alternative model which is today known as the Digital Public Infrastructure. It created the digital identity layer, but on top of that it allowed the private sector to compete with each other. So India is the only country where PhonePe competes with Google Pay, Paytm competes with Amazon Pay, but on top of the digital infrastructure layer. This is open-source, open API, globally interoperable.

This model is very different from what the Western world has seen. When you go to Amazon, when you go to Google, when you go to Meta, Facebook, your data is owned by them and then they use your data for machine learning and artificial intelligence. Whereas in India's case, we have a Digital Empowerment Protection

In the last 7-8 years, India has built over 40 million houses for its citizens—building another 30 million houses.

Architecture which does not allow memorization of data, and therefore your data is owned by the citizens of India.

INFRASTRUCTURE DEVELOPMENT

The third big thing that's happened in India is the focus on infrastructure. In the last 7-8 years, India has built over 40 million houses for its citizens—building another 30 million houses. We should try and understand that building 40 million houses, is more than the population of Australia. So actually India has built a whole Australia within India. That's the size and scale of what India has done.

India has provided toilets for its citizens—130 million toilets with behavioral change. Indians didn't use toilets. Toilets have been provided. Behavioral change has been done through Swachh Bharat. 130 million toilets means more than the population of Germany.

It provided piped water connection to 253 million Indians. 253 million Indians means more than the population of Brazil. It built 88,000 kilometers of roads, expressways and highways in the last 10 years. No other country has done this. The outlay on infrastructure in India went up from less than 1.8% of its GDP to 4% of its GDP on infrastructure.

GREEN TRANSFORMATION

The fourth thing that India has done—and it's not much talked about but it's very critical—is that India has done it in a green manner. A lot of this has been through sustainable development because India has built up 256 gigawatts of renewable energy and brought down the price of renewable energy.

If you look at the total greenhouse gas emission in the world, the CO2 emission, India's contribution is one-tenth that of the United States. But yet we took this responsibility that we will drive green growth. In COP 21 in Paris, we took that responsibility. We did 256 gigawatts of renewable energy. We brought down the price of renewable energy power from 24 rupees to roughly about 2 rupees 20 paise.

We created one grid. We must understand this: Europe doesn't have one grid. United States doesn't

India's driving the AI mission. India is driving the semiconductor mission, which is now leading to about 10 different companies doing chip manufacturing in India.

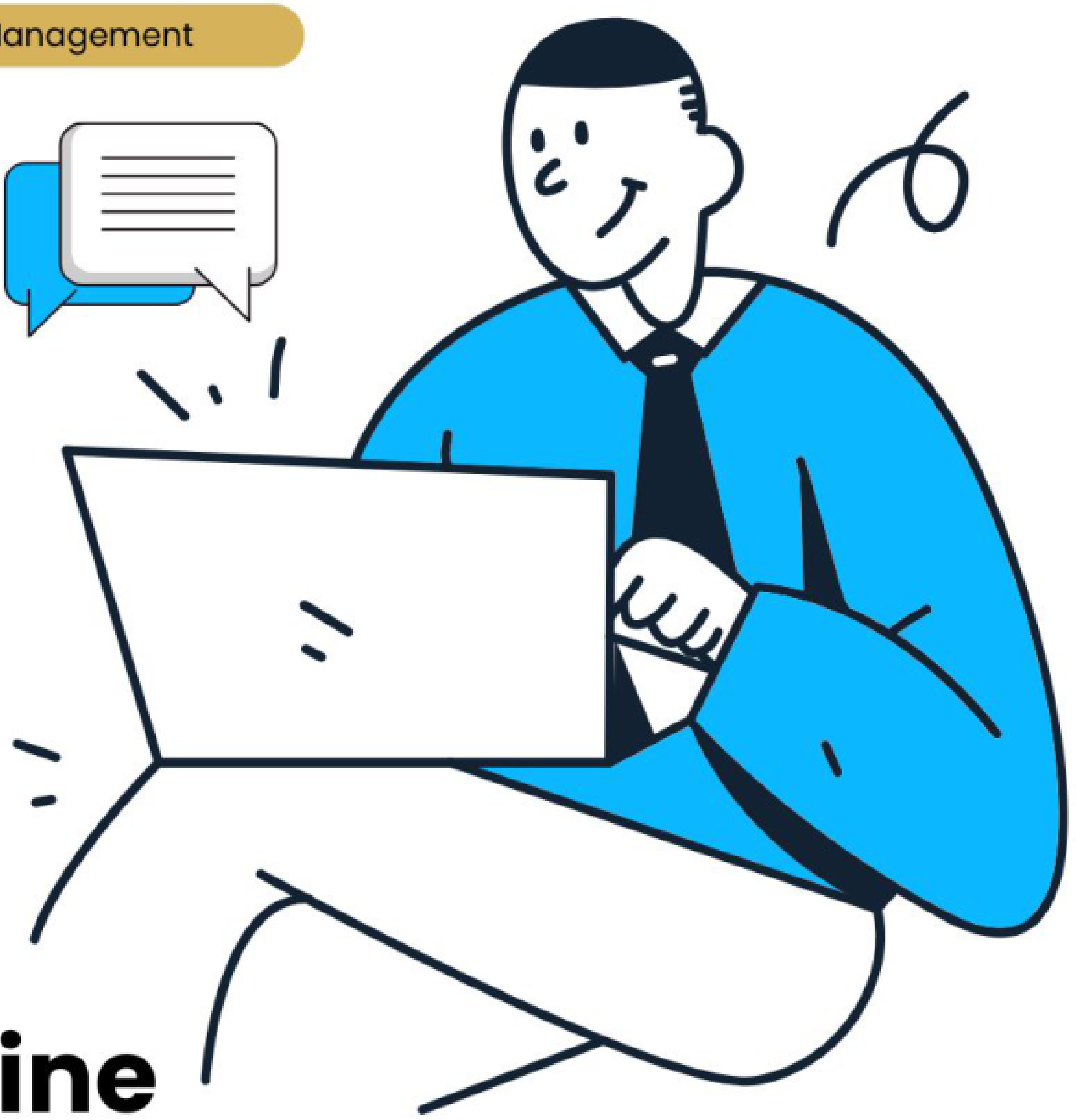
have one grid. India has one grid across the country. Power produced in Tamil Nadu can go to the western part of India, eastern part of India. Power produced in Gujarat can go to the eastern part of India because of one grid.

When I was CEO, we did a tender for 7,000 electric buses. The cost of electric buses was 12% cheaper than fossil fuel buses. The next tender being done is for 10,000 buses. The Prime Minister said the third tender should be for 30,000 buses, the fourth tender for 100,000 buses. When you do this, you are using the size and scale of India to drive down prices and actually making India the center for manufacturing electric buses across India.

Many commentators like Bill Gates said that when you move from fossil fuel to clean energy, you have to pay a premium—a premium of 30 to 35%. What India demonstrated is that it can use its size and scale to drive down prices and actually do it not at a premium but at a discount.

TECHNOLOGY MISSIONS

It's important to realize that actually Steve Jobs was not the first inventor of computers. Internet was



not driven by Google. The disruption was done by somebody else, but they became the driver of growth. It's very important that as we go along, the second mover has a big advantage.

India is driving the AI mission. India is driving the semiconductor mission, which is now leading to about 10 different companies doing chip manufacturing in India. Many design companies are getting into India. We are driving the green hydrogen mission. The green hydrogen mission aims at really using renewable energy because India is climatically blessed. The only other country which is climatically blessed like India is Saudi Arabia, but Saudi Arabia is flushed with carbon, flushed with fossil fuel, so their focus is on fossil fuels.

But India's climatically blessed. If it can produce 256 gigawatts of renewable energy with a target of 500 by 2030, it will use renewable energy to crack water to produce green hydrogen. Its aim is that today green hydrogen is available at \$4.5 per kilogram. It should be able to bring the cost of green hydrogen down to \$1 per kilogram by 2030. The size and scale of India should be able to bring it down to \$1 per kilogram and make India the biggest exporter of green hydrogen and the cheapest producer of ammonia in its liquid form and export to the rest of the world.

THE CHALLENGE AHEAD

Now, the Prime Minister's vision is that from 4 trillion, you move to 30-plus trillion dollar economy in the next 22 years. This implies that India's GDP has to grow 9x; its per capita income has to grow 8x; its manufacturing has to grow 16x. That's the challenge: 9x, 8x, 16x.

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Only three countries in the world post-World War II have been able to do this: Japan post-World War II, Korea between the '70s and '90s, and China from 1990 to 2020—scorching paces of growth at 9.2%, 9.6% and 10.2% per annum, year after year, year after year of growth.

India can do this only if it is able to grow at 9% plus for three decades or more. That's the challenge for India. Three decades or more growth of 8.5-9%, year after year, year after year, year after year, three decades or more. Only three countries have been able to do it. All other countries of the world got caught in the middle-income trap. Today there are 108 countries of the world which are caught in the middle-income trap.

GLOBAL CHALLENGES

India is confronted by global challenges. When these countries were growing, global trade was growing. It was expanding. The world was expanding. There was growth taking place. There was free trade. Japan could sell Toyota cars and Honda cars in United States. China could export to the rest of the world post-Kissinger's visit to Beijing. All that has come to an end.

First is that the period of relative stability post-World War II from 1945 onwards, which enabled United Nations Security Council, World Trade Organization, all these institutions, multilateral institutions to come up, has come to an end. The period of stability has come to an end. You're seeing a war in the heart of Europe for the last four years. Over 180,000 people have died there. You're seeing a war in the Middle East where 350,000 people died.

Institutions like United Nations Security Council, World Trade Organization are irrelevant. They become redundant because they did not keep pace with the changing times. They were frozen in time. They became irrelevant. If India is in the top four countries of the world, India is not a member of Security Council, whereas United Kingdom, which is now seventh or eighth, is still there.

The second is that these countries grew on the back of globalization, global value chains, and the ability to export and penetrate global markets at low cost. That period of global value chains expanding and globalization expanding has come to an end. You're seeing protectionism in its worst form. You're seeing tariffs being imposed. You're seeing President Trump imposing 130% tariff on China, negotiating, bringing it down. China putting tariffs on United States. Mexico putting 50% tariff on India yesterday. Trump putting tariff on India 50%.

The period of globalization, global value chains has come to an end. Therefore, you will have to do a lot of bilateral negotiations. You'll have to do regional negotiations. Continue to build bilateral trade agreements and regional trade agreements. That'll be critical.

But in the midst of these two disruptions around the world, there is a third thing happening, and that is that we are living in an age when the world will see the biggest rise in productivity and growth ever seen in the world. That is because of data, machine learning, the rise of artificial intelligence and quantum computing. We are living in an era of the greatest era of prosperity which the world will ever see.

What was not physically possible earlier will be possible because of the use of AI. It was not possible to improve learning outcomes of our children earlier because it is not possible to take tests around 1 crore, 1.5 crore people. You can do this using artificial intelligence. You can monitor the attendance of teachers. You can do tests every day, give them the results. You can check outcomes. You can improve health outcomes. You can improve learning outcomes. You can change stunting, wasting, nutritional standards across the world.

We are living at a time when technology can be used to transform the lives of citizens across the world. If it took India 70 years to transform, we can do this in the next five to six years using technology. Therefore, using technology in the global south to leapfrog will be critical.

DOMESTIC CHALLENGES

India is also confronted by huge domestic challenges, and it's important to confront them. First and foremost, I would say that it's not possible for India to grow only on the back of services. India needs to become a manufacturing country, and you have to see that 25% of your GDP comes from manufacturing sector because you can't have growth without jobs. Manufacturing will be a very big driver of growth.

We've moved to registering patents from 20,000 to one lakh patents, but we don't commercialize them. Our royalty outgo is enormous, but our royalty income is low. Therefore, you need to move into R&D. The government has rightly sanctioned a 1 lakh crore scheme for R&D through the private sector working in partnership with the private sector. Manufacturing has to be the key for growth creation.

The second is urbanization—good, smart urbanization—because India will see 500 million people getting into the process of urbanization. 500 million people means the challenge for India in the next five decades is to create two Americas. We'll see population of the size of Chicago moving into urban areas every 5 years.

If you do not do this, you will see all this encroachment. You'll see poor urbanization. You'll see your cities declining. You'll see the air quality worsening. Therefore, you need to do active smart urbanization: good planning, good roads, good public networks, good green areas, and good planning for urbanization and create 500 cities of a million population each. India's challenge is to create 500 cities of 1 million each.

The third challenge is that India has been growing on the back of five or six states. You can't do this. The southern part of India and the western part of India grows. The eastern part, which is the most populous part of India—the eastern part comprises of 60% of your population; if you do not develop the eastern part of India, you'll have huge inequality in the country. Therefore, you need the eastern part of India. You actually need 12 states of India to grow at 10% plus. That's the key challenge.

The fourth is that it's not possible for India to grow without—many of you are from MSMEs. I'm a great believer in MSMEs because they create jobs. In

You need to improve learning outcomes because almost 45% of your children studying in class 8th are not able to follow class 2 maths, class 2 physics, or class 2 English.

India, what happens is that in the MSME sector, 99% of microenterprises do not become small. Small doesn't become medium at all in India, and it doesn't become small because we have too many large companies. The backward-forward integration between large and small doesn't take place.

When Maruti came in, it created tier-two, tier-three, tier-four companies. Therefore, you need many more large companies in India. We have very few large companies. You need India to create 10,000 large companies in India—big, large companies which will then do backward integration with other suppliers, tier-two, tier-three suppliers, so that the MSME ecosystem is created.

The fifth point is that it's important for India that it will not be possible for India to do this without hugely improving its human development index, its physical quality of life index. No country in the world, whether it was Korea, China, Japan, has been able to grow without improving learning outcomes, health outcomes, nutritional standards. Unless you don't transform, this is the key to long-term sustained growth. You can't grow on the back of a stunted population, of wasted children, stunted children.

You need to improve learning outcomes because almost 45% of your children studying in class 8th are not able to follow class 2 maths, class 2 physics, or class 2 English. Even in their mother tongues, they are not able to do this. So learning outcomes have to radically improve. Health outcomes have to improve, and the human development index has to improve radically.

WHY THIS CAN BE INDIA'S CENTURY

Having said all this—the challenges, the global challenges, the domestic challenges—I strongly believe that this can be India's decade and this can be India's century. This can be India's decade and this can be India's century because India's demographics are very good. Our average age is 29. Even when we become 2047, our average age will be 35. Rarely in the history of the world has a country not created wealth when it has low dependency burdens. Therefore, there's a huge opportunity to use the demographics of India to grow rapidly.

The second key thing is that we must understand that India is the only country in the world which is today doing 30 km of roads and 12 km of railway line every day. No other country in the world is doing 30 km of road and 12 km of railway line. India is the only country in the world which is today actually doing nine metros a year. Nine metros a year. No other country in the world is doing nine metros a year.

India is the only country in the world which has increased its solar energy 31x—31 times—in the last 7 years. India is the only country in the world which does 50% of its payments through fast payments on the mobile. China is next with 20%. So demographics, infrastructure creation, use of technology to leapfrog—all exist in India. No other country, no other country in the world has this ability to do this.

GEOPOLITICS AND THE PRIVATE SECTOR

The world of geopolitics—we must understand. United States of America is the only country which controls 28% of the global GDP. It controls 48% of the market cap with just 4% of the population. The United States has maintained its share for the last three decades. It's a highly innovative society because of a lot of H-1B visas going there—only because of the H-1B visas.

Europe's share, which used to be 30%, has come down to less than 15%. China's share is going up. China's share is close to about 19%. So the quest in geopolitics is America realizes that on cutting-edge technology, China is getting closer and closer to the United States of America, and the United States, to retain its leadership, must control China.

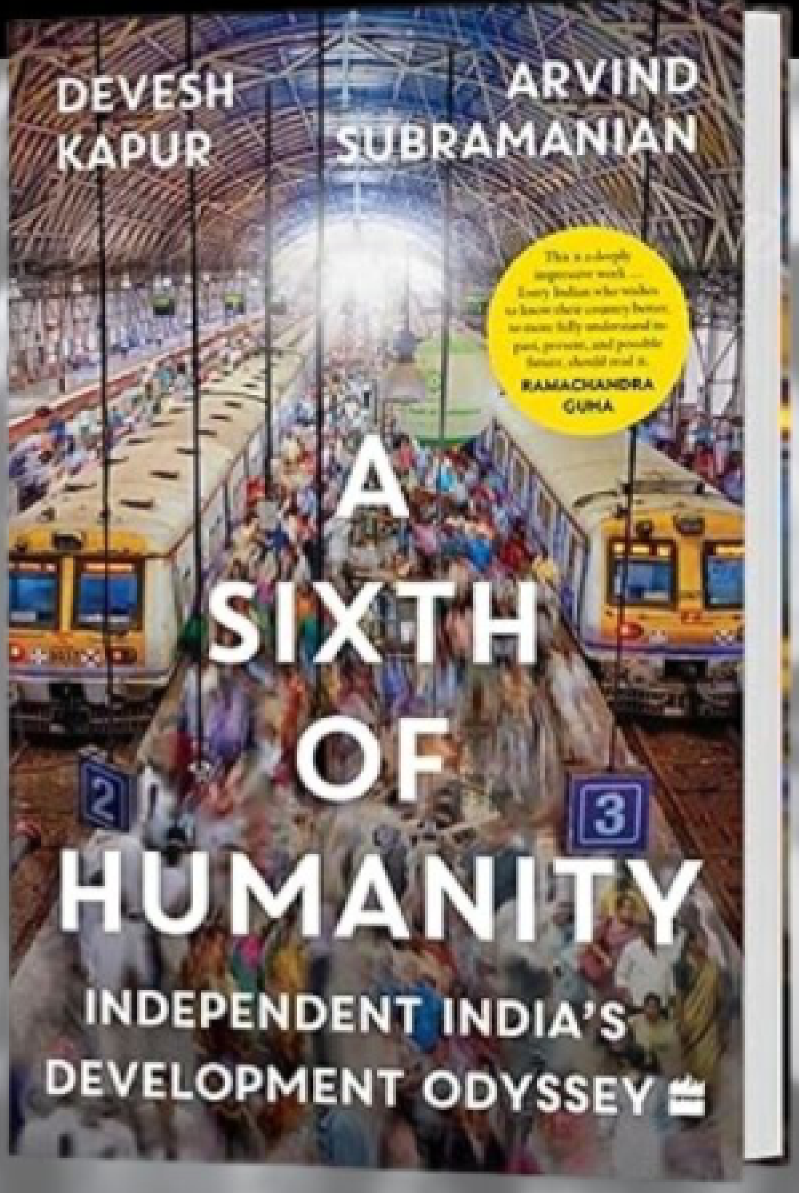
This quest for protectionism, this quest for saying that we'll not give you technology, or the quest for deep negotiations is all happening. The breakdown of supply chain is happening because of the United States' realization that the global order in the last three decades has worked to its disadvantage—huge disadvantage. Therefore, the developed world will always work to its own advantage and not to your advantage.

It's important for India to use its size and scale to do cutting-edge transformation, to use its political will to transform India. In my view, it is the only country in the world which has today, because of its demographics and the large number of reforms that have been introduced—the structural reforms, the digitization, the infrastructure that has been created—it'll have a huge multiplier effect in the coming years.

I'm a great believer in free enterprise. My belief is that only the private sector can make India grow. Government can only be a catalyst, but the private sector of India must generate wealth. It's for people like you sitting in this room to really drive India's growth and prosperity, create jobs, and take India from 4 trillion to a $30 trillion economy. ■

FIXING INDIA'S GROWTH MODEL

DISCUSSION ON THE BOOK



Dr Devesh Kapur
Star Foundation Professor of South Asian Studies, Johns Hopkins University

Dr Arvind Subramanian
Senior Fellow, Peterson Institute for International Economics

Dr Soumya Swaminathan
Chairperson, MS Swaminathan Research Foundation

Dr Duvvuri Subbarao
Chairperson, Madras Institute of Development Studies

At the monetary policy panel discussion, India's development experts discuss the country's economic challenges, from underperforming public banks to insufficient human capital investment, exploring pathways to inclusive growth.

We need one last serious attempt at manufacturing.

Dr. Arvind Subramanian

Senior Fellow, Peterson Institute for International Economics

One of the striking things we discovered while researching this book is the consistently poor performance of public sector banks after nationalization. We calculated the return on assets for these banks spanning from 1970 to the present, using Warren Buffett's benchmark of 1.3% as our starting point. We made it even more conservative by using 1% as the threshold for acceptable performance.

What we found is sobering. Over this 55-year period, public sector banks earned an average return of just 0.3%—well below our conservative benchmark. In comparison, private sector banks managed 0.8%. This isn't a minor difference. If public sector banks had performed at the level of private banks, the central government could have spent 25% more on

infrastructure every single year.

People often say this comparison is unfair because public sector banks carry additional burdens. But actually, the onerous regulations—priority sector lending, statutory liquidity ratios—these applied equally to both public and private banks. What we're seeing is a fundamental performance gap that was rarely scrutinized or acted upon by policymakers.

The consequences extended beyond just returns. These banks were forced into what we call stealth taxation and state capitalism. From 1970 to 2023, their primary activities became holding government securities and lending to public sector enterprises. As a result, credit available to the private sector—the blue line in our data—went from 8% to just 25% of GDP. Compare this to China or Korea, where credit to the private sector was a much larger fraction. This severely constrained India's ability to finance manufacturing and industrialization.

On fiscal policy, we encountered another surprise.

During India's period of highest growth—1990 to today—our average fiscal deficit exceeded 10% of GDP when you combine central and state governments. This is almost the highest among all comparator countries. We call this the Kamadhenu fiscal state, because like the mythical cow, it suckles all manner of constituencies.

Here's the puzzle: why didn't India experience repeated crises like Pakistan, Turkey, Brazil, or Argentina, countries with much lower deficits? We did pay a tremendous silent cost—our interest payments are among the highest in the developing world. Today, interest payments exceed defense expenditure. That's how much this vulnerability has cost us.

The interesting quirk is that the socialist state before 1990 actually saw lower deficits despite rising expenditures. It's only when the economy opened up after 1990 that the neoliberal state became more redistributive. The composition shifted from public investment to subsidies and transfers.

On fiscal federalism, every federation transfers resources from richer to poorer regions—that's part of the national compact. But what's problematic in India is that these transfers keep rising over time. The biggest contributors aren't actually the southern states, despite all the noise. Gujarat, Maharashtra, and Haryana contribute more. But the sense that underperforming states continue to receive increasing transfers without incentives to improve—that's what creates the political discontent we're seeing.

Let me address the questions about the Modi mystique and his timidity on reforms. On the mystique, we need to analyze this over time. The origin was less surprising—there was genuine frustration with corruption and economic mismanagement under the previous government. I like to say there's a straight line from Pranab Mukherjee's handling of the economy to Modi's rise.

On sustaining the mystique, to be fair, there were positive attributes. I worked closely with him, and despite our disagreements, there was genuine commitment to getting things done. The concern for macroeconomic stability, fiscal consolidation, low inflation—these were real priorities I can personally vouch for.

But regarding timidity on reforms, there are several factors. First, he's always been better at implementation than policy formulation. Second, the premium on loyalty over expertise has been rising, which means losing talent. Third—and this is perhaps most damaging—the belief that we're already growing at 7-8% removed the urgency for reform. When I pushed for banking cleanup or other reforms in 2015-16, the response was always: why the urgency when we're already growing so fast?

On where India's growth will come from, I remain convinced we need one last serious attempt at manufacturing. The services-led model can only provide opportunities for 1-2% of the labor force. Even if successful, it cannot be inclusive by definition. And AI is actually a double whammy—it threatens to replace exactly those tasks where we currently have comparative advantage.

China's share of low-skill global exports is 45-50%. India's is just 3-4%. We'll never reach 20%, but there's no reason we can't go from 3% to 10-12%. That would provide a tremendous boost to inclusive growth, even accounting for automation.

Why India has so severely underinvested in its people?

Dr. Devesh Kapur

Star Foundation Professor of South Asian Studies,
Johns Hopkins University

Let me continue on federalism, because the usual debate focuses on centralization between Delhi and the states. But what we show in the book is there's far greater centralization within states—between tier two and tier three of government.

That bigger source of local revenues allows Chinese urban bodies to invest much more in infrastructure that helps cities thrive.

Look at the distribution of government employees across China, India, and the United States. In China and the US, most employees are at the central and local levels. India is the opposite—most are at the state level. This is why our urban local bodies perform so poorly. They're severely underresourced in both staff and finances.

This matters because the average subnational population size in federal systems worldwide is usually under 10 million. The exceptions are China and India. But China has far greater decentralization to its third tier. So not only do we have much larger subnational units, but these units are much more centralized than any comparator country. This is why urban areas, which should be engines of growth, have so severely underperformed.

When you look at revenues from land taxes, India's have been flat and are a fraction of China's. That bigger source of local revenues allows Chinese urban bodies to invest much more in infrastructure that helps cities thrive.

On human capital, we asked two questions: why were outcomes poor in the first four decades after independence, and when things improved, why only on some parameters? India's ranking on the Human Development Index was 63rd in 1950. By 1990, it had deteriorated to 79th. After Sarva Shiksha Abhiyan and other schemes, it's improved to 69th—better, but still quite low.

The improvements differ across aspects. On infant mortality, we've moved from 76th to 63rd—Bangladesh does better than us. But on child stunting, the improvement has been much more marginal. Stunting rates remain exceedingly high.

Similarly with education. The percentage of women completing six years of schooling has steadily increased since the mid-1970s. But learning outcomes haven't improved—they've actually declined. More women are going to school and staying there, but what they're learning has deteriorated.

We focus on two explanations: lack of resources and policy priorities. For the first time, we've computed the actual financial cost of state-owned enterprises from 1970 to 2020. At the central level, losses were 0.5-1% of GDP annually. At the state level, they were even larger. When you look at the opportunity cost, the losses on state-owned enterprises exceeded entire state health expenditures. Health spending could have been doubled without these losses.

But there's also the priority issue. In the mid-1960s, it wasn't the richest states that spent most on primary education—it was Tamil Nadu, Kerala, and Andhra Pradesh. They were in the middle in per capita income but had the highest expenditure on primary education. This was a reflection of policy priorities.

If you insist on throwing money down the drain on loss-making state-owned enterprises year after year, you won't have resources for necessary public goods. Part of the explanation for poor human capital outcomes lies in priorities. If priorities are wrong, even adequate resources won't deliver results.

Regarding the Modi mystique, sometimes you do well not because you're great but because your opponents are terrible. I don't have to be very good if my opponent is even worse. Part of the success is because opposition leaders haven't inspired credibility.

There's also an interesting dynamic about being single in politics. In the West, being single is a liability. In developing countries, it's a plus because the assumption is you won't make money for your family. To the extent that most political parties are no different from family-owned businesses, being single helps.

On the timidity regarding reforms, the spectacular failure of farm laws set back reform attempts. Many changes actually had reasonable basis, but agriculture is a state subject. When the center intrudes without consultation or building consensus, backlash shouldn't surprise anyone. They withdrew and became much more timid going forward.

We should thank President Trump for what he's done, because now people are realizing the world is getting tougher. The global environment is deteriorating, and that's spurring some action.

On the demographic dividend question, one puzzle we explore is why India has so severely underinvested in its people—the one thing the country has in excess. Even now in higher education, India severely overinvests relative to quality. Our gross enrollment ratio relative to per capita income is a complete outlier. Most countries achieved these ratios at incomes three, five, ten times higher.

We've focused on quantity and forgotten quality. Most higher education doesn't have signaling value. We're doing students a severe disservice—giving them credentials that raise expectations but virtually no skills for labor markets. They'll be unwilling to work blue-collar jobs because they have degrees, but they lack skills for white-collar work.

The World Bank clearly played a role in the push on primary education during the 1980s. India's IDA share was declining, and the Bank said lending wouldn't continue without agreeing to primary education funding. The world conference on education showed India had by far the largest number of illiterates. Unless we're shamed globally, the bureaucracy and political leadership won't act. That was the impetus.

What's worrying is the coming delimitation after the census.

Dr. Duvvuri Subbarao

Chairperson, Madras Institute of Development Studies

When Arvind told me two years ago about writing this book, I wondered how they'd capture the complexity and diversity of India's story over 75 years into a comprehensive narrative. They've done an amazing job. The Financial

Democracies are supposed to be ruled by majorities but in practice they're coalitions of vested interests. This coalition militates against common interests.

Times chose this as one of the best books of 2025, and rightly so.

Let me give you three reasons you must read this book. First, it explains not just how things happened but why they happened the way they did. There are hundreds of books on India from specialist viewpoints —history, economics, political science. Very few combine disciplines and explain the why, backed by data and analysis.

Take the Kamadhenu fiscal state. Democracies are supposed to be ruled by majorities but in practice they're coalitions of vested interests. This coalition militates against common interests. The state accommodates all manner of constituencies—everyone has a right to become one. Indian democracy is an equal opportunity vested interest creator and sustainer, and the fiscal state responds accordingly.

Second reason: they explain developments that run counter to conventional theory. Interstate disparity, for example. In theory and practice, there should be no divergence across states in large countries. Interregional disparity should decline over time due to free movement of people, goods, services, finance, and ideas. That's what happened in many large countries—the secret to American success is free labor mobility.

But that hasn't happened in India. Disparities have actually increased. Punjab and Haryana—one state until the mid-1970s, same institutions, culture, traditions, natural resources. Today Haryana is the richest state and Punjab has regressed. Why? West Bengal, once the frontier state and capital of colonial India, is now a laggard. Kerala has no agriculture, no manufacturing, no services, but the best human development indicators—its economy is more linked to the Gulf than to India.

Third reason: they take bold, unconventional stands. Someone told me you should never make a statement a reasonable person cannot disagree with. This book passes that test eminently. On disparity across states, for instance—yes, cross-subsidization happens in all federations. Karnataka and Tamil Nadu get much less than a rupee for every rupee they contribute. UP and Bihar get much more. That's understandable for national unity.

But what does it do? It creates moral hazard. Lower levels of government lose the urge to raise their own resources. Thirty years ago in Andhra Pradesh, when NTR called newly elected Panchayat presidents, we advised him to tell them to raise their own taxes—it improves accountability. You know what they said? "You think we got elected to raise money? No, we got elected to spend money. You give us the money."

Most fiscal experts say taxation powers have been taken from lower governments. That's not true. There are enough avenues. They don't want to because they want the pleasure of spending without the pain of taxation.

Three issues merit discussion. First, fiscal consolidation and macroeconomic stability. Markets haven't punished India like Pakistan or Argentina, but we were punished in 1991 and nearly in 2013. We didn't commit as much excess. But we cannot declare victory. Central government debt-to-GDP is still 60%—the FRBM committee said it must be 40%. Interest payments are the largest and fastest-growing expenditure item.

People say our debt-to-GDP is low compared to Japan at 250% or the US above 100%. But we can get into a debt trap at much lower ratios. Combined center-state debt-to-GDP is close to 80%. The 60-40 picture matters: center collects 60% of taxes but spends 40%; states collect 40% but spend 60%. States' collective fiscal stance is as important as the center's.

Second, freebies. In a poor society where millions struggle daily, some safety nets are necessary. But spending on freebies is crossing limits, especially because this is borrowed money we're passing to our children. A loan should repay itself—house loans, education loans do. But borrowing to give freebies is unsustainable soft bribery. Every leader offering freebies is saying, "I'm sorry I cannot give you the dignity of a decent life and regular livelihood. Please make do with this."

Why do people vote for freebies? It's very rational when you've lost confidence in politicians. If credibility is low, it's rational to take what you get today rather than promises for tomorrow.

Third, the divide between rich and poor states. Thirty years ago, The Economist predicted an east-

Southern and western states will lose parliament seats disproportionately. So they're being asked to continue cross-subsidizing poorer states while losing political clout.

west divide—the east that flourished on public investment would decline with market opening, while entrepreneurial western and southern states would benefit. That didn't happen. What we're seeing is west and south versus the rest.

Last year, chief ministers in Andhra Pradesh and Tamil Nadu urged people to have more children. I never thought I'd see that day—fifty years ago, everything we did was family planning. The subtle message isn't really about having more children. It's about losing out—population growth rates have declined in these states while remaining high elsewhere.

What's worrying is the coming delimitation after the census. Southern and western states will lose parliament seats disproportionately. So they're being asked to continue cross-subsidizing poorer states while losing political clout. It's a double whammy. How we manage this will be a major challenge.

Three questions: What explains the Modi mystique? What explains his timidity about economic reforms when he's had more political capital than any recent prime minister? And where will India's growth come from? People say we're growing at 8.2%, but over the long term, we need 8% consistently for 22 years to be a developed country by 2047. We've clocked 8%+ growth just three times in 35 years and never maintained it for more than two consecutive years. Is that possible?

Institutional strengthening is extremely important

Dr. Soumya Swaminathan

Chairperson, MS Swaminathan Research Foundation

Thank you for including me in this fascinating discussion. I must congratulate you both on the extensive research—this book is a wealth of data that will take time to digest fully. Obviously my interest focuses on human capital, where I've been very concerned about the current state and our priorities.

I don't have the answer to why we didn't invest more in primary education or healthcare historically. Most countries in our region and Southeast Asia that have done economically well did so by investing in primary education. India had a commitment from 1946 to provide healthcare to all, with primary healthcare as a component. But we ended up spending more on tertiary healthcare and building institutions. Obviously those are needed for people who are already sick, but we missed the preventive focus.

I often give the example of Thailand. In the late 1990s, a political party convinced by public health people and doctors working in communities put a scheme in their election manifesto—30 baht a year for universal health coverage. They made difficult decisions: they stopped all investment in building bigger hospitals for the next ten years and put everything into strengthening primary healthcare.

Today Thailand has one of the most impressive primary healthcare systems. I've seen it—from village-level peritoneal dialysis at home allowing people to live quality lives, to different levels of care and how referrals work. They invested in institutions.

One lesson is how to prioritize based on evidence and science, informed by experts, but ultimately requiring political push. Sometimes decisions need to be shocking. I'm sure it shocked the Thai public that there would be no tertiary institution development for ten years. You need that courage, and you need to track and monitor trends.

India has been lauded for quality data. We have good systems and institutions. But using that data to learn and make course corrections—that's where we fall short. We do national family health surveys every five years. There's enough opportunity to adjust. The National Health Mission launched in 2005 with community health workers tried to strengthen primary healthcare delivery. But we're still far away.

One issue is that health falls in the concurrent list, making it a state responsibility. If it's state responsibility, we need much more decentralization to state level. But I totally agree—what's holding us back is lack of fiscal devolution to the third tier along with accountability and responsibility for service delivery.

Most Panchayats except Kerala don't play much role in the social sector. They're not monitoring health or education delivery, not creating demand, not planning based on needs. We had recent experience working with Panchayats across one district developing a model development plan. It was uphill because they've never taken it seriously. They have no expectations that even if they develop good plans, they'll get resources.

It's chicken and egg, but we can learn from other states. Why repeat mistakes for years? Kerala shows how to devolve power to Panchayats. Tamil Nadu has built a very good public health system—not that we can't do better, but other states could learn. The centralized medical supply division, central procurement, saves so much money. Pool procurement increasing volumes significantly brings down prices.

Tata Memorial Hospital's cancer grid program showed that by pooling requirements from small cancer hospitals nationwide, they reduced cancer drug costs by 85%. We have models that work. Learning between states on education outcomes is crucial.

Institutional strengthening is extremely important. Not just scheme-oriented or program-oriented approaches where we scrap schemes and launch new ones. We need very strong institutions—regulatory systems need strengthening. India is pharmacy of the world. To keep that reputation, our Central Drug Controller must be considered among the best globally.

WHO has ranking systems for regulatory agencies—we're not at top tier yet. For people to have faith in safety and quality of our drugs and vaccines, we need

Investing in institutions that develop policies is essential. Thailand has an institute for health policy and health promotion.

strong science-based regulatory systems. Similarly food safety regulators. Today unhealthy food is a big health risk factor. Unless there are strong regulators implementing front-of-pack labeling and taking action on advertising—anybody can advertise anything today—we'll continue seeing increases in unhealthy food impacting health and obesity.

Preventive care is crucial. You showed stunting rates in India. While life expectancy has improved significantly, healthy life expectancy hasn't. How many years do we live with chronic illness? A significant amount. Average life expectancy is around 70-72, but healthy life expectancy is only about 60. That's a huge burden on individuals, families, and the health system.

We're not doing enough to prevent disease burden. Prevention means providing clean air, water, sanitation, nutritious diet, good housing—the social determinants of health. Analysis shows investing in prevention is cost-effective.

Our health expenditure is well below the 2.5% of GDP committed in the National Health Policy 2017. Otherwise out-of-pocket expenditures remain very high. When you have out-of-pocket expenditure, you're driving people just above the poverty line into poverty. Health expenditures are the biggest driver of sudden catastrophic expenditure resulting in huge financial losses for families. You cannot provide ongoing quality care this way.

Investing in institutions that develop policies is essential. Thailand has an institute for health policy and health promotion. Very cleverly, they use taxes from tobacco, alcohol, and sugary beverages—sin taxes—and put them into institutions working toward health promotion. The state then adopts policies developed by experts.

What can we do now to prevent our demographic dividend from becoming demographic disaster? If we don't focus on early childhood nutrition and education, we won't have people to make a developed country. Did the World Bank and IMF have roles in what you describe—decisions we made or didn't make? Were we influenced by these institutions in areas where we didn't do what we should have? ■

MONETARY POLICY, INFLATION, AND FINANCIAL STABILITY:

BALANCING THE TRILEMMA

Dr Ravindra H Dholakia
Director, Central Board,
Reserve Bank of India

Ms. Lokeshwarri S K
Senior Associate Editor &
Head of Data Vertical,
The Hindu Business Line

Mr V. Kumaraswamy
Author, Columnist and
Consultant

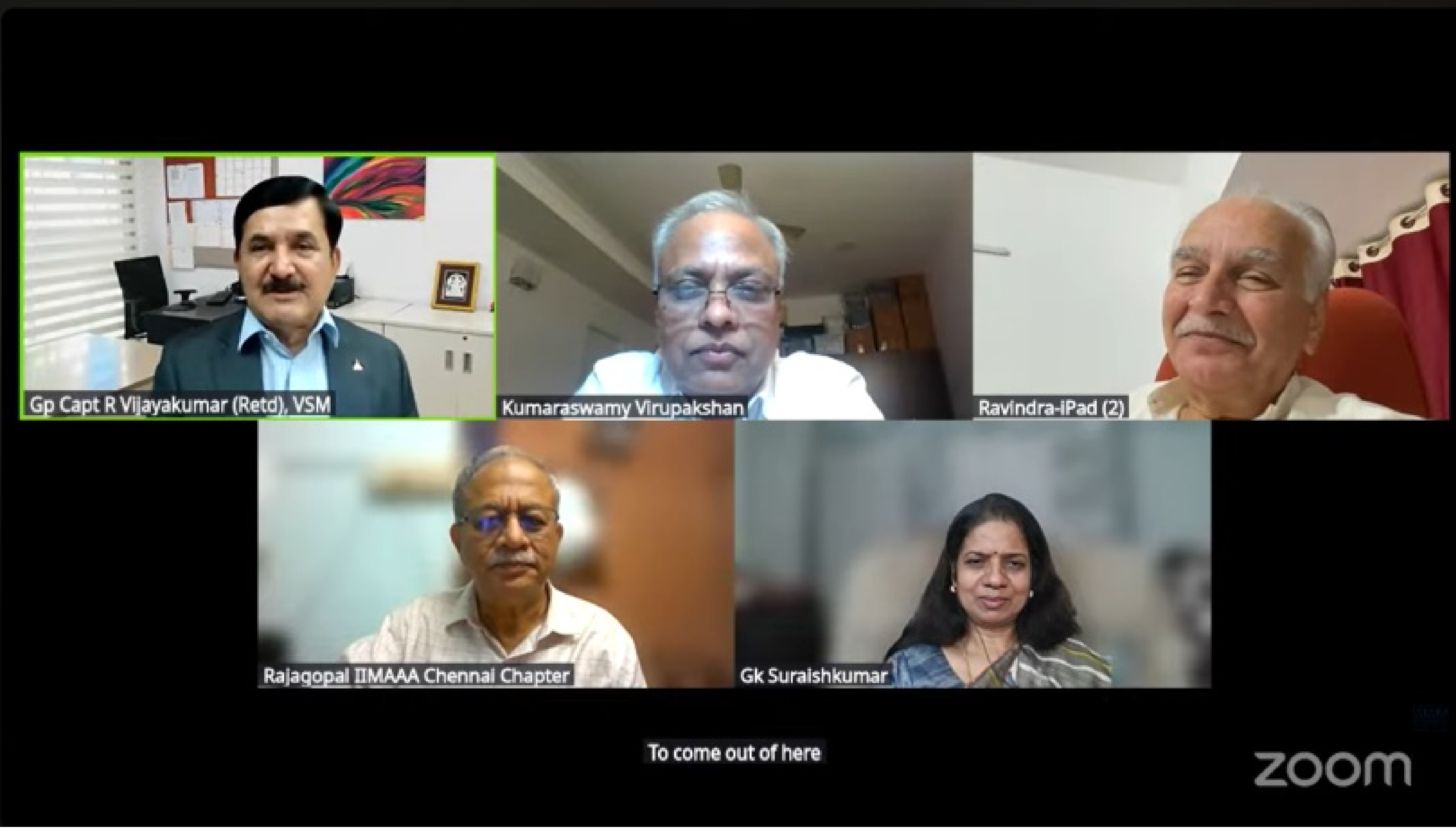
Excerpts from a panel discussion that examines how monetary policy interventions aimed at containing inflation can at times conflict with the goals of financial stability and economic growth, particularly in an economy undergoing rapid structural transformation.

"In India, inflation is largely supply-driven."

Dr Ravindra H. Dholakia

Director, Central Board, Reserve Bank of India

I am delighted to address this highly engaged audience on a theme that sits at the heart of modern macroeconomic governance—monetary policy, inflation, and financial stability. The phrase "balancing the trilemma" is not merely a catchy description; it represents a structural limitation embedded in an open economy framework. In theory, the trilemma emerges when you simultaneously pursue a fixed exchange rate, capital account convertibility, and an independent monetary policy. A Nobel Laureate demonstrated that these three cannot coexist fully; something has to give. Now, I'm not suggesting we are "solving" the trilemma—we live inside it. We face it continuously, and that is why policy cannot be simplistic or copied wholesale from elsewhere.



My first point is that monetary policy frameworks widely adopted today originate from the experience and structure of advanced economies. But advanced economies are fundamentally different from India. A developed economy is relatively stagnant in structural terms: urbanisation is near complete, employment composition is relatively stable, and real growth rates tend to hover around 1–2%. Inflation targets are often anchored near 2%. This environment produces its own logic and policy architecture. India is not that economy. India is dynamic. Urbanisation is accelerating; structural transformation is ongoing; technological progress is substantial; and real growth expectations are meaningfully higher, even under challenging global conditions. When we operate in a fundamentally different economy, we cannot uncritically adopt frameworks designed for economies with fundamentally different parameters.

Let me outline the core premises behind the dominant monetary policy framework. The first premise is that inflation is primarily demand-driven. If inflation is supply-driven, monetary policy has limited

If money is not neutral, the relationship between inflation and growth is not linear. There exists an inflation level that maximises growth.

traction. The second premise is that inflation is largely a monetary phenomenon—control liquidity and money supply, and you can control inflation. The third premise is that money is neutral in the long run, implying that monetary policy does not affect real variables over time; it only affects the price level. This is why inflation targeting regimes gained popularity: they build on these assumptions to argue that controlling inflation is central and costless in the long run. But I have serious concerns about whether these assumptions hold for India without adjustment.

My concern is that in India, inflation is largely supply-driven. That changes the role monetary policy can play. If inflation is supply-driven, then interest rate adjustments alone cannot solve the problem; what matters much more are the growth process, logistics efficiency, productivity expansion, agricultural supply chains, and structural reforms. When growth is high and supply responds effectively, inflation pressures can be moderated. When growth is slow and supply constraints dominate, inflation can remain stubborn even when demand is not overheating. That is why I do not believe inflation in India is demand-driven in the same way it is in many advanced economies.

The second concern is that money is not neutral in the long run. I know that sounds heretical to many economists who grew up on classic monetary theory.

But we must reconcile monetary theory with growth theory. In growth theory, investment has a capacity-creating role; in many monetary frameworks, investment is treated merely as an element of demand. That disconnect matters. In the real world, money and finance affect capital formation, productivity, and long-term growth outcomes. In a developing economy, to treat long-run money neutrality as a practical truth is risky. Policy is not performed in textbooks; it is performed on the ground.

I also emphasise the idea of a threshold level of inflation. If money is not neutral, the relationship between inflation and growth is not linear. There exists an inflation level that maximises growth. Below that threshold, growth suffers; above it, growth suffers. My research shows that this threshold depends on fiscal deficit and the current account deficit. Therefore, there is no single universal inflation target that is always optimal. Inflation targets must be consistent with the broader macro framework, not set independently as if the economy is modular.

Which brings me to what I call the "quadrilemma." We talk about the trilemma—exchange rate stability, capital mobility, and monetary policy independence. But India is also living with explicit or implicit targets for growth, fiscal deficit, and current account deficit. We have aspirational targets: 8–8.5% growth is regularly discussed in the context of developed India. We have an inflation target of 4% with ±2% tolerance. We have fiscal deficit targets under FRBM frameworks and a prudential view that CAD should remain around 2–2.5%. These four variables are interdependent. "Only three of them can be decided independently—the fourth automatically gets decided." If we set all four targets independently and inconsistently, macro stability breaks down, and financial stability cannot be guaranteed.

Financial stability is not separate from macro stability—it is part of it. If savings and investment do not reconcile, if income and employment expectations do not align, then exchange rate instability becomes inevitable. In that sense, the obsession with treating exchange rate movements only as a financial market phenomenon is incomplete. It reflects deeper macro disequilibria and expectation dynamics.

Finally, I want to raise a very serious issue: measurement. Our inflation measurement is not satisfactory. We measure inflation using weights derived from household expenditure surveys, while growth is measured using GDP-based weights. These weights do not reconcile. To give a stark illustration: inflation measurement assigns around 46% weight to food, while GDP assigns only around 16%. These numbers cannot simultaneously be correct representations of the same economy. Either we are mis-measuring inflation or mis-measuring growth. In my view, the larger error lies in inflation measurement. Services are under-captured, consumer durables are understated, and the richest segments are not adequately represented. If we do not fix measurement, we will commit policy errors because we are making decisions on flawed inputs. I have said openly that unless measurement improves, "we are going to commit blunders while taking decisions because the basis on which we take decisions are wrong." If we want monetary policy that is meaningful, inflation control that is credible, and financial stability that is sustainable, we must first ensure that we are measuring the economy correctly.

"A single CPI number cannot capture the lived experience of inflation."

Ms Lokeshwarri S. K

Senior Associate Editor & Head of Data Vertical, The Hindu Business Line

When we talk about monetary policy, inflation, and financial stability, it becomes clear very quickly that the problem is not just theory—it is communication, public expectations, and how we interpret the data that arrives into the policy system. I often see the public conversation collapsing into one headline: "inflation is under control" or "the central bank is behind the curve." But the real challenge is always the interaction between objectives. Most central banks today prioritise price stability, and in many cases, the credibility of inflation targeting has helped anchor expectations. But the question is whether a framework designed with one set of structural assumptions can be applied without adaptation to an economy that is structurally transforming.

Flexible inflation targeting in India, introduced in 2016–17, is often credited with lowering volatility and improving inflation discipline. And from a market perspective, a stable and predictable inflation regime does help. But I also see the argument that a narrow

Monetary policy can become complex and technical. But the public needs to understand what the policy is attempting to do, what trade-offs it is managing, and what limitations it faces.

inflation target might be inconsistent with the growth aspiration of an economy like India. That is not a trivial point. If a country aims for sustained high growth and structural upgrading, it must examine what inflation range supports investment, employment creation, and productivity growth. The key question is not whether inflation targeting is "good" or "bad." The real question is: how do we design the inflation target and the tolerance band in a way that is aligned with India's growth potential, fiscal priorities, and external stability?

Another important reality is that inflation is experienced differently across people, regions, and professions. A single CPI number cannot capture the lived experience of inflation. In some households, food inflation dominates. In other households, services inflation dominates. In some cases, rent, education, and healthcare inflation become far more relevant than cereals or cooking oil. So when the public says "inflation is high," they are often describing their personal inflation basket. That makes it difficult for a single policy rate to feel adequate to everyone. It also raises the need for better communication and better public understanding—what central banks call expectations management.

I also strongly believe that responsible financial journalism has a major role to play here. Monetary policy can become complex and technical. But the public needs to understand what the policy is attempting to do, what trade-offs it is managing, and what limitations it faces. My view is that it is up to the media to simplify the analysis without oversimplifying the truth. That is a hard balance, but it is essential. And it cannot be done just through long reports and expert panels. Central banks and institutions must invest in explainers, interactive tools, and regional-language communication so that the public can build economic literacy. I have suggested that it would help if the RBI itself put out accessible explainers, perhaps short videos, and even training modules for media professionals. A system becomes stable not only through policy rules, but through shared understanding. When inflation targeting is credible, it is partly because people understand and believe what the central bank is doing, not just because the repo rate is adjusted.

I also think market behaviour is too often driven by selective narratives, global headlines, and short-term fear cycles. We see this in exchange rate movements, in bond yields reacting to global events, and in markets over-reading every foreign policy development. That is why communication becomes inseparable from stability. If markets react to panic, the job of the journalist is not to amplify panic, but to contextualise it. That is why I value data journalism—because it forces us to locate the story inside numbers, trends, historical ranges, and comparable experiences, instead of living inside speculation.

In the end, what I want our readers and audience to take away is this: monetary policy is not a single-variable game. It is a balancing act, and it becomes even more complex in a fast-growing economy with supply constraints, uneven inflation experiences, and evolving data systems. Good journalism has to help the public understand that complexity without losing clarity.

"Time to recognise the reality of fragmented inflation."

Mr V. Kumaraswamy

Author, Columnist and Consultant

When we discuss inflation, monetary policy, and financial stability, the first thing I want to underline is that there is no monolithic inflation figure that works for everyone. Inflation in Madurai will not be inflation in Chennai; inflation in Agra will not be inflation in Bengaluru. And even within the same city, inflation will feel very different depending on who you are. This is not merely an academic point—it goes to the core of how households actually experience stress and how policy choices create winners and losers.

Let me give you a simple example from my own life to show how fragmented inflation really is. As a pensioner, I have a roof over my head, so housing inflation does not affect me in the way it affects someone who is renting or buying their first home. I have stopped commuting daily to work, so fuel inflation does not hit me the way it hits a working

Short-term portfolio flows are fair-weather friends. But long-term investors—FDI—are the ones who build factories, supply chains, and jobs.

professional. Food consumption is governed not by aspiration but by diet—if a restaurant offers a second or third roti, I run away from the table. So what is the inflation that impacts me? Medical inflation. That is the only part of the inflation basket that genuinely makes me anxious over time. Now imagine the opposite—a young person building a career, paying rent, commuting, repaying a loan, supporting family. Their inflation experience is entirely different. This is why policy debates that treat CPI inflation as one national lived reality often miss the practical truth.

This also means that the politics and social response to inflation cannot be understood purely through a central bank lens. People respond to what they face daily. If groceries, rent, transport, and school fees rise together, households feel squeezed even if headline CPI is within a band. If the RBI claims inflation is under control but households feel their personal inflation is not, credibility suffers. So a key underestimated factor in inflation and household financial stress is how fragmented inflation experience really is—and how policy communication sometimes fails to recognise that fragmentation.

I also believe that we are living in "interesting times," and the global environment has amplified domestic complexity. We have had Covid shocks, wars, commodity volatility, and global interest rate cycles that are far from predictable. Add to that the fragile confidence cycles of markets. I often wonder whether market participants are discounting real fundamentals or simply reacting to today's narrative. In a world where you can switch on television and see constant fixation on what the U.S. leadership might do next, panic becomes a tradable commodity. That is not a healthy foundation for financial stability.

Which is why I appreciate frameworks that treat stability not as a one-variable equation but as a system. I find the idea of synchronising growth, inflation, fiscal deficit, and current account deficit extremely important. If you do not align them, you destabilise the system. The danger is not that we debate the ideal policy; the danger is that we measure wrong, interpret wrong, and then act confidently on flawed assumptions. Once that happens, we are not managing an economy—we are managing apparitions.

I also want to point out that the discussion around exchange rates and external flows often misses a deeper reality: financial stability is not just about what the RBI does. It is also about how the economy grows, how exports compete, how imports are managed, and how confidence is built in long-term investments. Short-term portfolio flows are fair-weather friends. But long-term investors—FDI—are the ones who build factories, supply chains, and jobs. If the environment is stable, predictable, and growth-oriented, real investors come. If it is not, they wait or divert.

Ultimately, my point is simple: we cannot treat monetary policy as a closed technical debate among economists. It is a lived system that affects very different people in very different ways. If we want stability, we have to respect that fragmentation, improve measurement, strengthen communication, and keep the focus on what matters most in a developing economy—growth that creates jobs and expands supply capacity. ■

INDUSTRIAL RELATIONS CODE, 2020

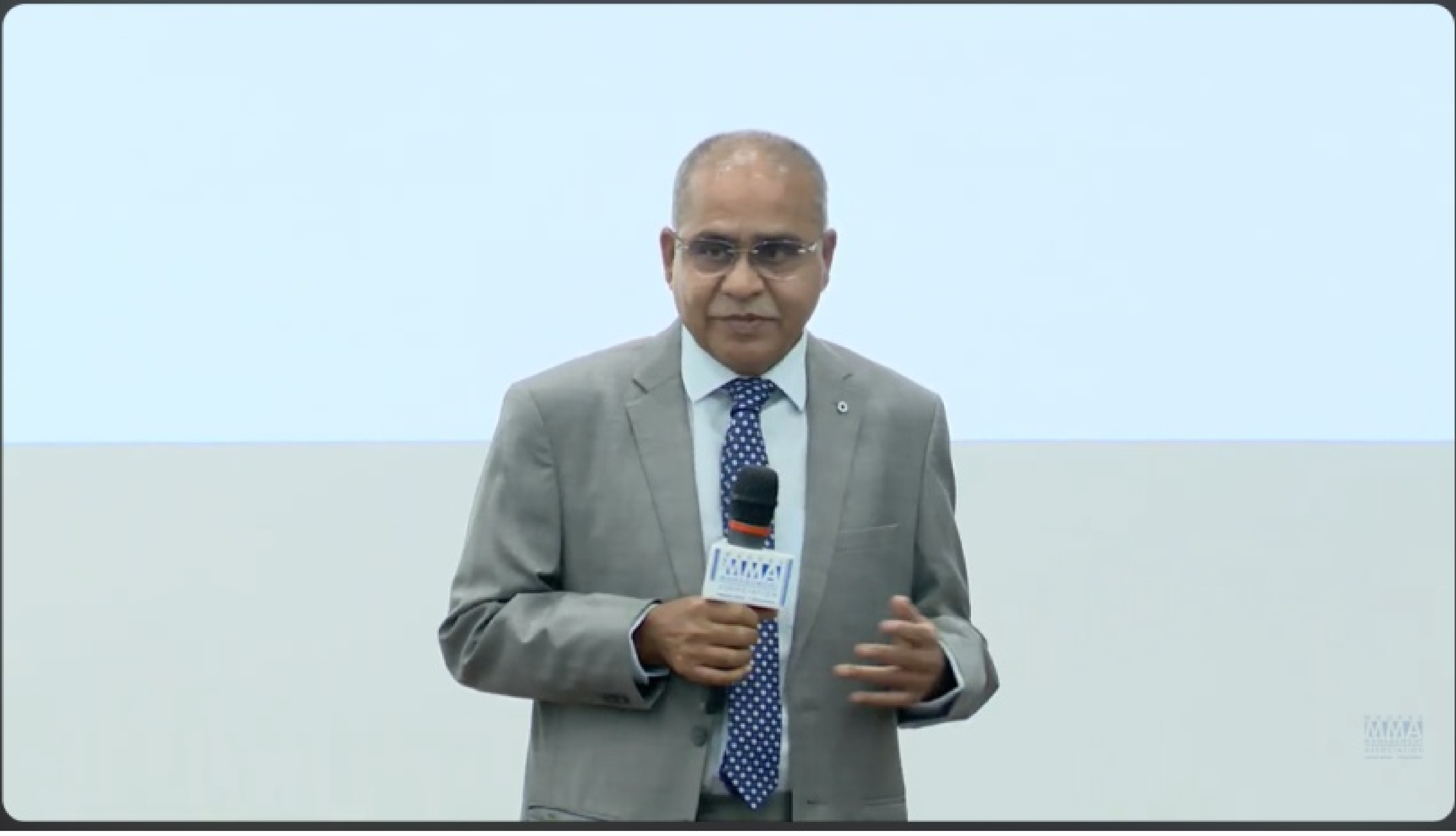
Mr S Ravindran
Senior Advocate
Madras High Court

Mr S Ravindran, Senior Advocate, Madras High Court is a labour law practitioner since 1980, delivers an unfiltered analysis of India's Industrial Relations Code 2025, challenging popular narratives and offering practical insights from decades of courtroom experience. This was part of a special session on the New Labour Codes.

When Matthew first offered me the subject of wages, I declined—it seemed disinteresting. But when he mentioned the IR Code was available, I accepted with two conditions: the session must be on Saturday, and it should be my first slot. I've been practicing labour law since 1980, and I've watched this field evolve significantly.

The code was introduced on February 11, 2025, yet I only learned about it through a client after checking the public information bureau. A full-page Prime Minister advertisement followed, which probably triggered the wild opposition. I listened to well-informed union leaders tearing this code apart, along with management spokespersons, and realized something was terribly wrong with our understanding.

Labour is a concurrent subject under our Constitution's Seventh Schedule, meaning both central and state governments can legislate. Fortunately, there's been no repugnancy between them. The central



government has been slow—it took fifty years from 1929 to 1979, then forty years until 2019. This code should have happened in 1990 when our economy liberalized and became globally competitive. Yet labour law changes rarely. The 2004 Supreme Court judgment noted that labour laws were outdated, particularly regarding retrenchment. Justice Anil Singh's 2019 order stated it was high time labour law was overhauled. This has been long overdue.

FIXED-TERM EMPLOYMENT

Union leaders claim this provision eliminates employment protection and enables arbitrary "hire and fire" decisions. This is theoretically and factually wrong. Fixed-term employment without that title has existed since 1984 through an amendment allowing termination based on appointment order clauses. From 1984 to 2025, where is the data showing large-scale misuse? In industrial areas like Chengalpattu and Kanchipuram, only 85 termination cases were filed in the entire year. Fifteen states have already incorporated this provision—what opposition exists there? Nothing.

However, don't be trigger-happy. The Supreme Court established that when legislation grants power, that power requires good faith exercise. You can use fixed-term employment, but your good faith will be questioned. Whether you're replacing workers annually or substituting one person for another—that will be tested. The government's claim that this replaces contract labour is incorrect. Fixed-term employment requires equal wages and benefits, gradually increasing welfare. Given financial implications, companies won't abolish contract labour.

STRIKES

Union leaders claim we've lost the right to strike. We are indeed a strike-loving country—lawyers frequently strike, and currently there's a strike in district courts against e-filing. But it's high time our workforce understands that strike days are gone. We need disciplined, skilled labour. Our claims about becoming the fourth-largest economy are undermined by large-scale unskilled labour, frequent absenteeism, and strikes. China became the workshop of the world with strict labour controls and no strikes.

The Supreme Court has stated you have no fundamental right to strike. Strike means simply withdrawing labour—not preventing willing workers, blocking goods, or obstructing premises. The Madras High Court called such conduct hooliganism. Judgments require strikers to remain 500 meters away and prevent no one. Strike is not the powerful weapon

The code pushes the threshold from 100 to 300 workers, inviting negative reaction. But this has history.

workers imagine. This amendment has made that reality more emphatic.

RETRENCHMENT AND LAYOFF

The code pushes the threshold from 100 to 300 workers, inviting negative reaction. But this has history. In 1976, this was first introduced during industrial unrest when government thought management acted whimsically. The amendment was later struck down on procedural grounds. In 1984, it was reintroduced at the 100-worker level and has been in force since 1991. Now we've returned to the 1976 position. Why should I need government permission to reduce manpower after complying with factory and labour laws? When COVID-19 struck, did I need permission? When Trump's tariffs affect exporters, should they need permission? The government doesn't grant it anyway. I've seen cases where government rejected permission, claiming other companies would apply. Industries then became bankrupt, leading to litigation over asset distribution. This two-tier system is unnecessary. I'm ready to go to court instead of bureaucracy—would the opposition accept judicial oversight?

CONCILIATION

The conciliation system has lost neutrality.

I'm completely upset with tribunals replacing labour courts. We have four labour courts in Chennai without sufficient work.

Labour officers are intimidated to favor workers from day one. When I attended recruitment interviews, every candidate said they would look only to workers' welfare. This shows inherent bias. The system has become a waste of time and nuisance. The positive change is that you no longer wait endlessly before conciliation officers. If your appointment is at 2 p.m., proceedings won't occur at 5 p.m. After marking attendance for 45 days, conciliation automatically ends—a big relief. Also, unions can now litigate directly without awaiting government reference. Previously, the logic was that the fight between worker and management wasn't equal. This will result in less settlement and more litigation, which isn't ideal. Litigation should be the last resort.

TRIBUNALS

I'm completely upset with tribunals replacing labour courts. We have four labour courts in Chennai without sufficient work. The tribunal system, especially with administrative members, is nightmarish for litigants. Administrative posts are always favors for bureaucrats unlikely to understand labour law. If two tribunal members disagree, they refer to a third officer, making it two versus one—the most backward amendment I've encountered. Workers get restless waiting for cases. Management faces PF fraud cases pending from 2014 to 2025, accumulating interest and damages. This system disadvantages both parties and should be withdrawn.

STANDING ORDERS AND UNION RECOGNITION

Standing orders legislation is practically dead. The threshold increased from 100 to 300 without clear justification. Fortunately, being concurrent, states can correct this. On union recognition, the lack of law since 1926 hasn't helped anyone. If a union achieves 51% membership, they should be the recognized bargaining agent for three to five years. This brings orderliness. Currently, management chooses friendly unions and ignores others, creating letterpad unions and chaos.

I fully support this code despite certain misgivings. The meekness of our government has finally ended. Let's ensure good faith implementation and welcome these reforms with the disciplined, skilled workforce this era demands. ■

Q&A

If these codes are good for employees, why are some unions opposing and calling for strike?

Union leaders who are well-read and well-informed are also opposing it, not knowing that we are in 2025, no longer in the 1960s. Union leaders have a duty to educate workmen that we should work hard and not frequently go on strike. Good, bad, ugly—we do not know. Let us see in due course.

How does fixed-term employment interact with Tamil Nadu's permanent status act requiring permanency after 480 days?

If you have fixed term for 3 years, after 480 days it becomes permanent under state law. The central government has not annulled or repealed any state laws because they cannot. Both operate on different fields. Fixed term gives all benefits of permanent workmen, but the day you are born, your date of death is also fixed—that's all.

Will the criterion for recognition affect collective bargaining in multi-union scenarios?

It cures the rivalry. Show 51% strength and you will be the bargaining agent. If you don't have 51%, and you have 20%, your life is 3 or 5 years. You should welcome that.

How will the new IR code improve non-manufacturing organizations like IT industry?

Nothing. IT industry is in a different world. They think none of the labour laws are applicable, and employees also think so. That's why we see very few IT-related cases in reported judgments. So it is not subject to labour laws in practical terms.

NAVIGATING THE NEW OCCUPATIONAL SAFETY AND HEALTH CODE

Mr R. Jayaprakash
Senior Advocate
Madras High Court

Mr R. Jayaprakash, an experienced advocate specializing in labour law, delivers an in-depth analysis of India's newly implemented Occupational Safety and Health Code, explaining its transformative impact on workplace regulations. This was part of a special session on the New Labour Codes.

I want to begin by clarifying something important. While I appreciate the introduction, I'm not a senior advocate—that's a designation given by the high court to advocates who no longer meet clients directly. Ravindran was a senior advocate. You can perhaps call me an experienced advocate, but certainly not a senior advocate. Thank you for the title nonetheless.

We all know why these codes have come into place. There was a recommendation by the second labour commission, and it took approximately 20 years to come into operation. Every code subsumed multiple existing laws. The Industrial Relations code subsumed the Industrial Disputes Act, Trade Union Act, and Standing Orders Act. This Occupational Safety and Health code subsumes about 13 major labour laws.

Previously, every Act had its own definition. Even the definition of wages differed from one Act to another. Very rarely would one Act adopt the

definition of wages from another. Now this eliminates the redundancy in definitions, maintenance of forms, and submission of returns. Standardized definitions have come in, which means when you move from one sector to another, you need not worry about the laws applicable to that sector. If you know this code, you can easily port yourself to another sector and advise your employer well.

KEY LEGISLATIVE CHANGES AND COVERAGE

These are the 13 laws being consolidated—600 sections and 143 clauses have been streamlined. For your reference, the Factories Act, Plantation Act, and Contract Labour Act may have particular relevance. The coverage under the Factories Act has expanded: previously it was 10 workers with power or 20 without power; now it has become 20 with power and 40 without power. It covers other sectors including mines and plantations.

The definition of worker now includes migrant workers and applies not only to the private sector but also to government departments where we see many people engaged on a contract basis. Since labour law is in the concurrent list, you'll have both central and state legislation. Even in central legislation, you'll have central rules and state rules. Factory sectors will have state rules—that's what we've been having so far and we'll continue to have.

UNDERSTANDING WORKER AND EMPLOYEE DEFINITIONS

Previously under the Factories Act, everybody was a worker except directors, because the definition stated "person employed including contractors in any manufacturing process or in the process incidental thereto or connected with." Almost everybody became a worker, and provisions had to be applied accordingly.

Now there's a different definition, almost akin to the Industrial Disputes Act definition. But there's one more definition called employee. The definition of worker assumes importance in the OSH code, but for uniformity, we also have the definition of employee which includes managerial, administrative, and supervisory staff. However, the more relevant section is worker, not employee, for the purpose of the OSH code.

THE CONTRACT LABOUR REVOLUTION

The contractor is defined, and contract labour is also defined. One interesting development is the inclusion of migrant workers and employees employed by contractors. Some contractors now have

60,000 employees compared to 600 employees in a particular company. If contractors have employees to manage their own affairs within their establishment, they don't become contract labour, provided they have appointment orders and periodical increases.

Now contract labour law applies if you engage more than 50 contract laborers. Previously it was 20, now it's 50. Here's the critical change: engagement of contract labour in core activities is prohibited. So far you've enjoyed immunity even though there was a provision under the contract labour act to prohibit employment of contract labour. Strictly speaking, there was no prohibition until now. You could engage contract labour in any area and any activity if you wanted.

DEFINING CORE AND NON-CORE ACTIVITIES

The code defines core activity as any activity for which the establishment is set up, including any activity which is essential and necessary thereto. Every rule has an exception, and this also has some exceptions: If the normal functioning of the establishment is ordinarily done through a contract—for example, if you have one department completely operating with contract labour, then perhaps you may take a stand that this has been normally handled by the contractor. Activities that do not require full-time workers for the major portion of working hours in a day can use contract labour. For example, forklift operators within the shop floor who take raw material and bring finished products to the warehouse may not be working full time.

But how long are you going to keep them as fixed-term employees—one year, two years, five years? There's no cap, so we're certainly going to end up exploiting it.

Sudden increases in work orders—like we had during the pandemic when everyone wanted vaccines—allow for temporary contract labour engagement.

Non-core activities include sanitation, watch and ward, canteen, loading and unloading, running hospitals and training institutes, career services, civil and other construction, gardening, transport, and any activity of intermittent nature.

THE CHALLENGE AHEAD

Most companies use contract labour not only for non-core activities but also for core activities. Now the code has come into operation. If you're engaging them in core activities, you'll be doing violence to the Act. How are you going to deal with it? One answer is fixed-term employees. But how long are you going to keep them as fixed-term employees—one year, two years, five years? There's no cap, so we're certainly going to end up exploiting it. New unions are going to challenge it, and courts are going to come down heavily on us.

THE WAGES DEFINITION PUZZLE

Now the most interesting definition: wages. It gives two baskets. Basket A says all remunerations, whether express or implied. They also gave examples including basic, dearness allowance, and other elements. So wages means the gross minus basket B.

Basket B includes: bonus paid once a year, value of house accommodation, PF and pension contributions including interest accrued thereon, conveyance, special expenditure, house rent allowance, and overtime allowance. Effectively, if you see for employees receiving good salary, only HRA and conveyance elements will get excluded from the definition. Let me give you an example. Let's assume somebody is drawing basic, DA, conveyance elements, and HRA. If HRA and conveyance become 30% of the gross wages, then the entire 70%—unless otherwise covered by the exclusion found in basket B—becomes wages. So if it's 70%, it will be taken into consideration for deciding gratuity, leave encashment, and all other cash payments.

What happens if exclusion goes beyond 50%? I don't think you can put conveyance elements and HRA into 55% or 56%. If it goes beyond 50%, then 50% will be the basket considered for deciding wages.

THE 51% QUESTION

The question nowadays is: can we keep basket A at 51%? Why do you want to keep it at 51%? Because we've got so many variables—bonus, performance incentive for sales promotion employees, commissions, overtime. If you keep it exactly at 51%, then what will be the overtime allowance? If somebody works 40 hours in a week with 125 hours as overtime, you'll have a circular error. To decide overtime, you

An appointment order is mandatory now. You need to have an appointment order in the prescribed format.

need to decide wages; to decide wages, you need to decide overtime. The best way is to keep basket A between 60% and 70%. I know I'll become very unpopular if I say this, because everybody wants to have basket A only at 51%. But certainly you're going to face a problem if you have a thousand employees. You need to look at each and every employee every month to decide what is basket A. That's going to hurt you very badly unless you have some algorithm.

To summarize this wages issue: gross minus basket B becomes wages. It's not 51%. If your basket B is already 70%, then 30% is wages, not 51%.

REGISTRATION AND COMPLIANCE

The act provides for electronic registration. Fortunately, if the authorities don't grant licenses within a particular period, it's automatically deemed that the license is granted. We have such provisions in the ID Act for closures and layoffs—if the government doesn't pass an order within 60 days, deemed closure comes into picture.

HEALTH AND SAFETY OBLIGATIONS

You need to have annual health examinations free of cost. Unfortunately, this isn't one or two tests but several tests. It's going to cost you 15,000 to 20,000 rupees per employee per year. Why do we need so many tests? Once in three years or four years for a general test is all right, but why every year? Perhaps employers will be taking this up with the government.

An appointment order is mandatory now. You need to have an appointment order in the prescribed format. This appointment order is creating some confusion because it's a statutory requirement. Maybe you'll have to issue another appointment order, and this will help you fill in certain lacunas. For example, for overtime you need to get consent from the employee. If you issue this appointment order, you can add something to it or issue an addendum to the earlier appointment order.

ENHANCED WELFARE PROVISIONS

Several thresholds have changed:

- Canteen: previously 250 workers, now 100 or more
- First aid appliances: previously 150 workers, now 10 or more
- Ambulance room: continues to be 500 or more
- Rest shelters: previously 150 workers, now mandatory for all establishments
- Welfare officer: threshold has become 250 workers
- Crèche facilities: previously 30 women workers, now 50 or more workers (not necessarily women)

One additional point about crèches: you need not maintain one if it's available in the vicinity run by government, NGOs, or employers collectively in that area.

Annual leave eligibility has come down to 180 days, but the worker needs to earn one day for every 20 days worked. That hasn't changed.

WORKING HOURS AND LEAVE

There's a big rumor that we can engage people for 12 hours. No, nothing has changed—it's still 8 hours. This spread cannot exceed 12 hours. Intervals should be given at least once in 5 hours. Overtime shall not exceed 125 hours in a quarter.

Annual leave eligibility has come down to 180 days, but the worker needs to earn one day for every 20 days worked. That hasn't changed. When a worker is discharged or dismissed, you need to pay leave encashment on the second day. In case of superannuation and death, you can do it within two months.

WOMEN IN THE WORKPLACE

Special provisions regarding employment of women in establishments and factories exist. In Tamil Nadu, we didn't have any problem because there was a blanket ban in the Factory Act that was struck down as unconstitutional. Since then, we continue to engage women in factories, with the government providing protective measures and guidelines for night shift work.

INSPECTORS BECOME FACILITATORS

The inspectors have become chief inspector-cumfacilitators. They're supposed to facilitate to the extent possible before taking action. If nothing is justified despite their efforts and advice, perhaps prosecution will follow.

UNDERSTANDING THE PENALTIES

Earlier penalties were negligible. Now the punishment is much more substantial:

For minor lapses: minimum six months or maximum fine of two lakhs or both. Normally, courts don't impose maximum penalties but give moderate ones. For hazardous processes: this is critical because there's no "fine or imprisonment"—it contains "fine with imprisonment." That imprisonment could be one day or up to two years, depending on the magistrate's discretion.

In the event of death: two years imprisonment with fine. Whatever fine is imposed, 50% will go to the victim's family depending on the judge's order. This is a welcome provision—there's no point giving the money to the government. At least the victim's family is getting it.

A CRITICAL WARNING ABOUT COMPLIANCE

Passing for a moment here, I must emphasize: whenever you get show-cause notices, be it under the Factories Act or any other enactment, be careful. Try to ensure the complaints and defects pointed out are rectified. Try to ensure things don't escalate. If you leave things to the department, they will take the occupier and manager to court.

Previously, we used to file a special vakalatnama where we were entitled to represent people, and courts allowed it. Nowadays, courts are not allowing it. They want the occupier to be present at least four to five times, even though it can be decided in a summary manner. Courts are not accepting special vakalatnamas anymore. They insist the occupier be present in court, in whichever part of the world he is. If he doesn't come, non-bailable warrants will be issued.

Cases will not get over in one hearing or two hearings. The occupier and manager will have to come at least four to five times. So ensure that the moment you get a notice, coordinate with the department and ensure compliance. Rectify the defects. Don't allow the matter to go to court. ■

Q&A

How does this apply to IT/service industry employees?

They will fall within the category of establishment, and leave encashment will be applicable to them also.

What about existing employees—do we need to issue new appointment orders?

It's better to issue an appointment order. Even contractors are issuing appointment orders nowadays. Time has come for you to issue it in terms of the requirement under the Factories Act as well as contractual requirements.

Does the law require restructuring for bonus purposes?

Law is not asking you to restructure. Companies want to restructure to save costs or minimize cash outflow. They're trying to bring wages down to 51%. But the law continues the same—they're only providing definitions, not asking you to restructure.

What about principal employer responsibilities for contract labour?

You'll have the same responsibilities. Earlier, you needed to ensure PF and ESI were paid. If contractors don't pay, you need to pay it. Beyond that, it's better to have proof of payment so you won't be taken by surprise. Both PF and ESI come not only with contribution—you need to pay interest and damages, which will certainly kill you because cases will be pending for years.

Is there any provision for combining annual returns?

Now there's a combined return you can file. It still has many forms because there are 13 enactments, so there are many forms available under the OSH code.

What happens to variable performance incentives paid annually?

This annual performance incentive will come into picture under the Workmen's Compensation Act. They'll take 12 months' earnings and divide by 12 to arrive at the salary for calculation purposes. This is going to hurt you on that aspect. For other aspects, what's paid monthly should be considered as wages, but ultimately courts will have to clarify this.

DECODING THE CODE ON SOCIAL SECURITY

Ms. Kavitha Jagadeesan
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Ms. Kavitha Jagadeesan, a chartered accountant specializing in labour law compliance, delivers a comprehensive analysis of India's Code on Social Security, focusing particularly on the contentious wage definition and its practical implications for organizations.

Before I even start, I should acknowledge the highest degree of embarrassment—seeing my LinkedIn profile projected before the entire crowd. This is what happens when we write things in a certain way on LinkedIn! But anyways, it's a good experience, and I'm trying to control my embarrassment.

I want to know how many of us are familiar with Tamil movies and comedies. There's one movie where a board keeps getting wiped clean with every discussion—that's exactly what my session is going to be today. I was wondering how to approach the Code on Wages when the previous speaker already touched upon it without covering gratuity. So I thought, let me add more masala to the fourth session. You've heard from lawyers and legal practitioners all morning. With due respect to them, here I am to present a chartered accountant's perspective on the Code on Social Security and the wage definition. At the outset, thank you so much. I've never seen a full-packed session, and that too from morning,

you've been attending this master class with full interest. There's not even a single tiring look I could see, which makes me super enthusiastic to give my perspective and add more flavor to whatever has been done this morning.

I'm not a section or clause provisor person. I try to understand concepts so that it's easy for us to implement. Initially, when the first draft was submitted in 2019, a committee reviewed it, and the initial preamble stated the goal was to consolidate social security for employees. After deliberations from different company representations, they modified it. The goal now is to consolidate laws and extend social security to all employees and workers.

The first confusion started: if it's extending social security, which part? If it's employees, then who are the workers? Aren't workers also employees? The intention is very clear—any establishment, any worker, any employee, our first check is whether the social security benefit is extended to them or not.

LEGISLATIONS COVERED

From 1923 till 2008, there were so many legislations talking about social security to employees. Now they've tried to consolidate everything. These legislations are arranged in multiple chapters within the Code on Social Security. This received presidential assent on September 29, 2020, and was made effective November 21, 2025. They specifically removed EPF from the subsumed part, so EPFO is still not repealed.

GOVERNMENT'S PRO-EMPLOYEE, PRO-WOMEN, PRO-GROWTH AGENDA

According to the government's press releases on pib.gov.in, the Code on Social Security is described as pro-employee, pro-women employee, and pro-growth. Let me highlight key features:

For fixed-term employees (FTEs), gratuity is extended. Before November 21, 2025, the entire issue was about whether PF would be impacted by the wage definition, which would affect take-home pay. But now, safe and strategically, the PF Act is not repealed. Even otherwise, the legislation itself says for PF and ESI, it applies to employees whose wages do not exceed the notified limit. So for wages above Rs.15,000 for PF, we're not even covered.

New concepts are introduced for gig and platform workers—they're trying to bring everybody into the ambit of universal coverage. The family definition is enhanced to cover in-laws for women employees. I still have a question: why aren't in-laws for men employees covered? For a single child who is a daughter, when she gets married, who will take care of her parents?

Accident coverage now includes accidents happening during commute to the office, which wasn't covered under existing provisions. Previously, only accidents at the workplace were covered. Now, if an accident happens from home to office at a reasonable route, it can be considered for employee compensation benefit.

THE NATIONAL SOCIAL SECURITY FRAMEWORK

A National Social Security Board is now created, along with a Social Security Fund. Benefits going to gig and platform workers will be routed through this fund. We have an Unorganized Workers Social Security Board at the state level because mechanics by the central government would be difficult for the unorganized sector.

KEY DEFINITIONS

Gig workers are like freelancers—someone who can come into your office for particular work and then leave. For example, if you have a testing issue and you're not assigning them full-time but just for that one particular project, they're gig workers. They don't have an employer-employee relationship.

Platform workers include Swiggy, Zomato, Blinkit, and Zepto delivery personnel. Except for what we collect from them as tips, the government is trying to protect them through social security.

Fixed-term employment raises fundamental questions. In an organization, if the employment contract doesn't have an end period but is provided as one or two years, does that alone qualify the person as undergoing fixed-term employment? Is a retainer working in an organization a fixed-term employee? We need to see if the same benefits provided to regular employees are also provided to fixed-term employees, and if job allocation is clearly defined. Project-based hiring, festival season hiring for six months, compliance season hiring for three to six months—these are all fixed-term employees.

THE EPF AND ESI REALITY CHECK

There are no changes in PF. One point I'd like to highlight is that under this code, there's a voluntary opt-out mechanism available, which is actually not publicized in media. It's very much available in the act itself—voluntarily, subject to conditions and request made to the Central Provident Fund Board, the organization can also opt out of provident fund.

I see a trend where clients say they don't want to opt for provident fund because they need better take-home so they can invest better in the market rather than somebody investing for them in other funds. We can wait and watch for the mechanism when rules come out. For organizations with PF trusts, if you're already exempted from PF, it continues. These provisions will still continue under the existing code.

THE WAGE DEFINITION CONTROVERSY

Now the most interesting definition: wages. Let me take a clear example. The definition says everything is part of wages. Visualize we have a green basket which has all components from the employment contract.

Now, from that, each and every component will have to be analyzed to see if it falls under the exclusions bucket. This is how the definition reads.

All remuneration, including basic, DA, and retaining allowance—it's just clarificatory in nature. So if Rs.100 is all my components in my employment contract, that Rs.100 will be in my green barrel. Now, each and every component I analyze to see whether it falls under the specified exclusions. I pull it out and put it under my red barrel—the exclusion barrel. Then I compare if my red barrel is more than 50% or not.

PRACTICAL SCENARIOS

Let me give you examples with different salary structures:

Scenario A: Basic Rs.30,000, HRA Rs.20,000, Special Allowance Rs.50,000 Under PF presently, if it's more than Rs.15,000, we contribute on Rs.30,000 basic. For ESI, we take the total Rs.100,000. For gratuity, we take Rs.30,000.

Under the Code on Social Security, I have my total of Rs.100,000. I will pull out only the HRA which is Rs.20,000. That means Rs.30,000 + Rs.50,000 = Rs.80,000 will be my wage base.

Scenario B: Basic Rs.50,000, HRA Rs.20,000, Special Allowance Rs.30,000 Many people say if I keep my basic as 50%, everything is solved. No! The government didn't say basic has to be 50%. Right now, all remuneration should be considered except for exclusions. Basic is Rs.50,000—am I compliant? The answer is no, because I'm putting all Rs.100,000 in the green barrel and only removing Rs.20,000. So Rs.80,000 is still my wage base.

I have a fundamental question: we know the concepts very well, but we're still dependent on our payroll provider software. If you're changing basic to Rs.50,000, will the PF not be automatically calculated on the higher amount? That's why I agree—let's not change the basic now. But for gratuity purposes, add the delta. How are you going to deal with your payroll vendors?

REALIGNMENT STRATEGY

These are the exclusions available: bonus paid once a year, value of house accommodation, PF and pension contributions including interest, conveyance, special expenditure, house rent allowance, and overtime allowance.

The secretary of the Ministry of Labour and Employment mentioned this is the timeframe where we have to use realignment of compensation. There should be a degree of reasonableness. If there are other elements or special elements in your compensation structure, you can take the goodie points by talking to your CEOs or CFOs, saying here are the components that could be excluded.

The one line item where there's no clarity is "some pay to defray special expenses." Whenever there's no clarity, that's where we play around. If your organization isn't providing conveyance elements or leave travel—thanks to the simplified tax regime, 80-90% of the workforce is going for it where they're not claiming deductions or exemptions. That's why companies aren't looking at restructuring their compensation.

If you have special allowance, you can try to fit it into any of these components reasonably: professional development allowance, gadget lease. These are trending components in the market. But make sure your facts, structure, literature, and policies marry well.

IMPACT ASSESSMENT AND IMPLEMENTATION

Having said this, let's see how amounts are getting changed—almost one or two times we see change on account of gratuity payout. The act is effective November 21st, rules are only awaited. If an employee is about to get gratuity by December 18th, what amount can I still pay?

One can take a conservative position and pay based on existing provisions because the notification clarifies that till rules get into effect, existing provisions will be considered. You can take a legal opinion as backup or tell your employees once rules are finalized, if there's a delta, we'll pay it with interest.

ACCOUNTING IMPLICATIONS

For accounting, once labour codes are announced, we see lot of interactions between finance and HR teams. Usually they work in silos except for passing accounting entries. Now everybody's keen to understand what changes the HR team is bringing in. You'll have to convince your finance folk about the implications you're trying to reduce through realignment or effective planning of compensation.

Does it stop only here? No. Your FTEs will still be covered. You'll have to rework with all your workforce categories to see who falls under fixed-term employees. The act prohibits employers from reducing wages or benefits because of the application of this code. So if you're bringing fixed-term employees onto the roll, if officers view it under that section, we may have to position it differently and strategically.

OTHER KEY PROVISIONS

Maternity Benefits

There's no change in maternity benefit provisions—same as previously. The paid leaves prescribed continue. The only change is what's paid on the earlier base will now be on wages. The prevalent rule is if a benefit is availed in one legislation, it cannot be availed in another. If you take benefit under ESI, you can't take benefit under maternity benefit.

The new crèche facility requires four visits and nursing breaks to be given. Most organizations are effectively planning for it—either providing reimbursement or ensuring within their community they have a crèche. For example, if an IT park has a crèche facility within them accessible to all companies, can this be deployed?

Platform and Gig Workers

For unorganized, gig, and platform workers, we have schemes that will be released. From the aggregate turnover, 1-2% must be put into a fund. The fund will take care of their insurance, life and disability, health and maternity, old age protection, education, injury benefit, housing scheme for children, and funeral assistance.

If you're engaging freelancers, just do registration. The gig worker will also have to register because you're not going to transfer the benefit directly—only the contribution goes to the fund.

WELCOME CHANGES IN IMPLEMENTATION

Digitization and Single Return

Most records will be online. We'll have one return for everything except PF. It's a five-page form covering everything. I'm wondering why the government took so long to bring it this way. Different regulations, different wage definitions, lot of confusion—those are all now removed, and it's mostly electronic.

Employment Linked Incentive Scheme

How many of you registered? This is a classic case of how digitization has improved. If your organization has additional employees, per additional employee you get Rs.3,000 as incentive. Initially, there was noise because people felt it would appear as demand in the portal. Now the government has released FAQs clearly saying there are only two things needed: registration and coding the right gross wage in your PF ECR. If gross wage is less than one lakh and the employee stays for more than six months, you're eligible.

Is it applicable for lateral hire? Yes. For replacement, it may not be, but for additional employment, even if the person is a lateral hire, the employment-linked incentive scheme will provide incentive.

Five-Year Limitation Period

For PF, there's now a five-year limit to initiate any inquiry. Technically, you can manage with the last five years. Within two years they have to complete—they can't drag cases. I have cases going for six-seven years. Now it's mandated that within two years they have to complete, and if a petition is filed before the Central Provident Fund Board within one year, they can insist to complete it.

Reduced Deposit for Appeals

Previously, for appeals, they'd ask us to pay 70% of the demand. Now it's restricted to 25% for all appeals.

Moving Toward Facilitation

The entire legislation is moving toward a facilitation approach. As you see, it's inspector-cum-facilitator. Instead of policing, they'll have to facilitate—ensure compliances are flowing through. There's a 30-day notice of improvement given, providing opportunity to clear all non-compliance. It's like an amnesty scheme, but it's only for first-time offenses. Repeat offenses are always punishable. Compounding of offenses—50% fine we pay instead of dragging it—saves a lot of time.

Career Centers

Career centers are sophisticated employment exchanges. The government is trying to improve—it's going to be online. For HRs in the talent acquisition space, your first step is to approach your career center, not any consultant. The form clearly says if there's a shortage and you're not able to source profiles from the career center, you have to give the reason why. They're also expected to do vocational training on basic communication skills relevant for employment opportunities.

ACTION PLAN AND CONCLUSION

Let's approach this positively without fear or trauma. From a Code on Wages or Code on Social Security perspective, please do a cleanup activity. Go through compensation items you have and align what is the wage.

Financial impact assessment: assess how much impact exists. There are situations where only 1-2% increase could occur. You can either protect employees by bearing costs, or if gratuity contribution is part of CTC, there could be 0.5-1% impact on take-home. Will that trigger Section 124? We have to be prepared first.

Workforce arrangement: with FTEs, whether on-roll employees are still required is an analysis based on your organization structure.

Framework and documentation: whatever is done in the office isn't going to matter anymore—it has to be documented. Please update policies. Wherever new policies or SOPs are required, build them in.

Communication: we ourselves aren't clear yet, but once we are, adequately communicate to employees. Track updates daily as developments keep coming. Once implemented, don't stay cool or leave it to payroll or finance teams. As HR, do the due diligence because any questions will come to you. ■

Q&A

How can the overall 50% wage structure be divided among various components?

We don't have a structure or template given by the government. My suggestion is if you have 30-40% basic, retain that. When restructuring special allowance, put it into professional development or conveyance exclusions, making sure it doesn't exceed 50%.

Maximum amount of gratuity payment in the code?

The existing Rs.20 lakhs continues, but if you want to pay over and above, it's still fine.

How should organizations reassess workforce models?

It's purpose-driven. You can't simply put everybody on roll. If you have seasonal deployment, putting them on roll—will your business absorb the cost? Vice versa also holds—if you have on-roll employees and move them to fixed-term 11 months and renewing, that will be viewed as ultra vires.

Is construction industry covered under ESI?

Yes, coverage is there, and construction contributions are also being provided. The employer will have to pay 1-2%

of the cost of construction.

If conveyance allowance is paid uniformly to all employees, is it excluded from PF wages?

Even if paid regularly or uniformly, it's still an exclusion because it falls under the exclusion basket.

Is production incentive covered?

Production incentive is not covered under exclusions. Only sales commissions are there. If not covered under exclusion, it will be covered under wage.


GALLERY
registering
MEMORIES