

DIA, DEOGHAR IAS ACADEMY

Daily News Feed

D.N.F

03.02.2025

**Sabaijor Complex, Near Jamunajor Pul, Castair Town
Deoghar, Mob:-9162500508**



Missed opportunity to make public health boost economy

Privadarshini Singh

To make our economy grow, we need to push private consumption. To increase private consumption, people need more disposable income. For that, one route is to reduce the money an ordinary person spends on basics such as health and education. The Union Budget 2025-26 seems to have missed this opportunity.

The Department of Health and Family Welfare (DoHFW), which runs most of the critical public health programmes, saw a meagre 1% increase in its annual Budget Estimates (BE) from last fiscal year's (FY25) Revised Estimates (RE). This year's increase has been the lowest in three years.

When we compare what has been allocated in a given year versus what was fully spent by the department in the previous year, the limited financial envelop of the department becomes even more stark.

We have data on actual spends by the DoHFW till 2023. In 2023, the actual spend was ₹80,292 crore and in 2024 the RE to the DoHFW was a mere 7.8% higher at ₹86,582 crore.

Since 2021, a rise in allocations when compared with actual spends in the previous years has been between 6% and 8% only. This excludes the year 2022-23 when the money available to DoHFW fell by 7% from the actual spending the previous year in 2021-22.

Within health, the focus remains on the national level insurance programme-



Expensive health: Out-of-pocket expense have fallen from 63% in FY24 to 40% in FY22, but is among highest globally. GETTY IMAGES

PMJAY, for which allocations have risen by 24% from last year's RE. And a 4% higher allocation this year from actual usage in 2023, which is the latest data available. For the National Health Mission

(NHM), the increase in allocations from 2024 (RE) to this year's Budget is a meagre 3.4%. The urban component within NHM has increased allocation from last year (2024) Budget (RE) by a mere 4.3%. This is particularly wor-

rying for NHM. It's a national level programme covering rural and urban health. With slowing economic growth, its implications for jobs and wages, under financed and weak health system for rural and urban poor creates perfect conditions for a health crisis, and could further pull-down economic growth.

But the NHM is a programme that has been spending more than what has been estimated every year since 2015, except in 2021- the pandemic year, when allocations were higher than the spends.

Insurance programmes increase the availability of hospital options by roping in private facilities. But in an insurance-led health system, the focus remains on secondary and tertiary

care and curative services.

A public health system, on the other hand, provides primary care – basic illnesses, routine health check-ups, etc. and also preventive and proactive services which are not covered by insurance. Private hospitals can become options for eye surgery and with insurance, they become easily accessible to the poor but all other ailments need primary care, which isn't in the ambit of insurance.

The Budget does not reveal numbers for primary care services, but the NHM and NUHM estimates reveal that there haven't been any meaningful rise in allocations.

Close to 50% of our health care is provided by the private sector, accord-

ing to the most recent National Family Health Survey 5 data (2019-2021).

At the primary care level, only 10% visit a government PHC in rural areas. In urban areas, this further reduces to 5%. But, there is immense pent up health demands, which insurance does not cover.

Primary care in parts of Rajasthan for instance, when compared with hospitals, private clinics, etc. per day UPHC visits are very low. But they exceed the capacities of many top class UPHCs. In places like Jaipur, Udaipur and Ajmer in Rajasthan, per day UPHC load goes up to 250 for many of the well-functioning, well-located accessible UPHCs.

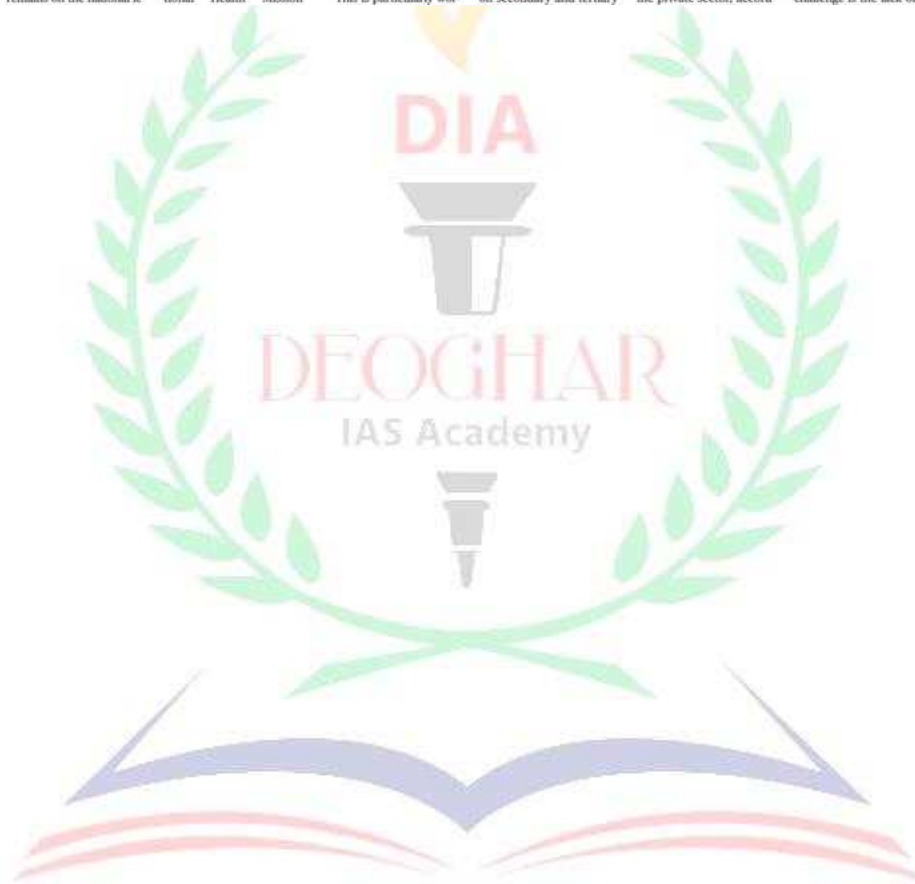
But in many cases, the challenge is the lack of fa-

cilities. Karnataka, for example, has a 38% UPHC deficit. There are similar deficits of staff including specialists, ANMs, pharmacists, health programmes managers nationwide.

While our out-of-pocket expense has fallen from 63% in 2014 to 40% in FY22 as per the most recent available data provided in the National Health Accounts, it still remains high by global standards.

Low allocations to health with a focus on insurance means the exclusion of the 'middle classes', the ones whose consumption can fuel growth and those who need the extra spending capacity.

(The writer is Fellow, Centre for Social and Economic Progress. Views expressed are personal).



With DeepSeek, are foundational AI model dreams closer to reality in India?

DeepSeek upended assumptions on cost of developing a large language model (LLM); with costs looming large over India's AI investments, the conditions may be ripe for an Indian foundational model; RI built on open source gives India a tool in proceeding down foundational AI model path

NEWS ANALYSIS

Aroon Deep
NEW DELHI

The emergence of DeepSeek-RI from China – a highly advanced Artificial Intelligence large language model (LLM) – has jolted technology stocks valued on the assumption that highly expensive Graphics Processing Units (GPUs) and the investments accompanying them were the key to winning the global AI race.

RI's capacity to compete with cutting-edge models from OpenAI's ChatGPT on a shoestring budget of \$6 million transformed the debate over building a foundational LLM in India, months after such an undertaking was deemed too expensive to bother with.

Foundational models are the most resource-intensive LLMs to make, as they require a massive database of content on which a generative pre-trained transformer (GPT) model bases its functioning. GPTs like OpenAI's are by far the most common type of LLMs, and their costs have raised prohibitive barriers to starting from scratch, especially for Indian firms with little cash to expend in exploratory efforts.

"Foundation models are not the best use of your money," Infosys co-founder Nandan Nilekani re-



New paradigm: "The global demand for skilled AI talent is surging, says TeamLease's Mahanta. REUTERS

portedly said in December. "If India has \$50 billion to spend, it should use that to build compute infrastructure and AI cloud. These are the raw materials and engines of this game," he said. As DeepSeek RI emerged with capabilities that seemed the reserve of highly capitalised firms like OpenAI just a few weeks ago, the template may well have changed.

Shortly after, Aravind Srinivas, CEO of Perplexity, an AI-powered answering engine, said in a January post on X, Mr. Nilekani was "wrong on pushing Indians to ignore model training skills and just focus on building on top of existing models," and it was "[e]ssential to do both."

India's cost arbitrage



The Centre's IndiaAI Mission indicated both the physical and software foundations – local hardware and homegrown LLMs – will both be priorities

has been its key advantage in technology. From business outsourcing firms leveraging lower labour costs for specialised IT workflows to telecom firms like Reliance Jio leaping into the industry after network infrastructure costs sufficiently decreased, innovating on cost has been both a strength and a practical approach for Indian technical innovation. RI being built

and deployed on an open source basis gives India a signal and a key tool in proceeding down the foundational AI model path.

Frugal hardware

"We have a ray of hope that LLM training and usage can be democratised," Paramdeep Singh, CEO of the Gurugram-based Shorthills AI said. "It's not people sitting in ivory towers, but talent with frugal hardware that can train the best model." HCL founding chairman Ajai Chowdhry said the capacity to build a homegrown LLM "exists within the country and we must create own GPUs and develop state-of-the-art models, such as LLMs, using Indian languages considering we possess an abundance of data that can be

employed as a tactical advantage."

Mr. Chowdhry said China's advances were "alarming," and cited the country's mushrooming number of AI labs and initiatives, and said India should keep pace.

Cost no barrier

"Imported chips and enormous data centres aren't necessary for innovation," Mr. Chowdhry said, concurring with the growing assessment costs are no longer a barrier.

Union IT Minister Ashwini Vaishnaw said there were at least six developers who could develop AI models in the next 10 months.

"India's ability to develop sovereign AI solutions tailored to its cultural and economic nuances has significant implications for the global AI landscape," Purushottam Kaushik, head, Centre for the Fourth Industrial Revolution at the World Economic Forum, wrote earlier this month. Creating a foundational model is an imperative for sovereignty – one of the few grounds that can justify expenditure on the scale such an undertaking requires – and now that imperative appears more within reach than before.

The Union government's IndiaAI Mission has indicated both the physical and software foundations – local hardware and homegrown LLMs – will both

be priorities.

Mr. Vaishnaw announced on January 30 that 18,693 GPUs would be made available to an array of start-ups and academia under the India AI Mission's compute arm and that six firms would have an LLM ready within 10 months. What was revealing was the quick readiness to leverage DeepSeek's cost-saving advance: the open-source RI model would be installed locally within India, Mr. Vaishnaw said. (Firms like Microsoft have already done so at an unusually quick pace.)

The Economic Survey, which appears to have finalised its AI section before the DeepSeek development sank in, has pitched for leveraging AI with strong institutions and responsible private behaviour, while transforming education so that youth across sectors can leverage these advances, instead of being left behind.

"The global demand for skilled AI talent is surging, and India must move quickly to prepare youth for this transformation," Dhriti Prasanna Mahanta, an executive at TeamLease said. "Apprenticeships, internships, and industry-driven training programmes will be instrumental in bridging the skills gap and ensuring that education aligns with the rapidly evolving needs of the tech industry."





KNOW YOUR ENGLISH

The guerrillas are against state violence

He was praised by the manager.
He was hiding the light under a bushel all this while

S. Upendran

What is the meaning and origin of the idiom 'hide your light under a bushel'? (Sai Prasad, Vellore)
The expression is mostly used in British English. In the course of our life, we come across many talented individuals – some may sing well, some may excel at cooking, some may be good mimics, etc. But not all these individuals are keen on sharing their talent with others; those that are shy or modest usually keep them hidden. They wish to keep away from the limelight. When you tell someone not to hide his light under a bushel, what you are suggesting is not to conceal his abilities; that instead of trying to be modest, he should share all the positive qualities with those around him.

You should get Anamika to sing at the event. She has a beautiful voice, but has been hiding the light all these years under a bushel.

Wow! These paintings are awesome. You're a gifted painter. Why do you choose to hide the light under a bushel?

I understand that the idiom comes from the Bible; it has been taken from the Gospel of St. Matthew. Like 'inch', 'kilogram', 'litre', etc., a 'bushel' is a unit of measurement; it is normally usually used to measure the quantity of grain, fruit, vegetables, etc. In England, a bushel is roughly equivalent to eight gallons. In the past, in small households, bushel baskets and containers made from different materials were used to hold a bushel of grain. What the idiom 'hide your light under a bushel' seems to suggest is that there is no point in lighting a candle, if you are going to keep it hidden under a container.

What is the difference between gorilla and guerrilla? (Anil, Kanpur)
In terms of pronunciation, there is none; the two words are pronounced the same way. The vowels in the first and third syllable are pronounced like the 'a' in 'china', while the second syllable rhymes with 'pill', 'bill' and 'kill'. The two words are pronounced 'ge-RR-ill' with the stress on the second syllable. The meanings of the two words, however, are very different. A 'gorilla' is an animal; it is a relatively large ape known for its strength, and usually found in pockets of Africa.

I was surprised to learn that gorillas mostly stick to a vegetarian diet.

The word 'guerrilla' (sometimes spelt 'guerilla') comes from the Spanish 'guerra' meaning 'war'. It is normally used to refer to an individual who is at war with the Government or any other authority. The media sometimes refers to this group of individuals as underground fighters. The tactics adopted by the guerrillas are usually very different from those of the army – they launch quick attacks and then disappear.

upendrankye@gmail.com



Word of the day

Encomium:

a formal expression of praise

Synonyms: eulogy, panegyric, panegyric

Usage: Encomiums were bestowed on teachers at the school function.

Pronunciation: newsth live/ encomiumgro

International Phonetic Alphabet: /ɛŋkəʊ.mɪ.əm/



GETTY IMAGES

The various challenges associated with AI-driven genetic testing

As genetic information can be processed faster with Artificial Intelligence (AI), the amount of personal data going under the scanner to be analysed has also increased. This, in turn, increases the potential of plausible data security risks and leaks

Poulomi Chatterjee

The Human Genome Project, launched in 1990 and concluded in 2003, enabled the documentation and analysis of the building blocks of human DNA, revealing patterns that could indicate the likelihood of developing rare diseases or carrying genetic abnormalities. Initially, predictive tests were limited to exceptional cases due to their high cost. For instance, expecting mothers could undergo tests to detect fetal cells with chromosomal defects potentially associated with Down's Syndrome or cancer patients could have their tumours examined to determine the most effective treatment options.

How has AI changed genomics?

As genetic information can be processed faster with Artificial Intelligence (AI), the amount of data going under the scanner has also increased.

In March 2024, John Hopkins University researchers revealed how genetic code sequences, which were previously ignored, were found to be associated with tumours. Using machine learning techniques, they were able to analyse more than 1,200 distinct types of "junk DNA" elements from tumours to deepen research around new therapies, new diagnostics and new screening methods for cancer.

Bootstrapped healthcare startup, Gene Box, leverages AI primarily to process vast amounts of genetic data swiftly and accurately, uncovering patterns and insights that would be nearly impossible to identify manually.

Their AI-driven algorithm helps predict genetic predispositions, interpret

complex gene-environment interactions, and provide personalised recommendations based on individual genetic profiles. Moreover, their systems are designed to incorporate inputs from published, highly rated scientific evidence.

"By continuously updating our models with the latest research findings, we ensure that our analyses are not only accurate but also grounded in the most current and reliable scientific knowledge," said Mr. Pranav Anam, founder, and CEO of the healthcare startup.

What are the potential pitfalls?

When it comes to predicting whether a child will get through an elite school or how likely she is landing a high-paying job, these testing tools can hardly offer a straightforward answer. "These aren't as simple as a 'yes' or 'no' question. It is a well-known fact that genetics is only 30% of the contributing factor," Mr. Anam said.

There are other caveats. For instance, a diagnosis could change in the future or may not present the full picture, often falling under the grey zone of significance. "These are known as 'variations of unknown significance.' Sometimes, other members of the family could be required to be tested to draw conclusive results," said Ms. Gayatri Iyer, a scientist at the Tata Institute for Genetics and Society.

For example, research has linked about 80 genes to Alzheimer's. While genetic testing can identify the risky genes, that doesn't mean the patient is bound to get it. The tests simply assess the genetic risk by identifying certain genetic variations that are associated with Alzheimer's. Consequently, a patient can also develop Alzheimer's without having any of the

associated genes. "There are a bunch of questions we need to deal with. What if the tests found something that the patient wasn't looking for at all? How do you handle predictions of mental health diseases," Ms. Iyer noted.

"When dealing with sensitive cases, such as determining genetic predispositions for conditions like depression or heart disease, we adhere to strict ethical guidelines," Mr. Anam said. "Our goal is to provide insights that can guide proactive health measures, not to make definitive diagnoses."

Apart from genes, factors like environment, diet and schooling play equally important roles in a child's development.

Why should users remain cautious?

Nucleus, a genetic testing startup founded in 2020 by 23-year-old college dropout Kian Sadeghi has promised to analyse cancer, depression, longevity, or how extroverted a person might be, among many other diseases and traits, better than any other firm of its kind. The startup received \$14 million in funding from some of the most eminent names in Silicon Valley such as VC firms led by PayPal co-founder Peter Thiel and Reddit co-founder Alexis Ohanian.

In a promotional video posted on X, Sadeghi said its only "an inevitability that every single person has their entire human genome on their iPhone." If that sounds like a data security risk waiting to happen, that's because there's a similar case that is fresh in public memory.

The once popular consumer genetic testing company, 23andMe was at the receiving end of a data security breach in October 2023, after hackers gained access to personal data including family trees,

birth names and geographic locations, of 6.9 million users and sold it on the dark web. The company was directed to pay a \$30 million fine in September and provide three years of security monitoring to settle the lawsuit. It's been a dramatic fall for a company that was considered as pioneering, and valued at around \$6 billion in 2021.

In the following months, most of the company's board resigned en masse leaving co-founder Anne Wojcicki as the sole member who has been contemplating delisting the company from Nasdaq. In November, it fired 40% of its workforce.

As the company implodes, the looming question around, "What happens to the DNA data of its 15 million customers?" becomes a pushing worry. Customers have scrambled to delete or withdraw their genetic data before the firm goes bust or ownership changes hands, but there are a couple of caveats. If users opted in to have their genetic data analysed, the information can't be withdrawn (A company spokesperson said about 80% had opted in).

Additionally, companies like 23andMe don't fall under Health Insurance Portability and Accountability Act (HIPAA) which has federal laws protecting consumer data. Although Ms. Wojcicki has promised users that the firm will stand guard over their data, there's little that inspires confidence right now.

But since the AI cat is out of the bag, the fledgling sector of AI-infused genomics has been drawing more interest. "Investors recognise the long-term value and impact of these technologies, particularly as the demand for personalised healthcare solutions rises," Mr. Anam said.

The legal systems under which citizenship is acquired

What are the two different principles which govern citizenship laws in various countries? What was the system in the U.S.? How are India's citizenship laws different?

Rangarajan. R

The story so far:

U.S. President Donald Trump issued an executive order stating that U.S. citizenship will be granted in the future only to children with parents holding U.S. citizenship or a U.S. green card.

What are the legal principles?

Citizenship is defined as full and equal membership of a country. In the words of Hannah Arendt, citizenship is the 'right to have rights'. There are two important legal systems based on which citizenship is acquired in various countries. One of them is 'jus soli' which means 'right of soil.' Under this principle, a child's citizenship is determined by his or her place of birth irrespective of the citizenship of their parents. Many North American and Latin American countries

like Canada, Mexico, Brazil, Argentina etc., follow this principle while granting citizenship for children born within their country. The other is 'jus sanguinis' which means 'right of blood.' Under this principle, a child's citizenship is determined by the citizenship of parents. Many African, European and Asian countries like Egypt, South Africa, Germany, India etc., follow this principle.

What is the current issue in the U.S.?

The U.S. has practised the grant of citizenship based on the 'jus soli' principle. The 14th amendment to the U.S. Constitution, adopted in 1868, states that 'all persons born or naturalised in the United States, and subject to the jurisdiction thereof, are citizens of the United States.' The U.S. Supreme Court in 1898 reaffirmed that the 14th amendment extended to all children born in the U.S., irrespective of the parents' citizenship.

The current executive order issued by President Trump titled 'Protecting the meaning and value of American citizenship' decrees that American citizenship would be granted only to children with parents holding U.S. Citizenship or a U.S. Green card. This order is to be implemented from February 19. However, a federal court in the State of Washington has temporarily stayed the order stating that it is 'blatantly unconstitutional.'

What about citizenship in India?

Citizenship in India is governed by the Citizenship Act, 1955. Till June 1987, India followed the 'jus soli' principle granting automatic citizenship to anyone born in India. Subsequently, the law was amended to introduce the 'jus sanguinis' principle. Between July 1987 and December 2004, it was required that either of the parents of a child born in

India was a citizen of India for granting citizenship. Since December 2004, the requirement was further restricted wherein both the parents had to be citizens or one parent is a citizen and the other not an illegal immigrant. This was primarily to restrict citizenship to children born to illegal immigrants from Bangladesh. The Citizenship Amendment Act, 2019 (CAA) provides accelerated citizenship to Hindus, Christians, Sikhs, Jains, Buddhists, and Parsis from neighbouring countries of Pakistan, Afghanistan and Bangladesh who have entered India before December 31, 2014. India has differentiated on the basis of religion, by excluding Muslims, for grant of accelerated citizenship for the first time through CAA, 2019. Critics argue that this is against the basic structure of secularism under the Indian Constitution. The argument made by the government is that it is only to grant accelerated citizenship to religious minorities of these three neighbouring countries who have migrated to India owing to religious persecution in these countries and hence not discriminatory. The Supreme Court will decide on the constitutional validity of this law. Meanwhile, the government should ensure that implementation of this law does not create undue hardships for Muslim citizens.

Rangarajan. R is a former IAS officer and author of 'Polity Simplified'. Views expressed are personal.

THE GIST

▼ In the words of Hannah Arendt, citizenship is the 'right to have rights'.

▼ The U.S. has practised the grant of citizenship based on the 'jus soli' principle. The 14th amendment to the U.S. Constitution, adopted in 1868, states that 'all persons born or naturalised in the United States, and subject to the jurisdiction thereof, are citizens of the United States.'

▼ Between July 1987 and December 2004, it was required that either of the parents of a child born in India was a citizen of India for granting citizenship. Since December 2004, the requirement was further restricted.



How much in subsidies do fossil fuels receive?

Estimates range from less than \$1 trillion to \$7 trillion depending on the ways in which subsidies are defined

DATA POINT

Hannah Ritchie

If we want to tackle climate change, we need to move away from fossil fuels to low-carbon energy sources. This transition is a lot easier if these sources are cheaper than fossil fuels. However, fossil fuels are often subsidised, reducing the short-term economic incentives to switch.

Because subsidies can be defined in different ways – production, consumption, explicit, implicit – people can quote different numbers to this question, ranging from hundreds of billions of U.S. dollars to as much as \$7 trillion.

Let's start with explicit subsidies: government payments to make fossil fuels cheaper. These payments can either go towards fossil fuel producers so that the extraction and refining cost is lower (called 'production subsidies') or to consumers so they can buy fossil fuels cheaper than the market price (called 'consumption subsidies'). Global explicit subsidies for fossil fuels amounted to around \$1.5 trillion in 2022. That is equivalent to the entire GDP of countries like Russia or Australia.

Around 80% of these explicit subsidies went to consumers and the rest into fossil fuel production. Global subsidies ramped up in 2022 because the price of energy spiked due to Russia's invasion of Ukraine. Consumption subsidies roughly doubled from 2021 to 2022 and fell back to their previous level in 2023 (Chart 1).

In 2022, the price of gas increased by as much as 400%. Many countries implemented mechanisms to support consumers, such as putting a price cap on gas and electricity. Now, this money was going towards subsidising fossil fuels. But it's perhaps not quite as 'explicit' a subsidy as the name might infer; the focus of governments was to make energy affordable for households and businesses,

not specifically fossil fuels. Taking these subsidies away without cheap and available alternative energy sources would push some households into fuel poverty.

So far, we have focused on subsidies at a global level, but there are huge differences between countries. In Map 2, you can see the level of fossil fuel subsidies given per person. This includes production and consumption subsidies, and it is shown for 2021, before the energy crisis.

Unsurprisingly, the countries that gave the largest subsidies are large fossil fuel producers. Major oil producers, such as Saudi Arabia, Turkmenistan, Libya, and Algeria, spent more than \$500 per person (sometimes over \$1,000) to support fossil fuel production. These subsidies can represent more than 10% of GDP. Countries across Europe, North and South America, and East Asia typically gave less than \$100 per person, and in Africa and South Asia, it's even less than \$20 – and sometimes close to zero. For India, the amount was around \$3 in 2021, down from \$9 in 2015.

You might have heard \$7 trillion quoted as the amount of subsidies going towards fossil fuels. That's more than four times the \$1.5 trillion I mentioned at the beginning. That's because it includes implicit subsidies – the societal costs of burning fossil fuels. When we burn fossil fuels, we cause local air pollution and drive climate change.

Chart 3 breaks down the \$7 trillion figure into its components. Explicit subsidies (18%) include consumption subsidies (14%), production subsidies (4%), and foregone VAT (5%). Implicit subsidies (77%) arise from externalities, such as air pollution (30%), climate change (30%), and road use impacts (17%). A section in the graphic outlines different approaches to reducing subsidies, such as cutting producer/consumer support, implementing pollution or carbon taxes, and using road taxes or congestion pricing.

The low-down on fossil fuel subsidies

The charts are sourced from Hannah Ritchie's "How much in subsidies do fossil fuels receive?", published in Our World In Data. She is the deputy editor and science outreach lead at Our World In Data



Chart 1: Global explicit consumption subsidies for fossil fuels between 2010 to 2023. tn: Trillion, bn: Billion

Chart 2: Fossil-fuel subsidies per capita, 2021

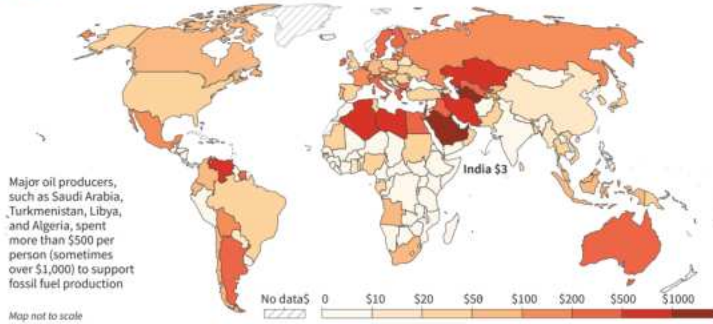
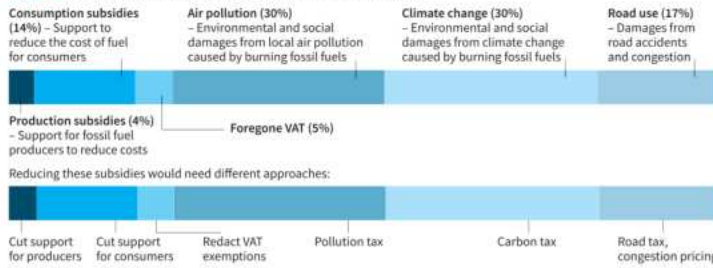


Chart 3: The chart breaks down the \$7 trillion figure into its components



Budget 2025 overlooks joblessness

The previous Budget, presented in July 2024 after the Lok Sabha election, had accorded priority to employment and skill development, given the nature of the election mandate. The Finance Minister had announced a Prime Minister's Package of five schemes and initiatives to facilitate job and internship opportunities for 4.1 crore youth over a five-year period with a central outlay of ₹2 lakh crore. However, the Budget speech delivered in Parliament on February 1, 2025, did not refer to the Prime Minister's Package even once. The document on implementation of Budget 2024-25 announcements states that a "draft Cabinet note on Employment Linked Incentive scheme is under finalisation" and "several meetings have been held with the Ministry of Labour and CII to discuss the relationship between capital expenditure and employment generation". In other words, the future of the scheme looks bleak.

Deflationary budget

The September 2024 report of the Periodic Labour Force Survey (PLFS) revealed that in 2023-24, the youth unemployment rate (for those aged 15-29 years) had increased to 10.2% and the unemployment rate among graduates was 13%. Time series data from the PLFS show that the share of the workforce engaged in regular or salaried employment in the post-pandemic period has shrunk, while the share engaged in agriculture and informal self-employment has risen.

The latest Economic Survey also shows that average real earnings of self-employed male workers in India fell from ₹9,454 in 2017-18 to ₹8,591 in 2023-24. The monthly real wages of regular/salaried male workers also fell from an average of ₹12,665 in 2017-18 to ₹11,858 in 2023-24. Surplus labour inundating the job market, combined with high food inflation, have severely squeezed the real incomes and livelihoods of



Prasenjit Bose

Economist and activist

Tax breaks for income tax payers along with cuts in capital and welfare expenditure are unlikely to raise the living standards of the vast majority of working people

an overwhelming majority of India's workforce. For a Finance Minister to overlook this is disingenuous.

The advanced estimates of GDP have already projected a decline of the real GDP growth rate to 6.4% in 2024-25 from 8.2% last year. In keeping with this, there is a slowdown in the Centre's net tax revenues in 2024-25. With the Finance Minister keen on adhering to the fiscal consolidation path, the axe has fallen on government expenditure. Total expenditure is now likely to be over ₹1 lakh crore short of Budget Estimates (BE), with capital expenditure falling short of the target by over ₹92,000 crore.

Public expenditure on rural and urban development, agriculture, education, food subsidy, energy, transport, and health are all being axed. Among centrally sponsored schemes, the Revised Estimates (RE) for the Jal Jeevan Mission and Pradhan Mantri Awas Yojana (both rural and urban) show declines of ₹47,469 crore and ₹38,575 crore, respectively, from their BE. The expenditure on MGNREGA was cut in the BE itself by ₹3,654 crore from the previous year. Such deep cuts in budgeted capital and welfare expenditures would have a dampening effect on investment and consumption, especially in rural areas.

The Finance Minister has sought to counterbalance the deflationary impact of these expenditure cuts by enhancing the annual rebate for income tax payers from ₹7 lakh to ₹12 lakh from 2025-26. Data from the Income Tax Department show that only around 2.8 crore individuals had paid positive taxes in the assessment year 2023-24, out of the 7.54 crore filing income tax returns. The income tax relief for next year would therefore go to 2.8 crore individuals, who form only around 22% of India's salaried workforce. For the rest who are faced with dwindling real incomes, there is nothing on offer.

The Finance Minister has estimated the revenue foregone on

account of the income tax rebate to be ₹1 lakh crore. Instead, a cut of a similar magnitude in indirect taxes, such as the exorbitant excise duties on fuel or the central GST rates on mass consumption goods, could have provided relief to the entire class of working people. It is well known that the consumption propensity of wage earners is higher than that of the profit earners.

The average daily wage rate actually received by a MGNREGA worker (as per data provided by Ministry of Rural Development dashboard) has increased from ₹200.71 in 2019-20 to ₹252.31 in 2024-25. The national floor level minimum wage for unskilled workers in agriculture, in contrast, has been set at ₹452 in 2024-25. A well deserved, substantial hike in the MGNREGA wages in the Union Budget alongside an increase in rural development outlays would have led to increased consumption demand in the rural areas. The consumption effect of income tax breaks, in contrast, would be far more limited and concentrated in urban areas.

Running out of ideas

The latest Economic Survey cites a private sector research report to show how the after tax profit-to-GDP ratio of Nifty 500 companies surged from 2.1% in 2020-21 to 4.8% in 2023-24. While the deep corporate tax cut of September 2019 played a vital role in this profit surge, it has neither translated into higher levels of private corporate investment, nor employment generation.

Yet, the 2025 Union Budget has relied upon another tax break, this time for income tax payers, to inject demand into the economy, even while cutting capital and welfare expenditures to compress the fiscal deficit. This is unlikely to generate higher levels of economic growth and employment and raise the living standards of the vast majority of the working people. It is evident that the government has run out of ideas on the economic front.

A Budget that is forward-looking and growth-oriented

The Union Budget 2025-26 is in line with the government's sustained efforts over the past few years to bolster economic growth and development. The provisions of the Budget indicate the continuation of the government's strategic approach toward economic expansion, fiscal prudence, and sectoral growth.

The multiplier effects of the IT cuts

One of announcements in the Budget that has been most widely welcomed is the significant cut in personal income-tax, with complete exemption extended to individuals earning up to ₹12 lakh per year. This limit will be ₹12.75 lakh for salaried tax-payers because of the standard deduction of ₹75,000. This is a major relief for the middle class, and is expected to have a multiplier effect on the economy.

Higher disposable income can trigger a virtuous cycle of higher consumption, increased demand, and improved business performance. This, in turn, will result in higher indirect tax collections and further economic expansion. Specifically, greater consumer spending will benefit industries such as retail, real estate, and automobile manufacturing, boosting employment opportunities.

Another key highlight of the Budget is the allocation of ₹11.2 lakh crore for capital expenditure for 2025-26, marking an increase of nearly 10% from the actual expenditure in the current fiscal year. This enhanced spending can drive infrastructure development, boost employment generation, and catalyse economic activity across sectors. And, of course, it strengthens the nation's logistical and industrial backbone, ensuring long-term sustainable growth.

In a major thrust to manufacturing, the Finance Minister, Nirmala Sitharaman, has also announced the establishment of a National Manufacturing Mission. The aim is to promote the 'Make in India' initiative by covering small, medium, and large industries, providing policy support, execution road maps, and governance frameworks in collaboration with central Ministries and States. The mission is expected to



Vijay Sankar

is Vice President, The Federation of Indian Chambers of Commerce and Industry (FICCI)

There is every indication that the approach toward economic expansion, fiscal prudence and sectoral growth will continue

enhance domestic capabilities, reduce import dependency, and encourage foreign investment. While the finer details are yet to be examined, it appears to be a well-conceived initiative. By streamlining regulatory processes, offering incentives, and creating an enabling business environment, this initiative has the potential to position India as a global manufacturing hub.

Focus on labour-intensive sectors

In consonance with the government's commitment to job creation, the Budget is focused on labour-intensive sectors such as tourism, food processing and leather. These industries have historically been major employment generators and contribute substantially to India's export earnings. By providing targeted incentives and streamlining regulations, the Budget aims to enhance productivity, improve competitiveness, and create new job opportunities in these sectors.

On the infrastructure side, we see the Budget focus on the maritime sector through the announcement of a new Maritime Development Fund. This will give a boost to the marine economy, especially in the coastal States of the country, creating growth opportunities for both trade and the blue economy-related segments. The Federation of Indian Chambers of Commerce and Industry (FICCI) has also noted with interest the plan for flight connectivity to 120 new destinations under a modified Ude Desh ka Aam Naagrik (UDAN) scheme as this too will enable new economic opportunities in newly connected regions of the country as emerging growth centres.

The Budget has introduced the Prime Minister Dhan-Dhaanya Krishi Yojana, a targeted initiative designed to enhance agricultural productivity and improve rural livelihoods. The programme will cover 100 districts with low productivity, moderate crop intensity, and below-average credit access, in partnership with State governments.

This initiative aims to promote crop diversification and sustainable agricultural practices, enhance post-harvest storage infrastructure, improve irrigation facilities, and

facilitate access to credit. With an estimated 1.7 crore farmer-beneficiaries, this has the potential to transform the agricultural landscape, increase rural incomes, and drive economic activity in India's hinterlands. Higher rural purchasing power will indirectly benefit the corporate sector, particularly those involved in consumer goods and agricultural supply chains.

Another commendable aspect of the Budget is the government's resolve to reduce the fiscal deficit from 4.8% in 2024-25 to 4.4% in 2025-26. This move is critical as sound public finance management is a *sine qua non* for sustained economic growth. A lower fiscal deficit will help stabilise inflation, increase investor confidence, and create a more robust macroeconomic environment.

A boost to ease of doing business

Rationalisation of the duty structure and simplification of the tariff framework by removing an additional seven tariff rates is a noteworthy announcement. While this may sound simple, it is a major step towards simplification and enhancing ease of doing business for industry. The rationalisation of cess by ensuring that no more than one cess or surcharge would be levied is a crucial step toward ensuring a fairer and more predictable taxation regime, benefiting both industry and consumers. The Budget has also addressed the issue of inverted duty structure for some products, which is a welcome step. This would enhance trade competitiveness and encourage greater participation of domestic firms in global supply chains.

The continued focus on capital expenditure, manufacturing, and labour-intensive sectors, combined with fiscal prudence and income-tax relief, sets the stage for robust growth in the years ahead.

While the finer details of various schemes and policies will need closer examination, the overarching framework of the Budget suggests a proactive, forward-looking, and growth-oriented strategy. As businesses and stakeholders begin to analyse and adapt to the new measures, the true impact of Budget 2025-26 will unfold in the next few months.



Beyond tax cuts, a closer read of the Union Budget

The Union Finance Minister, Nirmala Sitharaman's presentation of the Union Budget on Saturday, February 1, was against the backdrop of pressing macroeconomic challenges – persistently high taxes and unemployment squeezing the middle-income class, subdued private investment, mounting external vulnerabilities that threaten to derail the growth story, and a looming fiscal overhang. While the Finance Minister laid out an ambitious road map for Viksit Bharat, spanning agriculture, manufacturing, micro, small and medium enterprises (MSME), social welfare, and infrastructure, the Budget's policy announcements and fiscal plans need closer scrutiny.

Targets that raise questions

First, the fiscal consolidation target of 4.4% of GDP in FY26 is a key highlight of the Budget. However, achieving this target hinges on ambitious revenue projections, including a 11.2% growth in total tax revenues and a 14.4% increase in income tax revenues compared to FY25 estimates. These assumptions appear overly optimistic given the significant tax cuts announced in the Budget and the prevailing economic headwinds such as softening domestic consumption and weakening external demand. Much will also depend on the success of the second asset monetisation plan (2025-30), announced in the Budget. The underperformance of the previous asset monetisation programme raises valid concerns. Furthermore, the estimated ₹11.54 lakh crore in net market borrowings risks crowding out private capital at a critical juncture when credit demand remains tepid. Achieving the ambitious revenue targets will require improved tax buoyancy, more efficient tax administration, and realistic asset monetisation strategies to ensure that the fiscal consolidation plan remains on track.

Second, the revisions in personal income-tax rates and slabs under the new tax regime, exempting incomes up to ₹12 lakh from tax (after factoring in the rebate benefit), and significantly reducing tax liabilities across various income brackets, offer welcome relief to middle-income taxpayers.

However, while these changes are likely to boost disposable income, they shall come at a cost – of ₹1 lakh crore in foregone direct tax revenue, which, in turn, could constrain the government's ability to fund critical developmental initiatives. The tax-base erosion also comes when household savings have shown



Amarendu Nandy

is an Assistant Professor (Economics Area) at the Indian Institute of Management (IIM) Ranchi

a structural decline over the past decade, dropping to 18.4% of GDP in FY23 (Economic Survey 2024-25). This raises pressing questions about the long-term sustainability of these tax cuts, particularly when public investments in infrastructure and social welfare remain critical to drive inclusive economic growth.

Third, on the manufacturing front, the Budget reiterates India's ambition to emerge as a global manufacturing powerhouse. The Economic Survey 2024-25 flagged India's underperformance in manufacturing, which accounts for a mere 17% of GDP. While production-linked incentives (PLIs) have shown moderate success in sectors such as electronics, their scalability and long-term impact remain uncertain. In that light, the Budget announcements on enhanced credit facilities for MSMEs and the launch of a National Manufacturing Mission aimed at improving ease of doing business, to foster a future-ready workforce, and promote clean-tech manufacturing, are important steps. The revision of MSME classification criteria – increasing investment limits by 2.5x and doubling turnover thresholds – may improve scale economies. However, the measures fall short of addressing core competitiveness issues such as regulatory inefficiencies, infrastructure gaps, and low innovation capacity. The absence of concrete measures to boost industrial research and development – currently at a dismal 0.64% of GDP – undermines India's ability to compete with innovation-driven economies such as China and Germany. While the Budget's focus on manufacturing is a step in the right direction, achieving global competitiveness will require deeper structural reforms and sustained investment in innovation and infrastructure.

The gaps remain in agriculture

Fourth, agriculture, a key pillar of the economy, received significant attention through initiatives such as the Prime Minister Dhan-Dhaanya Krishi Yojana and the National Mission on High-Yielding Seeds. These measures are with the aim of enhancing productivity and climate resilience, which are critical for food security. The increase in the Kisan Credit Card (KCC) loan limit from ₹3 lakh to ₹5 lakh, along with targeted interventions in 100 low-productivity districts, signals a strategic pivot from blanket subsidies to precision support, empowering farmers with greater financial flexibility. However, the measures fall short of addressing systemic inefficiencies in agricultural markets. The Budget lays an emphasis on credit enhancements, yet the focus

on short-term loans perpetuates the dependency of farmers on debt without addressing the issues of price volatility or market access. Moreover, the absence of concrete measures to promote agricultural exports – particularly as India eyes leadership in millets and natural farming – represents a missed opportunity.

Fifth, while the Budget introduces some promising measures for the external sector, significant gaps remain unaddressed. Services exports, particularly in IT and business process outsourcing, continue to grow at a robust 10.5% CAGR, but budgetary efforts to diversify the export portfolio remain insufficient. Trade facilitation initiatives such as Bharat Trade Net (BTN) and export credit support for MSMEs, which were announced in the Budget, are positive steps but lack the scale required to tackle India's persistent trade deficits. Moreover, the challenges posed by the depreciation of the rupee and declining forex reserves require a more ambitious export strategy. The fiscal push to value-added sectors such as pharmaceuticals, electronics, renewable energy, and high-value agricultural products could have strengthened India's position in global supply chains and enhanced export competitiveness.

Not a transformative push

Finally, while the Budget signals intent on climate action and clean energy, its financial commitments reveal a cautious, incremental approach rather than a transformative push. The Budget's focus on supply-chain resilience – through incentives for lithium-ion battery recycling, duty exemptions on critical minerals, and support for domestic solar photovoltaic and battery manufacturing – is a pragmatic move to reduce import dependence. However, without a parallel investment in grid modernisation, energy storage, and industrial decarbonisation, the transition to a low-carbon economy will remain fragmented.

The Budget's fiscal outlays will eventually be judged by how effectively they address the fundamental trade-offs of Indian growth: how to unleash private enterprise while ensuring inclusive development; how to boost consumption without compromising savings, and how to accelerate growth while maintaining macroeconomic stability. Ultimately, the credibility of execution and the government's willingness to course-correct where necessary will matter.

The views expressed are personal

Many of the measures, in manufacturing, agriculture and climate action, lack rounded strategies



WHAT IS IT?

Small modular reactors: pocket N-plants

The Hindu Bureau

In her 2024-2025 and 2025-2026 budget speeches, Finance Minister Nirmala Sitharaman emphasised contributions from nuclear power for India to meet its renewable energy targets. A new mode of nuclear power generation soon expected to enter this mix is small modular reactors (SMRs). SMRs are reactors designed to be smaller, more flexible, and easier to build than traditional nuclear setups. Each SMR will produce less than 300 MW of power.

(Scientists are also exploring an even smaller design, called microreactors, to produce 1-20 MW of nuclear power each.)

The larger a conventional nuclear power facility, the more commercially viable it will be; SMRs aim to buck this trend by being cheaper to build and safeguard. Its proponents say different parts of an SMR can be machined separately, then assembled in a factory and transported to the site rather than having to be built on site.

A reactor with such a design can also be scaled up more easily than a conventional reactor.

SMRs have some downsides, too. For one, they are still experimental and need



A billet of enriched uranium. Many SMR designs require the use of high-assay low-enriched uranium (HALEU), enriched to 5-20%, as nuclear fuel. PUBLIC DOMAIN

considerable capital investments without a guarantee that they will be profitable. For another, the first generation of SMR designs require low-grade uranium as nuclear fuel to operate and thus will need to be refuelled more often, which is not desirable. In this year's budget speech, Ms. Sitharaman announced a new 'Nuclear Energy Mission' with a ₹20,000 crore outlay to study SMRs and operationalise five indigenous units by 2033.



For feedback and suggestions

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

Study finds a way to predict when cracks would develop in paint, clay, milk, blood

Ph.D. student Vaibhav Parmar and professor Ranjini Bandyopadhyay of the Soft Condensed Matter group at RRI Bengaluru examined how the elasticity of clay changed as it dried, slowly changing from a flowing liquid to a soft solid to a brittle sheet, in the process uncovering a link between the elasticity of clay and crack onset time

Unnati Ashar

Cracks in paint coatings could soon become a thing of the past. In a new study, researchers from the Raman Research Institute (RRI) in Bengaluru have found a way to delay the onset of cracks after studying them in great detail. As playful as this sounds, the technique has potential applications in diagnosing diseases and checking whether food has spoiled.

In general, cracks are ubiquitous, even a part of life. They adorn old flower vases, the outer surfaces of buildings that have suffered both hot summers and chill winters, streams of cooling lava, the ground when it has become sapped of moisture, even the scaly heads of reptiles like crocodiles. But how often do we stop and take a closer look?

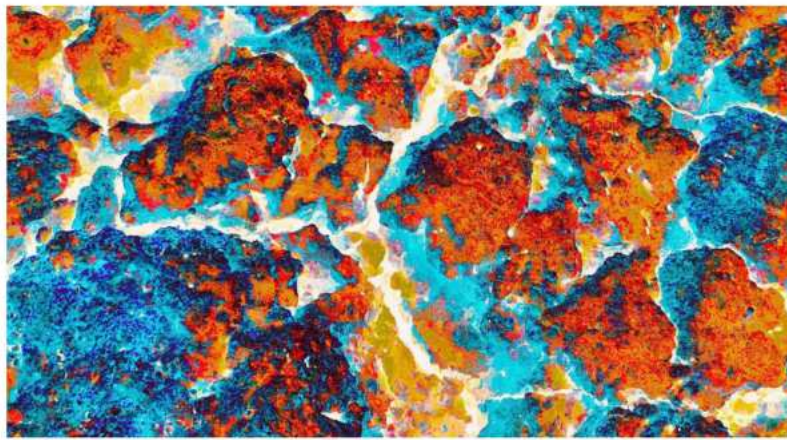
Cracks may appear simple but they're formed as the result of a complex phenomenon. In older studies, scientists have found that new cracks always meet an older one at 90° – except in a very thin layer of drying paint, where they prefer an angle of 120° instead. Perhaps you'd like to pick up a magnifying glass, a protractor, and go take a look.

From clay to chicken nuggets

In the new study, researchers Vaibhav Parmar, a PhD student, and professor Ranjini Bandyopadhyay of the Soft Condensed Matter group at RRI examined how the elasticity of clay changed as it dried, slowly changing from a flowing liquid to a thick yet soft solid to a brittle sheet. A more elastic solid will more readily return to its original shape after it is distorted in some way.

The duo discovered a relationship between the elasticity of clay and how quickly cracks emerged in it. Using this relationship, they concluded that they could predict when cracks would develop based on the initial thickness of the sample and its elasticity. The beauty of an equation is if its left-hand side equals its right-hand side, the reverse is true as well. That is, the researchers found they could delay the onset of cracks by tuning the elasticity. They were able to do the latter by mixing different additives into the clay.

When it was common salt, the cracks emerged faster than when they added a food additive called tetrasodium pyrophosphate (TSP). TSP is found in foodstuffs like chicken nuggets, marshmallows, and meat and egg alternatives, and as a thickening agent in toothpastes. Indeed, the duo hit a eureka moment when TSP was found to significantly delay the birth of cracks in



Representative image of cracking paint. One potential application of the new findings is in the study of how old paintings have been restored over time. EUGENE GOLDBESOV

clay. Their findings were published in a paper in the journal *Physics of Fluids* in November 2024.

Here a crack, there a crack

An immediate application of their findings is a way to make paint coatings resistant to cracks. Manufacturers generally add clay to their paints and coating liquids to give them a thicker consistency. The new study suggests they can improve their products' crack-resistance by adding clay of a certain elasticity to the liquid at the time of their manufacture itself.

In fact, the findings could apply almost anywhere that cracks make an appearance.

"Just like clay, milk and blood are made of tiny particles in a liquid, and they behave in similar ways when they dry," Kirti Chandra Sahu, a professor in the Department of Chemical Engineering at IIT Hyderabad, said. "The same principles about how cracks form could help study drying patterns in these materials. For example, crack patterns could reveal structural changes in protein networks, like in milk or clot formation in blood."

Clay, milk, blood, and paint are all colloids: a mixture in which small insoluble particles of one type are dispersed in a liquid of another type. Sahu, who wasn't involved in the RRI study, asserted that its findings could be applied to all colloids beset by cracks.



This research advances our understanding by linking the internal structure, mechanical properties, and cracking behaviour of ageing colloidal materials

"Adulterants might affect the milk's properties, creating unique drying patterns or crack formations. The study's approach could help identify [the] changes by comparing the drying patterns of pure and adulterated milk," he said. "It's a smart and straightforward method to test milk quality."

"Blood from patients with conditions like anaemia ... displays distinct differences in red blood cell count, shape, and rigidity compared to the blood of healthy individuals," Bandyopadhyay, one of the study's coauthors, said. "Any change in red blood cell characteristics will change the crack patterns left behind on a substrate after a drop of blood has dried completely."

'Significant potential'

She added that a machine-learning model that has been taught to distinguish between various crack patterns in dried blood could also discriminate between the blood of a person before and after

intense exercise "with 95% accuracy."

Yet another potential application of the findings is in the study of how old paintings have been restored over time. Like drying clay, such paintings develop a network of fine cracks over time called the craquelure. By understanding how environmental and mechanical factors affect the craquelure, experts could better conserve valuable works of art.

With so many applications, Sahu said the study seems to deepen our understanding of material properties. "This research advances our understanding by linking the internal structure, mechanical properties, and cracking behaviour of ageing colloidal materials," he said, adding that the findings "have significant potential for ... enhancing our understanding of the behaviour of soft materials."

The duo at RRI also has more work planned. The paint applied on a building undergoes significant changes in temperature and humidity every day. The researchers intend to perform controlled experiments in which they vary these parameters and study how the formation of cracks changes accordingly.

"We [also] want to confirm the validity of the proposed relationship experimentally in other materials, such as in cornstarch, toothpaste and ketchup," Bandyopadhyay said.

(Unnati Ashar is a freelance journalist. unnati_a@gmail.com)

THE GIST

Researchers have found that they can predict when cracks appear based on the initial thickness of a colloid sample and its elasticity. Using this, they were able to delay the onset of cracks by mixing additives in the colloid

Clay, milk, blood, and paint are colloids. Researchers said these findings could be applied to all colloids beset by cracks. Any change in red blood characteristics will change crack patterns on a substrate after a drop of blood has dried

Paint on a building undergoes changes in temperature and humidity daily. Researchers intend to perform experiments in which they vary these parameters and study how the formation of cracks changes accordingly

'India is reviewing its stance on crypto'

Reuters

India is reviewing its stance on cryptocurrencies due to shifting attitudes towards the virtual asset in other countries, a senior government official said on Sunday. The review, which follows crypto-friendly policy announcements by U.S. President Donald Trump, could further delay the publication of a discussion paper on cryptocurrencies that was due for release in September 2024.

"More than one or two jurisdictions have changed their stance towards cryptocurrency in terms of the usage, their acceptance, where do they see the importance of crypto assets. In that stride, we are having a look at the discussion paper once again," India's Economic Affairs Secretary Ajay Seth said.

He said that because such assets "don't believe in borders", India's stance cannot be unilateral.

He did not specifically mention the U.S., where Mr. Trump last week ordered the creation of a cryptocurrency working group tasked with proposing digital asset regulations and exploring the creation of a national cryptocurrency stockpile, making good on his promise to overhaul U.S. crypto policy.



Green cardamom's new relatives include two newly identified species from Kerala

Tiki Rajwi

THIRUVANANTHAPURAM

Mention spices and invariably the first thing that springs to mind is the supremely aromatic, flavour-rich cardamom. But it now appears that the 'Queen of Spices' has several close, wild relatives and it is not the lone species of the genus *Elettaria* as previously thought.

An international team of researchers have identified six species that are close cousins to *Elettaria cardamomum*, better known as green cardamom. Of the six, four were previously placed in a separate genus, *Alpinia*, while the remaining two have been newly identified and described



A view of dried green cardamom in Kerala's Idukki district. JOMON PAMPAVALLEY

from Kerala's Western Ghats regions.

The findings have been published in a paper 'The cardamom conundrum resolved: Recircumscription and placement of *Elettaria* in the only pantropically distributed ginger lineage,' published in the journal *Taxon*. The international

seven-member team from Denmark, India, Colombia, Czech Republic, Singapore, Sri Lanka, and the U.K. included Mamiyil Sabu of the KSCSTE-Malabar Botanical Garden and Institute for Plant Sciences, Kozhikode.

Seven in all

Following the reclassification, the genus *Elettaria* now has seven species, including *Elettaria cardamomum*, *E. ensal*, *E. floribunda*, *E. involucrata* and *E. rufescens* were earlier placed in the genus *Alpinia*. The remaining two are new species, *Elettaria facifera* and *Elettaria tulipifera*, the former described from Kerala's Periyar Tiger Reserve in Idukki district and

the latter from the Agasthyamalai hills in Thiruvananthapuram district and Munnar in Idukki by Dr. Sabu and Jana Leong-Skornickova of the Herbarium, Singapore Botanic Gardens.

These recent developments which highlight potentially overlooked genetic resources could play an important role in spice production in the future, Dr. Sabu said. Seed capsules of *Elettaria cardamomum* provide the commercial green cardamom.

The genus name is based on this spice's old Malayalam name, 'elletari' as used by Hendrik van Rheede in his 17th century botanical treatise *Hortus Malabaricus*.



Tax cut will boost slowing economy: Centre

Advocating 'trust in the people's wisdom,' Finance Secretary says taxpayers will help by spending, saving, or investing; he says the economy in the current state requires all kinds of engines to be fired; 'distributing wealth increases wealth,' says the official; he adds the reduction in tax aimed at addressing the 'angst' among the people

Vikas Dhoot
NEW DELHI

The Centre's decision to slash the income tax payer's burden was aimed at addressing some "angst" that it had noticed in recent months as well as to give a fillip to the economy's weakening growth impulses with a broad-based boost to demand, savings, and investments, Finance Secretary Tuhin Kanta Pandey said here on Sunday.

"Normally, we say an investment multiplier is more than the consumption multiplier... But the state of economy that we have today, it requires all kinds of engines to be fired. Therefore, agnostic of that, I think we should really be trusting the peo-

ple's wisdom, whatever they want to do. It will come back and the economy will get a boost," he said, adding that "distributing wealth increases wealth". The Centre will forgo ₹1 lakh crore by making annual incomes up to ₹12 lakh tax-free and rejigging tax slabs and rates.

'Unfathomable spur'

Mr. Pandey told *The Hindu* that in aggregate terms, this would spur the economy in a manner which "probably can't even be fathomed".

"The fact is that there was also angst, which I think the government noticed. The second is also the economic reason [slowdown]. This is a good and a new deal," he said.

"If the money comes to



TUHIN KANTA PANDEY
Finance Secretary

the government, it will be put in a certain way. If the money goes back to people, the money is distributed in a more equitable way and I will explain why. If I give the money to you, you have three choices. You can consume, as per your choice - be it on travel, dining, services, or consumer durables - which will be much more broad-based and not just be in

steel and cement," he pointed out.

If people choose to save instead of consuming, that would also help, as India's savings rate needs to go up and bank deposits need to grow to support credit flows to critical segments such as micro, small and medium enterprises (MSMEs), the Finance Secretary said.

"Third, you may choose

PM backed tax cuts, says Nirmala

NEW DELHI
Finance Minister Nirmala Sitharaman on Sunday said Prime Minister Narendra Modi backed the idea to cut taxes but it took time to convince the bureaucrats. » PAGE 5

assessment of how much this tax stimulus could lift growth, the Secretary said: "What kind of multiplier will operate will depend upon the mix... It could be consumption plus investment in some cases. In either case, in the current situation that we are here, whatever you would do, it helps." Consumption will spur demand and help private investments, savings will boost bank deposits, and so on, he explained.

"So it is a relief and it is also a policy choice that the government has exercised in order to see that this extra disposable income will come back to the economy and lift the spirits. This would enhance the weakening growth engines of demand and address the slowdown concern too

to invest directly. Have we forgotten about household investments? Millions of houses are being made or rebuilt by people on their own across small towns. They raise the money, order things on their own, get a contractor to build or rebuild their own houses. That is how it used to be and still is in many places," Mr. Pandey said.

Asked if there was an as-

essment of how much this tax stimulus could lift growth, the Secretary said.

"The Budget, he said, is "absolutely non-inflationary", with the fiscal deficit reined in at 4.4% of GDP. He dismissed suggestions that public capex has not been pushed this time, saying they "reflect inadequate understanding".

"Our effective capital expenditure is kept at ₹15.48 lakh crore, not just the ₹11.21 lakh crore to be directly spent by the Centre, as government funding will help States' capex too. On top of that, there is another ₹5 lakh crore from public sector firms, so total capex is about ₹20 lakh crore," he explained.

MORE REPORTS ON
» PAGES 8, 9 & 13

