



THE ECONOMICS SOCIETY  
SHRI RAM COLLEGE OF COMMERCE



# NEXUS

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WHERE CONVERSATIONS CONVERGE.



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# TABLE OF CONTENTS

- 1 Live interview featuring Ms Navika Kumar**  
Challenges and Rewards of  
Investigative Journalism in India
  - 2 Live interview featuring Mr Subhrakant Panda**  
Analysis of the 'Make in India'  
Initiative and PLI Scheme
  - 3 Live interview featuring Mr Aman Singhania**  
Digital Dawn: Navigating the Impact of Technology  
and Social Media on Investing and Stock Markets
  - 4 Live interview featuring Mr Dhruv Sharma**  
India Development Update:  
Exploring India's Economic Resilience
  - 5 Live interview featuring Mr Nitin Pai**  
Media Regulations: Balancing  
Freedom and Responsibility
  - 6 Live interview featuring Mr Arun Chawla**  
Driving Economic Sustainability: Role of  
Arbitration and Other ADR Mechanisms  
in India's Economic Development.
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# EDITORS' NOTE

It is with great pride and heartfelt pleasure that we present to you the second edition of Nexus: The Live Interview Magazine - a labour of thought, passion, and perseverance, brought to life over the course of an extraordinary tenure. Nexus was born out of a simple yet powerful idea: to bridge the distance between inquisitive young minds and the visionaries who have shaped the world in remarkable ways.

For two consecutive years, Nexus has served as a platform where the stories behind success are uncovered through candid, humanising, and insightful conversations. These dialogues have not only enriched our understanding but have also reaffirmed our conviction in the profound impact that genuine, open discourse can have on personal growth and collective enlightenment.

This edition would not have come to fruition without the relentless dedication, creative brilliance, and thoughtful contributions of the executive members of our Editorial Board. We owe a debt of gratitude to the Economics Society, SRCC, for granting us the opportunity to steer a publication as meaningful as this one - a space that brings ideas to life and voices to the fore. Most importantly, we extend our deepest appreciation to our distinguished interviewees. Amid their demanding schedules, they found time to speak with candour and grace, leaving us with valuable insights and stirring reflections. Their generosity has been the cornerstone of Nexus.

At its core, Nexus is our earnest attempt to give form to stories that inspire; stories of those who dared to think differently, lead courageously, and live authentically. We hope that within these pages, you will find not just admiration for those featured but a renewed sense of purpose and possibility in your own journey.

May Nexus serve as a gentle reminder that every great story begins with a conversation and that perhaps, your own is just beginning.

Warmly,  
Ananya Sharma and Mishthi Dua  
Editors-in-Chief  
The Economics Society, SRCC

*with*

# NAVIKA KUMAR

*Political Journalist and News Anchor*

*Fair Journalism  
and Public  
Perception*

*I did it  
myself  
and got  
the story.*



## IN CONVERSATION WITH MS NAVIKA KUMAR

Welcome to the first episode of the second edition of our live interview magazine. In this, we are honoured to host Ms Navika Kumar, a force to be reckoned with in the field of Indian journalism known for her trail-blazing stories and can-do spirit. Currently serving as the group editor of Times Network, she has had a long career spanning over twenty years. In this time, she has carved a distinct space for herself and emerged as one of the most prominent female journalists in the country. An advocate for full transparency and complete truth, she has shown time and again what it means to be a true journalist in the face of injustice. Today, she stands as an epitome of justice, resilience and might.

**Gunn:** Can you take us behind the scenes of a particularly challenging story that you covered? What obstacles did you face, and how did you overcome them?

**Ms Navika:** Interesting, in a body of work that spans 1000 different stories, it's difficult to choose one, but let me relate to you one particular story. Not naming the specifics, but there was one particular finance minister who had approved the purchase of guns from confiscated arms that were illegally brought to India by the customs department. These guns were put up for sale to members of parliament at that time. He approved it for his son, and his son, being the son of an MP, got the approval. I got a verbal tip-off, and needed to get documents and evidence for this. I remember there was a particular building where all the details of these arms, ammunition, and guns were kept. So, I went there as a reporter, concocted a story, saying that my brother had lost the certificate for his revolver, and I needed to get the license made again.

I asked for help to get details because I had to apply for a license. People said they couldn't give it to me, but I befriended a guard there. I had a rough idea of the time period, and I told the guard about my brother being abroad and in deep trouble. He showed me the register, and I found the specific date, people who got it, and the number of guns issued. I remember photocopying the page and bringing it back. My tip-off was correct; we got evidence and put up a story. The headline was "Guns for his Sons." That's how I did the story. It was difficult, and my office suggested I take a male reporter with me as a colleague in case of trouble. Men can help, but I didn't need help. I did it myself and got the story.

**Mishthi:** Ma'am, your quick wit and dedication in bringing such truths to light are truly commendable. Having been fascinated by fictional portrayals of journalists taking risks, your real-life experience is awe-inspiring. Journalists don't often receive enough credit for the meticulous efforts they make to uncover the truth. Reflecting on your two-decade-long career, is there a specific case where you felt you could have delivered more justice? On a positive note, what stands out as the proudest moment in your journalistic journey?

**Ms Navika:** As far as I'm concerned, every story I do, I feel I could have done it better. That perfection, I don't think I've attained so far. I have this feeling every time, when I finish a big story at the end of the day, the adrenaline is running high. When I come home and calm myself down, thinking that the day's events are over, thoughts keep coming. Should I have done it like this? Would it have had a greater impact? Should I have presented it differently? Was I loud? Did I manage to do justice?

So, every story, I feel I could have done better. Even in stories in which I've done well, I feel I'm 90 per cent there, maybe not 100. There's room for improvement, saying better, presenting better, probably getting better reactions, and making it on a larger scale. However, there are a couple of stories that I felt happy about, out of which, one stands out - the Commonwealth scam. In that story, I had some details here in Delhi, but then I thought there were loose ends, and I had to travel to London. The fact that we located the story from a place where the Commonwealth Games process began - locating it out of London, giving a sense of how

it was going to happen and what was happening in London and how in India from thereon - I think that just gave real dimension and a real feel to the story. There have been many stories since then, but that particular one has been very close to my heart because it was one of the first few stories making such a big impact on television when I did it.

**Gunn:** That's really admirable, ma'am. The way you go about your journalism, I couldn't have imagined, since it's very difficult to collect evidence and the way you do it is appreciable. The field you work in requires a lot of dedication.

Can you walk us through how you choose and decide on a story to investigate? What criterions do you consider?

**Ms Navika:** Mostly, it has to have people connect and to have an impact. If I'm doing a story, why should anyone bother to read or know? What is the dimension I want to bring to them? It becomes my first touchstone on which story to do - whether it has people connect, how hard evidence I have, how much further I require to get before it becomes a foolproof story which can never be denied or challenged. These are some of the things you need to consider. Once you're convinced that there's a story there, some wrongdoing has happened, and it can have an impact on people, accountability of the system and governance, then I pick up these stories. Many people will say corruption, how does it matter? It matters.

As educated citizens, taxpayers, if we don't force accountability, our funds will be misused, and our country won't get developed as funds get diverted. So, to me, government accountability is important. These become some factors I base my choice of the story on. If it's a regular political story, which frankly doesn't impact mine and yours, I take it as secondary and not as a priority. A priority story and the real subject of investigation is a story that can have an impact on people, day-to-day life, common people, and the lowest common denominator. That's what influences my judgment.

**Mishthi:** Absolutely, ma'am. Your prioritisation of the public's well-being and your commitment to using your platform for impactful journalism reflect the essence of media as the fourth pillar of democracy. Shifting gears a bit, in contemporary cinema, journalists are often portrayed as intrepid truth-seekers involved in espionage-like investigations. How closely does real-life journalism align with these cinematic depictions? Could you recommend any films or fictional works that provide a more accurate portrayal of the challenges, ethics, and day-to-day reality of journalism?

**Ms Navika:** I always believe that when you have a story to tell, cinema is what, a story you are telling - different viewership for a documentary and different for cinema. So, if you are doing a cinematic kind of story, then that story will have to be stated in a dramatically so it won't hold interest for people.

There is a statement at the bottom which reads, "Disclaimer - events dramatised in to suit the cinematic presentation." I don't hold it against anybody. Not many people these days do spy kind of journalism. There are some hard-nosed journalists who go beyond what is on the surface, behind the walls, behind the file covers. A lot of that happens; it may not be as dramatic as presented in the cinema, but somebody telling you a story needs to be made interesting. I understand; I have nothing against it. However, facts are blown out of proportion, and you know journalists' lives may not be as interesting as displayed in the cinema. We are regular people; we have regular schedules of 12 hours; we also get caught in traffic, we also have routine problems, some women I know, some men, duties with kids, duties with parents - as normal and human as anybody else. So, if you look at a normal journalist's life, it's not cinema-friendly as we speak. I have no problem if someone makes it interesting and adds masala. I don't have fiction; journalism and the life we lead is not a story; it's life, and it's a lot of hard work.

The only thing I'd like to say is if anyone wants to pursue journalism as a career, glamour ain't on your side. It's on the other. If you look at me, wow, she has a great job. For me, I have a regular job which has hard work, grind, a lot of going through the process; it's not so glamorous at all. So, the only thing that drives is if

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is if you are in love with news and if you are passionate. I am, and therefore, after three decades, I'm still going strong. I'm as excited as I was yesterday and as excited as I was in the beginning. So, if you are not somebody like that, if you have a private time, a predictable life, journalism ain't for you. This requires not just 100 but 200 per cent involvement, dedication, and discipline because you don't have a Saturday or Sunday if news is breaking on Saturday. If there's, God forbid, a terror attack on Sunday, you are on the ground, and that's not very glamorous. It's a lot of hard work, process, procedure, and discipline. It's not fictional at all. It's best left to storywriters. I don't see it as a storyline for a book. It's the normal life we live.

**Gunn:** Thank you, ma'am. We are often disillusioned, and you gave real insight about life as a journalist in India

# Challenges and Rewards of Investigative Journalism in India

Anvi Mansharamani

## Introduction

Investigative journalism is a term that is often associated with uncovering the truth where authorities fail or are rather purposefully unsuccessful. It acts like a check to maintain the orderly functioning of a country's framework and to ensure the freedom of speech granted to everyone in this country. A few cases that uncovered the nation's perils stand as a beacon of this freedom, yet, to date, behind the successful 'uncovers' are those unheard voices that were suppressed against the mighty and powerful. In true essence, as remarked by investigative journalists, it should have an impact on people, accountability of the system and governance. Considering this, a crucial question arises for the country that has media as the fourth pillar of democracy: "Is the freedom of the press in person just a strand of that on paper?"

## Evolution of Investigative Journalism in India

### Post-Independence

Investigative Journalism was given little importance in India post-independence, with the press mostly being state-obedient. This mostly emerged from the fact that the nation was in turmoil, and there were more pressing concerns to look ahead. Hence, in the newly independent India, the Journalism sector gradually became monopolised with only a few major players coming up. Apart from a few black sheep who wrote with their mind, the landscape remained the same till the need for efficient journalism was felt by all, at the onset of the emergency. This period, critically remarked as 'one of the darkest periods in Indian History', saw many voices coming up against the regime, emphasising the need for investigative journalism.



### During the Emergency

On June 26, 1975, President Fakhruddin Ali Ahmed made an announcement which is still etched in the history of the nation, the decision that revolutionised the landscape of investigative journalism in the future. This announcement was that of a nationwide emergency for an indefinite period due to certain internal disturbances.

What ensued during this period is still highlighted as one of the major challenges to this branch of journalism, with voices being suppressed and some of the most heinous events against the spirit of free speech. Civic Liberties, including that of free speech, were suspended, and the press completely fell to the regime. Anyone who dared to speak against the authority, irrespective of their stature, ranging from prominent journalists to activists, met with a similar fate: that of imprisonment.

With press houses being raided on a frequent basis, this time led to the emergence of a period of hidden investigative journalism, which was to set a precedent for the future. Kuldip Nayyar, one of the most prominent faces of journalism in that era, was also sent to jail for writing against the government, amongst many others. The suppression caused a domino effect, which gave rise to many with the fall of just one and was pivotal to developing

investigative journalism in India. A few big names that came during this period also included Arun Shourie, also known as the pioneer of investigative journalism in India.

## The Current Scenario: Challenges and Rewards

The slow-paced yet significant growth that Indian investigative journalism has depicted is evident in the form of successful uncovers acting as rewards to the nation where free speech is the essence of life. Several notable crimes that went past the government's eye, or rather were ignored by the authorities, were exposed by these journalists.

A very popular case which stood as a direct challenge to the government and proved that the media is indeed the fourth pillar of democracy was the exposure of A. R. Antulay, the then chief minister of Maharashtra, by Arun Shourie in 1981. This revelation was carefully constructed, piecing together tons of evidence exposing the Chief Minister's collection of funds raised by corruption. This incident made the nation stand on its heels with the matter escalated to a central level, concluding with the resignation of one of the most powerful personalities of Maharashtra back then.



Another piece of investigative journalism which shook the Bombay Stock Exchange back in 1992 was the revelation of the stock market scam popularly known as the Harshad Mehta scam, uncovered by Sucheta Dalal and Debashis Basu. This massive stock manipulation scheme that came out caused a bloodbath in the market, causing many investors to lose their money, hence, it is remem-

-bered as one of the landmark cases in India's financial landscape. The huge uncover ultimately led to the arrest of the 'big bull', Harshad Mehta having been convicted in the case.

The cases that stand in front of us are testimonies that investigative journalism not only makes the public aware of the information bubble that they live in, but also acts as a check to the authorities to control their over-imposition of power. As every benefit has a drawback, so does journalism, especially investigative journalism, where power sometimes overpowers the truth.



In the Indian scenario, even after the exemplary role that investigative journalism has played in the past, the challenges to investigative journalism remain the same, with high-risk levels and red tape. Oftentimes, these are supplemented by false allegations and threats that these journalists have to face alongside political suasion and pressure. As cinematic and heroic as the lives of investigative journalists may look like, as remarked by Ms. Navika Kumar, it's a life of hard work, process, procedure, and discipline. Behind every successful uncover, exists a story of the right getting wronged, whether it be a journalist as strong as Kuldip Nayar or those whose voices are curbed long before their success.

The Radia Tapes Controversy of 2010 is one such case where even a prominent outlet, namely Outlook, was aimed to be suppressed. At a time when the transcripts of telephone conversations between Nira Radia and personalities such as politicians, industrialists and many more were published, aiming to uncover a major scam, Outlook magazine followed through with the story. This bold move brought resistance from the corporate world, with

many of their contracts getting cancelled, highlighting the challenges faced by investigative journalism in India.

Apart from the challenges concerning physical, social and monetary well-being, a few major issues that plague the profession are the lack of transparent information and the non-existent legal protection alongside the defamation laws. A few remedies that the government has suggested include the Right to Information Act 2005 gives the power to citizens to yield information under the control of public authorities in India. Another act that was brought into place to ensure security was the Whistleblowers Protection Act 2014, under which a mechanism was devised to receive complaints against any public servant on any allegation and provide safeguards to those reporting it.

## Conclusion

To conclude, as said by George Santayana, “Those who are unaware of the past are bound to repeat it.” Our past is a witness to incidents where investigative journalism was the need of the hour, and also of those where this branch was unnecessarily exploited. Ultimately, changes have been made to the framework to let the rewards of this form supersede its challenges, but there is still a long journey to cover. If used correctly, it can be an indomitable weapon that continues and can further change the system, especially the political system of our nation, for the better.

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*with*

# SUBHRAKANT PANDA

*Managing Director, Indian Metals &  
Ferro Alloys Ltd and Former President, FICCI*

*Make In India  
Initiative and PLI  
Scheme*

*We are job  
creators,  
not just  
seekers*



## IN CONVERSATION WITH MR SUBHRAKANT PANDA

In this episode of our live interview series, we are privileged to have Mr. Subhrakant Panda, the Managing Director of Indian Metals & Ferro Alloys Ltd. (IMFA) and the immediate past President of FICCI. A distinguished industrialist born in Cuttack, Odisha, he is an alumnus of Boston University's Questrom School of Business and notably served as only the third Indian to lead the International Chromium Development Association. Mr. Panda also held key leadership roles at FICCI, including Chairman of both its Manufacturing Committee and Odisha State Council, and today continues to shape industry discourse through his philanthropic efforts and thought leadership as a columnist in major publications.

**Arin:** Sir, it's an honour to have you today. So, to set the ball rolling, sir, how has the global shift towards resilience and diversification of global supply chains impacted the Make-in-India and PLI scheme?

**Mr Subhrakant Panda:** So, that's a very interesting but broad question that you have asked. You know what, the world had sort of got a jolt during COVID and realised that excessive reliance on any one country or region is not ideal. At some level, that's almost a very basic business understanding, but everybody sort of got lulled into a sense of overconfidence that everything will work smoothly without disruptions and what COVID did was to give a very rude jolt to that idea.

So, I think from that point of view, there is a clear understanding now, both at a corporate level as well as at a national level. When we talk about nations, there is an urgent need to diversify to bring about greater resilience and avoid over-dependence on any one country or region. It is in that context, that India is ideally positioned, not simply because the external world is changing or has come to a certain realisation but because India itself has put in place the basic elements to benefit from this and something which the Honourable Prime Minister mentioned repeatedly during the COVID crisis which is to look at how that could be turned into an opportunity.

I think that it's something which has been done fairly well in terms of a sustained focus on reforms, reforms aimed at enhancing the ease of doing business, reforms aimed at reducing the cost of doing business and a slew of other policies like the production-linked incentive schemes. All of this was meant to not just attract global investment but also to encourage Indian corporates to add capacity, and all of this taken together is what has positioned us as the world's fastest-growing large economy, currently the fifth largest and well on our way to becoming the third largest before the end of the decade.

So, to summarise, I would say broadly that steps taken by India to convert the crisis arising out of the COVID pandemic into an opportunity coincided with the realisation around the world that supply chains can't be overtly reliant or overtly focused on any one territory. That is, resilience can come about only through diversification. So, both of these elements have come together to present a unique opportunity to India.

**Gunn:** That's a really interesting take, sir. So, in your opinion, what other complementary measures are needed alongside PLI to create a truly enabling ecosystem for manufacturing in India?

**Mr Subhrakant Panda:** So, first, let us look at what PLI is meant to achieve. Unlike in the past, where subsidies were misdirected, the basic concept behind the PLI scheme is to identify those sectors which are critical or where India is unnecessarily import-dependent and look at creating global manufacturing champions. This is to be done in a manner which provides initial capital support to give that boost to create global manufacturing champions. In that regard, the initial 14 sectors with a significant outlay of close to two lakh

rupees included areas like personal electronics and mobile devices, etc., where India was unnecessarily import dependent and with the bill almost at large, or perhaps even larger than our fuel import bill. The efficacy of this has been proven in the fact that in a short period of 18 to 24 months, the production of mobiles and personal electronics has increased rapidly, and India is now a major exporter.

So, similarly, the scope of PLI has now been expanded to include sectors like semiconductors, etc., which is the need of the future because semiconductors are used in everything from critical defence technology to cars to washing machines. That's how the PLI scheme has been conceptualised to attract investment in target sectors. But when you talk about complementary steps which are needed, as I mentioned a little while ago, there has been a focus on enhancing the ease of doing business. First of all, I should say rather the biggest reform which has come into place is the implementation of GST, which has removed internal barriers to trade and led to a very large, unified domestic market. But apart from that, measures to enhance the ease of doing business, such as decriminalising minor offences and doing away with the old and obsolete rules and regulations, have been helpful. Equally, I think the focus is on reducing the cost of doing business, such as through the national logistics policy, because the logistics costs in India at the moment are quite high, at about 13% to 14%. The idea is to bring it down to that of our peer economy, somewhere in the 8% to 9% range. Not to mention other measures, like, for example, the PM Gati Shakti, which is a unified approach to planning infrastructure development. What used to happen earlier was that you would have a port come up, but the road would not be ready. Then the road would be ready, and then you would subsequently dig it up to lay power lines or telecom lines or something of that sort. So, through PM Gati Shakti, what is happening is that there are multiple layers of data points which are analysed, and you have a coordinated approach to infrastructure development that the asset is ready to go from day one.

So, these sorts of approaches have enhanced the efficiency of capital investment, which is taking place by the government. As I said, I think generally, the focus is on creating an ecosystem which is welcoming of investment, which is welcoming of wealth creation, which recognises the importance of the manufacturing sector, because that's something very important.

Another point that I want to touch upon is that, if you look at the agriculture sector in India, it is about 17% to 18% of GDP and close to 50% of jobs, and that's simply not tenable. So, to absorb people moving out of the agriculture sector, there are two ways. One is, of course, the services sector, where India has done very well and will continue to do well but the manufacturing sector needs to do its part. For well over two decades, or even more, the manufacturing sector in India has been between 15% to 18% of GDP and that's where this government has made a concerted effort on various measures which are required to take the manufacturing sector to about 25% of GDP, to begin with, so that it contributes to a self-reliant India and is also a job creator.

**Arin:** Thank you for that answer, sir. So, the next question is, how has the Make in India scheme contributed to the development of domestic manufacturing, capabilities and supply chain resilience?

**Mr Subhrakant Panda:** So, I think that what is unique about India is that we have a large unified domestic market, which is a very large consuming market because as millions move out of poverty, and the middle class expands, these are all adding to the consumption story in India. And equally, we have all the building blocks in place to be a part of global supply chains, so that you are not just making in India, making for India, but you're also making in India for the world.

Again, if you look at India's growth trajectory, it's a trajectory which has accelerated over the years. One way of looking at it is that getting to a trillion dollars took us 50-55 years but then the second and the third trillion in terms of GDP have been quite rapid. Adding to that, the forecasts are that going ahead, India will add a trillion dollars to its economy every 18 to 24 months and that is what will take us to be the third-largest economy in the next few years. Here, we're looking at various forecasts that are targeting anywhere between \$35 and \$40 trillion by the time India achieves 100 years of independence in 2047 and that's what

the Hon'ble Prime Minister has been talking about in terms of Viksit Bharat, that we become a developed nation in this period.

So, from a Make-in-India perspective, I think when you look at enabling policies, as I said, this is meant to create capacities in both traditional as well as new age sectors, which will cater not only to domestic demand, which in itself is rising rapidly, but also to the world. So, I don't see a distinction between policies aimed at domestic consumption or export-led growth, because both elements have to play a role in the Indian growth story. There are other aspects to look at as well, which is that there used to be an era when there was a noticeable quality difference between what was produced for the domestic market and what was exported but today, the Indian consumer is extremely discerning. So, you are certainly not going to accept a product which is not up to global standards. That is where I say that both elements, which are domestic consumption and export-led growth, are complementary to each other, and policies don't differentiate because you are creating the capacity to cater to both.

Today, we are clearly in an era where the Indian consumer will not accept anything short of global quality. and I think that's a fantastic development because that era of differential quality is truly in the past and ought to be in the past.

**Gunn:** That was a very innovative answer, sir. So the next question would be, from your perspective, what challenges and opportunities lie ahead for the manufacturing industry in the next decade?

**Mr Subhrakant Panda:** I think when we talk about challenges, there are a few things that we ought to keep in mind. First of all, we are living in a time of rapid change. So, industries need to be flexible and very quickly adapt to and adopt new technologies because in an era of artificial intelligence and machine learning, you cannot take it easy. You have to be flexible and adapt quickly, and adopt new technology. So that is one. Secondly, if I were to look at it, one other element which is very important in contributing to India's growth story, especially for the manufacturing sector, and services sector as well, is the demographic dividend because we are not just the world's most populous nation, but the youngest as well, with the average age being less than 30. The working age population is higher than the non-working age population and will remain that way for the next three decades or so, which is quite different to many, if not most, of the advanced economies, which are ageing, and the dependency ratio is increasing. But for us to benefit from this demographic dividend, the right skill sets need to be made available to the young population, which is coming into the workforce. That is where the government has rightly focused on the New Education Policy, which is more flexible than before and takes into account the newer technological developments. But, there is also an element of skilling beyond just the educational curriculum. And, this is an era where people in your age profile are much more aware of it than those older than you, which is that skilling is not a one-time thing. You have to learn, unlearn, and relearn throughout your career.

Those are the areas that we need to focus on to ensure that we take advantage of the demographic dividend, and second, that the right workforce profile is there to cater to the requirements of the manufacturing sector and the services sector.

It is not just growth that we are after, but growth which is sustainable, inclusive, and resilient and if I were to talk about the sustainable aspect of it. The decarbonisation challenge which is before us is something that the industry needs to carefully focus on, and the government is very well focused on this. There is commitment at the highest levels to seeing that there is green growth, there is sustainable growth. But yes, decarbonisation, especially for the hard-to-abate sectors, is one challenge. And that's where approaches like the National Hydrogen Mission, etc., focus on green ammonia. Some of those technologies are proven, but at a cost which is not workable at this point. So, whether there's a viability gap funding or more research and development and innovation is required to bring down the cost and make it commercially viable. That is one aspect and related to some of the advanced economies, the EU, for example, when they talk about CBAM or the Carbon Border Adjustment Mechanism, it's an unfortunate approach because it's meant to, instead

of supporting the developing world in terms of helping them transition to greener technology, it is looking at penalising developing countries. The motive is suspect at one level because it's something which flows directly into the budget of the European Union.

Broadly, I think energy transition and decarbonisation requirements are the things that we need to keep in mind and all of that will be possible through greater R&D, which is what the government is trying to encourage. But the industry also needs to recognise that R&D is important for us to be global leaders. Research, Development and innovation are important for us to be global leaders and accordingly, that is something that the corporates need to prioritise.

**Arin:** That was indeed a great answer, sir. So, moving forward, the next question up is that contemporary debates often pit Make in India against globalisation, with organisations like the World Trade Organisation coming into the picture. So, sir, how do you think that we can strike a healthy balance between the two, ensuring that India benefits from both?

**Mr Subhrakant Panda:** So, what is clear is that Make in India is not something which is an inward-looking vision. So, when the Prime Minister talks about Atmanirbhar Bharat, he has made it clear repeatedly that it is not insular. It is an acknowledgement of the fact that a country as large and as richly endowed in resources, both human resources as well as natural resources, is poised to be self-reliant in as many areas as possible. But no country can be completely self-reliant, close off its borders and not engage with the world. So, Atmanirbhar Bharat is not an inward-looking vision, but indeed that India needs to be part of global supply chains. Going back to what I mentioned earlier, we have the advantage of a large domestic market, which is a consuming market, as well as the capability to be the base for creating capacities which can serve the world. That apart, I think when we also look at it from the point of view of free trade agreements, that is where India has been very focused.

The world is looking to engage with India, and India is also looking to engage with the world because if you want to be part of global supply chains, then having market access through free trade agreements is very relevant. Moreover, free trade agreements today are not just about market access; they are also about access to technology and access to capital. Therefore, India has signed several FTAs and is in the process of negotiating many others. That is another element of Make in India for India and Make in India for the world. Speaking on behalf of the Indian industry, today we are confident, capable, competitive and no longer looking for protection, which is why the Indian industry, too, is supportive of FTAs. All that it looks for are FTAs, which are rules-based, equitable, and allow for equal opportunity so that Indian industry would benefit from the same.

**Gunn:** Sir, touching again upon the Make in India scheme, what are the key sectors within manufacturing that have developed the most in terms of growth and investment from the Make in India scheme?

**Mr Subhrakant Panda:** If you look at it, there are certain sectors which have done extremely well, aided by PLI, electronics and mobile devices in particular, where that has been a huge employment generator. I believe it has crossed something like \$10-12 billion in terms of export value. So, that is a stunning success. But there are many other sectors which are doing well, which are growing. FICCI does a manufacturing survey every quarter, and if I were to look at the last six odd quarters, what has happened is that the average capacity utilisation has inched up. And it has been more broad-based in the sense that going back a year and a half or two years ago, there were certain sectors which were lagging. But now, most sectors which are covered in the survey are at 70% or beyond capacity utilisation. Broadly, as surplus capacity gets utilised and you get up to that 75-80% mark, new investment starts happening. So, until now, as you are aware, the Indian growth story, particularly over the last 2-3 years, during the COVID period and its immediate aftermath, has been supported and bolstered by public investment. Where there was a record outlay last year at ₹10 lakh crore or 3.3% of GDP, furthermore, there was a hike by 11.11% to ₹11.11 trillion in the current budget. But the private sector needs to step up, and that is happening. It's understandable why private investment has

been lagging a little bit; there was surplus capacity that needed to be utilised, and second, there are so many uncertainties relating to COVID that's behind us right now, but other geopolitical issues which give rise to some concern but what is heartening to see is that private-sector investment is now kicking in. If you look at the RBI data released for the period April to December 2023, loan sanction to the corporate sector has increased by about 23%, which is a clear sign that investment is happening. What is good is that as far as Indian corporates are concerned, there once used to be a twin balance sheet problem and an NPA problem in banks and leverage balance sheets. Today, you have the exact opposite of that: banks are well-capitalised, NPAs are very much under control & reducing further, and corporates, especially those in cyclical sectors, have deleveraged significantly and are in a position to expand. So, all of this augurs well.

**Arin:** So, having talked a lot about the economic benefits, what are your views on how can Make in India in India and PLI schemes contribute to social development and job creation, and what favourable challenges can these two initiatives yield for the future of Indian youth since India is the most populated country, while also the youngest country?

**Mr Subhrakant Panda:** So, look as I said and you just reiterated as well, India is not just the most populated but the youngest nation as well. What that means is that we need to create opportunities for the youth that are coming into the workforce, and that is a combination of a flexible education policy, skill development initiatives which have been prioritised by the government and enabling policies which attract investment to create jobs. And that's where I think the services sector has done very well, including outbound services. That brings me back to the point I originally made, that the manufacturing sector needs to pick up from the current 17-18 % to 25 % and beyond to create opportunities. In the new India, what the youth are looking at is not just to be job seekers, but to be job creators themselves. In that context, the success of the startup ecosystem is very praiseworthy. We have well over 100 unicorns at the moment, and Startups are disruptive in a good way because they create opportunities, especially in the financial sector. Multiple startups have worked to aid financial inclusion. So, there's a lot of positivity around startups, which has unleashed the entrepreneurial spirits of young India. Apart from that, it is something that adds tremendous value in terms of all the disruptive innovative ideas that are brought into play.

**Gunn:** That is an insightful answer, sir. So, given the recent global disruptions like the COVID pandemic and the Israel-Palestine conflict, what lessons can be learned to improve supply chain agility and minimise vulnerability?

**Mr Subhrakant Panda:** So, that's something we started talking about. Before the COVID pandemic, the world and corporates globally were lulled into thinking that everything is hunky dory. What COVID brought home with a big bang is the importance of a diversified supply chain, which adds to resilience. There are certain geopolitical conflicts which have driven home the fact that excessive reliance on any one geography is not the smartest way to run a business. From that point of view, I think there is a realisation about the importance of diversification. I mean, that used to be one of the basic tenets of business, but somehow, as I said, the world got lulled into thinking that it's perfectly okay to have concentrated supply chains. Now the focus is on diversified supply chains for greater resilience. So, that being said, nothing happens automatically. India must continue to focus on doing what it takes to present a value proposition which is so compelling that we become the investment destination of choice.

**Arin:** Sir, that is a great answer. So, the last question of the day is, as a student, I see Make in India as a great scheme on paper, but how effective has the Make in India initiative been in achieving its stated goals, and what indicators should be considered when evaluating its success?

**Mr Subhrakant Panda:** So, I don't think Make in India is a success only on paper. If you look at the flow of foreign direct investment into India and some of the other metrics which measure the success of PLI schemes, they show how effective we have been in implementing policies relating to ease of doing business. As far as the National Logistics Policy is concerned, you will see its outcome in a few years. I mean, you are

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already seeing the logistics costs starting to decline. But you will be at par with peer economies in the next few years. More than anything else, if you look at various economic indicators, and not just GDP growth, you will observe that the Indian economy is chugging along at top speed. And not just the Central Bank, but various other agencies around the world are now increasing the growth forecast. But one other indicator of the fact that India's economy is well placed is GST collections, because when GST was implemented, there were some concerns then as to what the impact would be. Now, starting with monthly collections of around ₹1.1 lakh crores every month, as I said, that subsequently increased to about ₹1.4 lakh crores a month as the base collection, and you would have certain months, which would be higher than that. But consistently, today, you are seeing that the base is now closer to ₹1.6-1.7 lakh crores.

So, that signifies the growth of the Indian economy. That signifies that there are going to be adequate resources available to the government to allocate towards its priority, be it education, health, skill development, defence or other things. There are other indicators as well, like direct tax collection. All of those are significantly higher. What this indicates is that India's moment has arrived in terms of really seizing the opportunity with both hands and growing rapidly to become the third-largest economy in the next few years and progress beyond that.

**Arin:** I think this brings us to the end of the discussion. Thanks for having us, sir. I've personally learned a lot from your insights today.

# Analysis of the ‘Make in India’ Initiative and PLI Scheme

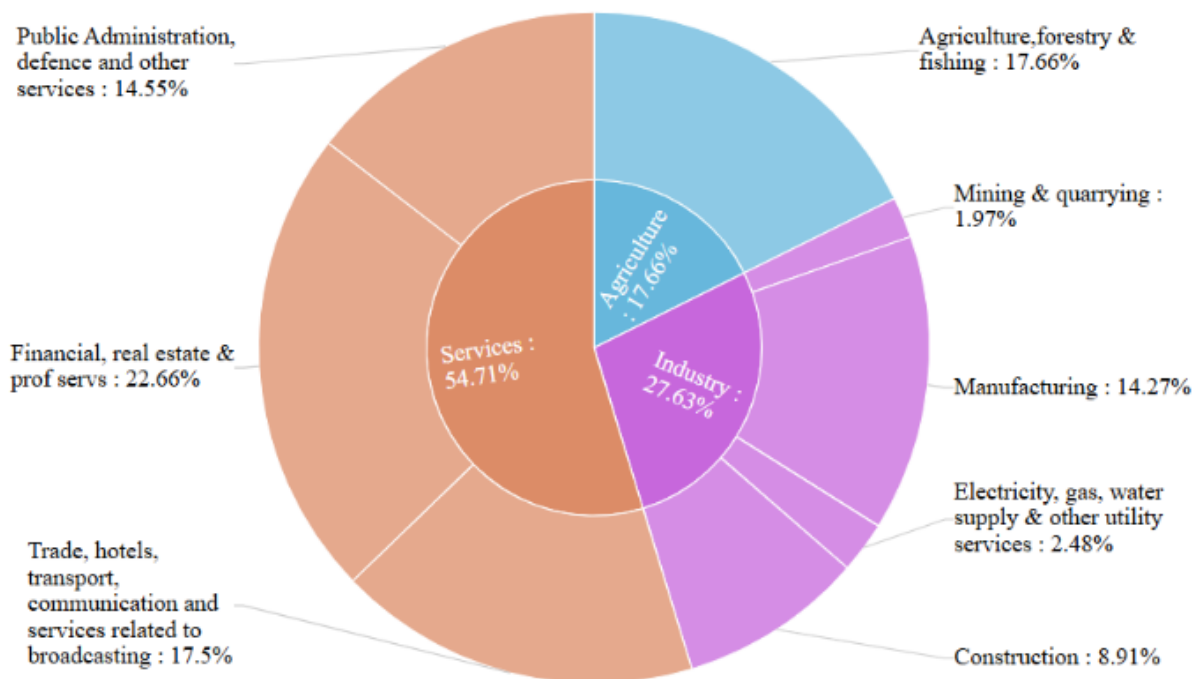
Vidisha Arya

## Introduction

India’s economic aspirations revolve around becoming a global economic powerhouse by fostering sustainable growth. With a vision to achieve a USD 5 trillion economy shortly, India aims to enhance its manufacturing sector, boost exports, and create ample employment opportunities. With nearly 15% of the nation’s GDP and over 27.3 million workers, the manufacturing sector plays a significant role in the Indian economy. Manufacturing is emerging as an integral pillar in the country’s economic growth, thanks to the performance of key sectors like engineering, chemicals, and pharmaceuticals. Mr. Subhrakant Panda, Managing Director of IMFA, emphasised that India has “put

in place the basic elements” to benefit from the global shift in supply chains, turning the COVID-19 crisis into an opportunity to position itself as a global manufacturing hub. Through the implementation of different programmes and policies, the Indian government hopes to have 25% of the economy’s output come from manufacturing by 2025. One such initiative introduced was ‘Make in India’. Launched in September 2014, the ‘Make in India’ initiative marked a bold move to transform India into a global manufacturing hub. Complemented by the Production Linked Incentive (PLI) scheme, these programs aim to reduce import dependency, foster innovation, attract Foreign Direct Investment (FDI), and generate employment opportunities.

Sector-wise GDP in India (2023-24)



(Source: Ministry of Statistics and Programme Implementation, GoI)

## Overview of the policies

### Make in India

The 'Make in India' initiative, launched globally in September 2014, marks India's emphasis on manufacturing. This program seeks to position India as a key player in the global supply chain by empowering Indian companies to thrive in an increasingly interconnected world. As part of this vision, India has actively liberalised its economy and opened sectors such as defence, railways, construction etc. to Foreign Direct Investment (FDI).

### PLI Scheme

Production Linked Incentive (PLI) is India's flagship initiative designed to support the 'Make in India' programme. Implemented by the Ministry of New and Renewable Energy, Government of India, the scheme focuses on the National Programme on High-Efficiency Solar PV Modules. Under this scheme, selected manufacturers are eligible for incentives over five years post-commissioning, based on the production and sale of these modules. The initiative aims to create a robust manufacturing ecosystem for solar PV modules in India, thereby reducing reliance on imports in the renewable energy sector. According to Mr. Panda, the PLI scheme is unique in that it provides capital support not as a subsidy, but as an incentive to create global manufacturing champions in sectors where India was unnecessarily import-dependent, like electronics and mobile devices.

The objectives of the policies are as follows:

1. The initiatives aim to strengthen India's manufacturing base by encouraging domestic production and reducing import dependence.
2. Designed to improve India's competitiveness in the global market.
3. A significant focus is on generating employment opportunities by boosting industrial and manufacturing activities.

### Achievements

Firstly, India has emerged as a leader in exporting vaccines. When it comes to vaccines, India has worked diligently to make a name for itself. Since 2012, India's pharmaceutical industry market value

has been growing significantly. The vaccine storage temperature and cold chain logistics play a large role in how India can safely deliver life-saving vaccines all across the globe. India's remarkable COVID-19 vaccination drive not only achieved domestic coverage but positioned the country as a key player in global health. Nearly 60% of the world's vaccines are now supplied by Indian manufacturers, highlighting a robust biotechnology and pharmaceutical ecosystem fostered under these policies.

Secondly, India's electronics sector has witnessed rapid expansion, growing to USD 155 billion in FY23 from USD 48 billion in FY17. The 2023 figure comprises USD 86 billion in finished goods production and USD 15 billion in components manufacturing. Mobile phone manufacturing, which constitutes 43% of total electronics production, exemplifies the initiative's potential to create globally competitive industries. Mr. Panda noted that mobile phone production surged within just 18–24 months of the PLI rollout, and India is now a major exporter in this sector, reflecting how effectively the scheme has been implemented. Initiatives like Make in India improved infrastructure and ease of doing business, supported by various incentives, and have stimulated domestic manufacturing and attracted foreign investments.

The 'Make in India' initiative catalysed domestic innovation with projects like the Vande Bharat trains, India's first semi-high-speed trains. The first Vande Bharat Express train was flagged off on February 15, 2019, on the New Delhi-Kanpur-Alahabad-Varanasi route. The impact of this train, matching global standards of performance, safety, and passenger comfort, and yet costing less than half of global prices, has the potential to be a game changer in the global railways. Mr. Panda emphasised that today's Indian consumers are highly discerning, and this push for quality is a driving force in eliminating the historic quality gap between exports and domestic products, further boosting the global competitiveness of India's innovations.

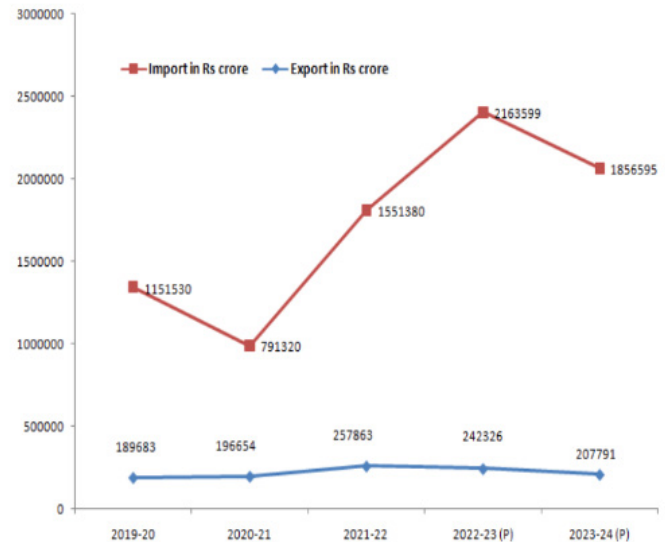


The Vande Bharat Express train

## Challenges

### 1. Sluggish Reduction in Import Dependency

A key goal of the 'Make in India' initiative was reducing import reliance. Yet, between 2014 and 2023, India's import dependency saw only a marginal reduction of 2.88%. India remains highly dependent on imports of minerals critical to accelerating its energy transition, with a full reliance on lithium, cobalt, and nickel shipping. As per a report published by the Institute for Energy Economics and Financial Analysis (IEEFA), India's demand for critical minerals is expected to more than double by 2030, while domestic mining operations may take over a decade to start producing. Even for sectors like electronics and renewable energy, supply chain inefficiencies and limited domestic capabilities continue to hinder self-reliance. Mr. Panda acknowledged this issue indirectly, mentioning that while India has made progress in electronics and other key sectors, there is a need for continuous efforts and coordinated infrastructure development, like PM Gati Shakti, to reduce systemic inefficiencies and dependency.



(Source: Ministry of Mines, GoI)

### 2. Underwhelming FDI Growth

Despite opening the borders to foreign investment, FDI inflows have been inconsistent. Even though the gross inward FDI rose to \$48.6 billion during Apr-Oct 2024 from \$42.1 billion, net foreign direct investment (FDI) into the country has declined considerably, with the latest data released by the Reserve Bank of India (RBI) in its December bulletin showing that it decelerated to \$2.1 billion during Apr-Oct 2024 from \$7.7 billion a year ago, majorly due to net outward FDI. Mr. Panda observed that private investment had been lagging due to surplus capacity and COVID-related uncertainties, but recent RBI data showing a 23% rise in corporate loan sanctions indicates private sector investment is finally picking up. Factors such as bureaucratic red tape, challenges in contract enforcement, and low labour productivity hinder the country's FDI growth.

### 3. Slowing Manufacturing Growth

Contrary to the target growth rate of 12-14% p.a., India's manufacturing growth decelerated from 8.1% (2001-2012) to 5.5% (2012-2023). Delays in infrastructure development, inconsistent policy execution, and limited access to capital have contributed to this slowdown.

## The Future

### Improving Policy Implementation

Effective policy execution remains a challenge due to bureaucratic inefficiencies and slow approval processes. Addressing these roadblocks will improve the ease of doing business in India. The country can leverage digital governance tools such as AI-driven monitoring that can ensure accountability and efficiency. Moreover, keeping into consideration the dynamism of trends, policies must be periodically reviewed to align with such global economic shifts and technological advancements. To attract and retain FDI, India must foster a predictable policy environment, paired with targeted incentives for strategic sectors, which can boost foreign investment. Establishing single-window clearance systems and resolving land acquisition challenges are crucial steps that should be undertaken. Furthermore, innovation and technology adoption are key to making India's manufacturing sector globally competitive. The integration of Industry 4.0, i.e., smart factories, AI, and robotics, will define the future of Indian manufacturing. This can be done by providing tax incentives and research grants to encourage businesses to focus on high-tech innovation. Moreover, supporting startups with funding, incubation programs, and streamlined regulations will foster entrepreneurship and empower more people to build businesses of their own. Mr. Panda highlighted the vibrant Indian startup ecosystem, noting that India has over 100 unicorns and that startups have played a major role in financial inclusion and job creation, helping shift youth aspirations from job-seekers to job creators.

### Conclusion

India's journey towards becoming a global economic powerhouse through manufacturing has witnessed significant strides, yet substantial challenges remain. The Make in India and Production-Linked Incentive (PLI) schemes contributed to the growth of key industries, such as pharmaceuticals, electronics, and renewable energy, therefore stimulating innovation, self-reliance, and employment generation. The achievements of vaccine production, mobile phone manufacturing, and indigenous technological advancements

chart the real effectiveness of such policies in facilitating industrial growth. Nonetheless, despite these positives, the manufacturing sector is yet to reach its full potential. To ensure that India meets its ambitious targets, a multi-faceted approach is required. Strengthening policy execution, reducing bureaucratic inefficiencies, and improving regulatory frameworks will enhance the ease of doing business and attract greater investments. Encouraging technological advancement through 'Industry 4.0' integration, AI-driven monitoring systems, and automation will enhance the global competitiveness of the sector. Besides, supporting the development of a more dynamic startup ecosystem will boost innovation in the country through the provision of research grants, tax incentives, and incubation support. As India continues its journey toward a USD 5 trillion economy, the manufacturing sector must evolve to meet the demands of the fast-changing global economic environment. Mr. Panda concluded that indicators like rising GST collections and growing corporate investments show that India's moment has arrived, and with the right skilling and innovation focus, the country is poised to become the third-largest economy within a decade. Through sustained efforts in policymaking and improved governance, India can become a premier global manufacturing hub.

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*with*

# AMAN SINGHANIA

*Senior VP and Products Head,  
National Stock Exchange*

*Digital  
Dawn*

*Simplifying  
investments  
for everyone*



## IN CONVERSATION WITH MR AMAN SINGHANIA

In this episode of our live interview series, we are privileged to have Mr. Aman Singhania, Senior Vice President and Head of Product Development at the National Stock Exchange of India (NSE). A seasoned finance professional, he leads critical areas such as Index Research, Bond and Equity Analytics, ESG, Alternative Investment Funds, and Data Solutions, while playing a key role in product innovation and market development. Mr. Singhania earlier held leadership positions at CRISIL, contributing extensively to credit ratings and risk assessment, and is recognised for his thought leadership through research papers, industry panels, and guest lectures that continue to shape India's evolving financial ecosystem.

**Punya:** So, to begin the conversation, we would like to ask you what passive fund management is, how it is different from active management, and what sort of advantages it offers to investors.

**Mr Aman:** Sure.

The topic of passive fund management, index development, and fund management is something which is very close to my heart because, over the last 16-17 years, I've been working in a space where the objective is to simplify investments for the less informed audience. This is because when it comes to financial or investment management, most people get kind of scared. After all, it is a space which is perceived to be complex. So, I'm really happy to be talking about investments in general.

Coming to your question, passive fund management and how it is different from active fund management. Broadly, there are two ways of managing funds: one is active fund management, wherein the objective of fund management is to create excess return over and above a benchmark. All of us know about Nifty-50, which is India's top 50 blue-chip stocks and which kind of represents how the market has performed. So, on any given day, if you want to know how the market has performed on that day, you don't look at the 2000 stocks listed on the NSE; you simply look at the Nifty-50. Based on that, you say that the Nifty-50 is up by 50 points or down by 40 points. So, that's an index for you which represents how the equity market has performed over a period of time.

Coming to fund management, when an active fund manager manages money, which is nothing but pooling money from different investors, and then investing that money on behalf of those investors, the objective of investment is to earn returns over and above the Nifty-50. For example, if the index over a year has delivered a 14% return, we call it a beta return. That's the term used for returns delivered by indices in general. Now, an active fund manager ought to give returns over and above it. So, if Nifty 50 has delivered 14%, and if the fund manager has delivered 16% during the year, then it is said that the fund manager has delivered an excess return, which is called an alpha of 2%. This is known as active fund management, which is done by employing certain strategies.

Those strategies could be in the form of fundamental research, let's say by reading the financial statements, balance sheets or P&L statement, talking to the management of the company, doing bottom-up research of sectors, the economy, the company, and different macroeconomic factors, and through that, evaluating whether a company is overvalued or undervalued. If it is undervalued, they buy the stock, and if it is overvalued, they sell or short it. That's what they do at a portfolio level and try to earn returns which are over and above the benchmark, which requires a lot of research.

This requires a lot of understanding of the market, the sector, the economy, the macroeconomic variables, the company, and the management. This understanding is required to identify a stock which is undervalued,

which is not that straightforward and easy.

So, one school of thought is to identify stocks which are undervalued and avoid stocks which are overvalued, which is active fund management in which there's a high amount of discretion in stock picking. On the other hand, passive fund management basically involves the resolution of all this mathematical jugglery, encompassing a lot of research, fundamental, top-down, bottom-up, sector, economy, and macro variables. Under this, one simply buys the 50 stocks which are in Nifty-50 in the same proportion and delivers the returns which are similar to Nifty-50. So, it's basically a passive way of investing in the Indian equity market by not employing any research or discretion and still receiving the beta return.

To sum up, active fund management delivers alpha or tries to deliver alpha over and above the benchmark return. Sometimes they succeed, but unfortunately, mostly, they fail. I will be coming to that in a moment because there are a lot of empirical studies that have been done around how successful active fund managers have been, at least in the large-cap space in India.

In contrast, passive fund management simply buys Nifty-50, Nifty-100 or Nifty Mid-Cap-150 stocks or Nifty Small-Cap-250 stocks. Within the market, there are large-cap stocks, mid-cap stocks, and small-cap stocks; hence, there's a large-cap index, which is Nifty-50 or Nifty-100. Then, there is a mid-cap segment index, which is Nifty-Mid-Cap-150 and a small-cap segment index, which is Nifty-Small-Cap-250. Depending upon what you want to buy or what you want to get exposed to, buy the index that you want to get exposure towards and manage the money, which is basically passive fund management.

How are they different? So, one is, of course, discretion. There's absolutely no discretion in passive fund management. So, when a mutual fund launches a passive fund, they don't have a fund manager's discretion since it simply pegs the fund to some index. Now, that index could be an equity index or a debt index, depending on what the asset class is. It could be a large-cap index, a mid-cap index, or a small-cap index. Because of this inherent difference between active and passive fund management, the cost of management is reduced significantly. This is because you're employing research, and you're employing a fund manager who does a lot of tracking of the market, which has a cost attached to it. Typically, an active fund in India comes at a cost of around anything between 1% to 2.5% per annum.

Essentially, that means, for every 100 rupees that you invest in an active fund, you pay 1 rupee to 2.5 rupees per annum as a cost. This is called the total expense ratio, TER. In passive funds, which could either be an ETF or an index fund, the cost of management, which is the total expense ratio, varies anywhere between 5 basis points to 50 basis points. Looking at the difference, on one side, you have a rupee to 2.5 rupees, and on the other side, you have 5 paise to 50 paise. That's a significant difference between the cost of ownership of passive funds versus active funds. Bear in mind that both types of funds, active or passive, have market risk. Hence, it's not that because it is passive, there's no market risk and that because it is active, market risk persists. You would have heard of this term, right? Please, what is the term?

**Kriti and Punya:** Mutual funds are subject to market risk.

**Mr Aman:** Now, that stays true for both active and passive, which means if markets fall, both will fall, and if the market rises, both active and passive will rise, just that a passive will be exactly equal to, let's say, the Nifty-50.

So, if Nifty-50 falls by half a per cent, the passive fund will fall by half a per cent, plus or minus tracking error and on the upside, the same thing will happen. So, to summarise, passive is simple to understand and very transparent because if you invest in a mutual fund, which is passive, and you are also tracking Nifty-50, Nifty-100 or Nifty-Midcap-150, where your money is invested. Of course, an active fund also discloses a monthly fact sheet, so, to be fair, the transparency on a monthly basis is equal. It's just that in passive, there's no discretion, so I know what the fund will buy. In active, there is some fund manager's discretion. I'll come to how successful fund managers have been empirically in a moment as we progress.

**Punya:** So, my next question would be, how has passive fund management evolved over the years and what trends do you foresee in the near future?

**Mr Aman:** Okay, so I've been very fortunate to have been a part of this journey over the last 15-16 years, when passive fund management has really evolved. Today, and before that, when I say passive funds, I mean index funds and ETFs, which are the two forms of passive funds. Of course, both these types of passive funds track an index, and the objective is not to outperform or underperform the index; instead, it is to match the returns of the index.

The only difference is that index funds are like any other mutual fund, but if that fund is also listed on an exchange and can be traded intraday, that fund then becomes an ETF, an exchange-traded fund. So, that's the subtle difference between an ETF and an index fund, but both of them are low-cost passive funds, and both of them track the index. Now, how big is the passive funds market in India? So, today, and these numbers are for January 2024, the asset under management for passive funds is around 8.5 trillion INR. Any guesses how much it was, let's say, back in 2008? It was less than 1000 crore, so, less than 1000 crore has now become 8.5 trillion INR, and a large part of this growth has come only during the last 10 years. Over the last 10 years, this asset size has grown at a compound annual growth rate of 56%. So, year on year, this is growing 56%, just to build a perspective here, global ETF AUM is around 11.5 trillion dollars. That's how big the passive fund management size is globally, and that has grown at a CAGR of 17% over the last 10 years. So, clearly, we are growing faster than the world, right? The world is growing at 17%, and we are growing at 56%.

That is also because we are on a low base, and we've just started our journey into passive funds. As we grow, there will be a point where we have grown and then further growing at the same rate would become difficult, but there's a long way to go before we reach that point. Today, this 8.5 trillion INR of asset size is available to our investors in the form of more than 360 funds. So, there are 360 choices available to Indian investors between debt and equity and broadly, out of 360, around 250 funds are equity and around 100-110 funds are debt. Back in 2008, there were only 8 passive funds. So, 8 in 2008 has grown to more than 360 passive funds. That's how the passive fund landscape has evolved. Now, when you compare it to the mutual fund industry in India, whether it is an ETF or an index fund, they are part of the mutual fund industry. So, in the mutual fund industry, the total asset size today has crossed 50 trillion INR, out of which 8.5 trillion is passive.

So, that roughly translates to a 17% share of passive out of the total. Any guesses on how much it is in the US? In the US, it's already crossed the halfway mark. So, the passive-to-active ratio in the US is already half. Now, passive has crossed active. That also talks about how markets evolve, and let me now talk about the evolution of active versus passive. As the market evolves, it becomes more sophisticated, and information is easily available to everyone.

Outperforming the benchmark becomes increasingly difficult because how does one outperform? How do you identify whether stocks are undervalued or overvalued? Based on the information you have or certain insights which others don't have, you act on that by either going long on the stock or short on the stock. That's how you do it, and you do that before others come to know about it. That's called information efficiency. The speed with which the information is disseminated to all investors is a measure of information efficiency or inefficiency. Now, 10 years ago, 20 years ago, this information efficiency was in weak form.

I'm sure you would have come across efficient market hypothesis, operational inefficiency and informational inefficiency in the market. So, it is the speed with which information is available, and the ease with which information is available has improved over a period of time. Today, we have WhatsApp, and we have Twitter, which is now X. I cannot claim to know anything which you don't know, so now everyone knows everything, right? So, when everyone knows everything, I can't claim to have a piece of information which will help me outperform consistently, and in that case, if outperforming becomes difficult, active fund man-

agement becomes difficult.

Just to put some numbers, what has been observed is that in the mutual fund industry, in the US, globally, and in India, more active funds are not able to beat the benchmark consistently. Over the last three years, around 58% and over the last five years, around 64% of the active funds have not been able to beat the benchmark. Now, if that happens, people evolve and start believing that, then why should they pay 1%, 1.5%, and 2% cost to own an active fund, which is anyways not able to give them alpha consistently, rather buy a simple low-cost passive fund for five basis points and be happy with the beta returns. This is one big reason why passive has evolved both in the US, globally, and in India, and I clearly see the trend continuing going forward.

What is 17% today will easily reach 40-45% in the next couple of years and will create a trajectory which is similar to the US. So, the passive-active share, I think, would become almost equal in another four to five years. Of course, that will not happen at the cost of active funds, so it's not that people will shun them and take passive funds. It's just that the entire pie of 50 trillion will reach 100 trillion in the next four years, which is how the mutual fund industry is significantly growing. Even if we continue the market share of 17% and let's say the trajectory, keeps transitioning towards passive, to maybe 40%. So, that means what is 8.5 trillion today will easily become 40 trillion in the next four years. So, that's how we see the landscape evolving.

**Punya:** So, mutual funds have nowadays become synonymous with investing for the common people. So, what role, according to you, do they actually play in the entire financial landscape?

**Mr Aman:** I think the mutual fund is a great investment vehicle, more so for the less informed investor. If I were to invest in the Indian equity market, buy bonds, or let's say if I were to buy gold, what are the vehicles available for me? Let's talk about the equity economy. So, one way is I buy direct equity.

I buy stocks in a Demat account and there's a lot of fascination also around that, you know, of buying stocks directly. People talk about which stock to buy, which to avoid, and they discuss a lot about, you know, "The stock that you mentioned was at this price and has not shot up to that price", "I missed it", "I took it", "I shot it before it went up further", and things like that.

There's a lot of discussion around that but there was an interesting study done by SEBI recently, the regulatory body for the capital market in India. I'll just share the crux of the same. It says that of all the retail traders, not investors, are retail traders. So, you understand there are traders and there are investors.

Traders who churn a lot, and some investors, stay invested for a long period of time. If you only focus on traders, for now, 90% of the traders lose money. This ratio is not 1-9, that's 9-0. 90% of the traders have lost their capital or incurred some losses in their capital. Now, let's talk about the other 10% who make money, right? The other 10% have made some money, out of the 10%, 6% have made returns, which are lower than fixed deposit returns. So, in a fixed deposit, you make a 5.5-6.5% return per annum. These guys have made returns which are worse than fixed deposits, which means they were better off by investing in fixed deposits. Instead, they took the pain of investing in equity, churned their money a lot, and eventually got returns which are lower than FD returns.

It's only the remaining 3.5%-4% of the investors or the traders who really made some meaningful money. So, what is the hypothesis here? The hypothesis is that empirically, it has been observed that investing in the stock market directly, has not fared well and has not given the kind of returns to the investors. That doesn't mean that the equity market has not performed well. Over the last 10 to 15 years, the Nifty-50 has delivered returns which are 13.5%-14% per annum. That does not mean all investors have earned 13.5%-14% per annum. The time-weighted return and the money-weighted return are different, and it has a lot to do with behaviour rather than with the market. The market is delivering 14% per annum, are you disciplined enough

to absorb or to extract 14% is up to you. Now, in this scenario, a lot of people are not making decent returns by doing direct stock investments. Mutual funds are a great vehicle to outsource that investment activity.

Now, what are mutual funds? It's nothing but a pooling of money from different small investors, and then investing that money into different investment avenues. Who is doing that? Reputed fund houses are doing that by employing capable fund managers, by doing a lot of research, having strong processes, and having strong compliance in place, and that's how your money is kind of safe. Now, the cost of management is also, I would say, economical, even if we talk about active funds, which are 1%, 1.5%, 2% is not bad, and if you want to further optimise your cost, assets are available at 5 basis points to 50 basis points.

Even if I put all of that together, I can definitely say that mutual funds, both active and passive, provide low-cost access to the capital market. It could be equity, it could be debt, or it could be alternatives, so I would definitely suggest that a less informed investor invest in the capital market through mutual funds. Of course, there needs to be correct guidance given to the investor in terms of which funds to buy, whether one should invest in debt, equity, hybrid or solution-oriented categories of mutual funds.

Within each category, there are different subcategories of funds. So, for example, in the equity class, there are 10 categories defined by SEBI, which are large-cap, mid-cap, large-mid, small, multi-cap, flexi-cap. Even in debt, there are low-duration, ultra-short, short-duration, medium-duration, medium-to-long, long-duration, credit risk funds, and a 10-year government security fund. There are different funds available to them, so, if you are not aware as an investor on which fund to buy, there are intermediaries to help you. There is an RIA, who would help your journey of investments, through first looking at what your objective of investment. That's the most important thing.

Just being in a rat race of trying to outperform the market is not going to help. The most important thing is, first, to define your goals. Why am I investing in the first place? If I have Rs. 1 lakh to be invested in the capital market, what is my objective? My objective is to preserve that Rs. 1 lakh because I want to, let's say, buy a car after 5 years. For which, of course, I need to do a SIP, just a management investment plan. Is my objective to do a world tour after 7 years? Is my objective to buy a home after 15 years. Now, these objectives or these goals may lie at different points in time in your life. Something is there in the next 6 months, and something is planned for the next 5 years or 15 years. Depending upon that, which is in a way your liability, you peg your assets, asset liability management, so, the idea is, first, to define your goals.

Then define your return objective. If I want to buy a car after 5 years, what is the money that I can invest every month? You decide whether it's Rs. 5,000, Rs. 10,000, what's going to help you reach that amount, which is going to help you buy a car. What is the return that I need on this money for it to grow to, let's say, Rs 10 lakh or Rs 20 lakh, for me to buy a car, which is the return objective, and then what is the risk that I'm willing to take to reach there. Risk in this case is, of course, drawdowns, negative returns, the worst-case scenarios, and things like that.

Keeping all these in mind, I decide whether I should buy an equity fund or a debt fund. Typically, if your investment horizon is short-term, you don't invest in equity; you invest in debt, or fixed-income securities. If your investment horizon is 7 days, for example, you just park your money in a liquid fund or an overnight fund, but if your investment horizon is 5 years, 10 years, 15 years, then typically, you need an asset class like equity, which has empirically been observed to outperform the market over a longer period of time.

It has given decent returns over, a more than 5-year horizon. You decide your goals, you decide your return objective, you decide your risk appetite, and then accordingly decide which asset class you want to invest in. Within each asset class, there are different categories of funds available. Within equity, there are 10 categories. Within debt, there are 16 categories. Decide what you want to invest in.

After that decision, the next decision is which fund house and which asset management company to invest

in, right? There could be HDFC Mutual Fund, there is SBI Mutual Fund, and there is Nippon Asset Management. Like that, there is ICICI Prudential Mutual Fund and there are 40+ mutual funds in India. All of them, let's say, offer a large-cap equity fund. Which one to buy? Now, that's a call that you need to take, based on various factors, like what the brand name is or what reputation that entity holds, that is one. Secondly, who is the fund manager who's managing the money? So, sometimes your decisions are also driven by who the fund manager. Sometimes your decisions are also made based on the cost of management, or the total expense ratio. Lastly, your decision to invest could also be based on the past performance of the fund.

So, you observe that this fund manager has delivered a consistent alpha as compared to the other fund managers, so I believe that I should invest in that, keeping in mind that past performance is not a guarantee of future performance. So, there are a few factors that you look at before you decide which asset class, which fund, and which fund house to invest in. So, to summarise, I strongly believe that if you can't manage your money on your own, digital funds are a great vehicle to invest in the capital market because they are low-cost, transparent, standardised and liquid.

So, if you want to invest and after seven months, you want to redeem your money, it can be redeemed in one day, you don't need to bother about selling your assets. For example, if you buy a plot, a real estate plot, and after seven months, you want to sell it. Do you think it's easier to sell a plot? Not at all. It's very difficult to sell real estate, it's an illiquid asset. Now, if you buy a real estate fund through a mutual fund, a commodity fund or an equity fund, all you have to do is make a redemption request to the fund house, and you get your money at the NAV declared on the same day, assuming you do it in the first half, and you get your money in the next two days in your bank account. That's the beauty, right?

**Kriti:** I mean, I was taking notes throughout that answer. I feel like, especially for young people like us who are always told to start investing as early as we can, but we are never told how to go about it. These kinds of vehicles, like mutual funds, are the way to go, I think, especially for the stages where people don't know a lot about investing.

Now, you mentioned liquidity. So again, we wanted to know what role liquidity plays in the selection and maintenance of stocks on the NSE indices. And how exactly, what are the factors to assess this liquidity, essentially?

**Mr Aman:** Okay. So, when we create an index, for example, Nifty-50, Nifty-100, Nifty-Mid-Cap-150, Nifty-Small-Cap-250, Nifty Bank, and Nifty IT. Nifty-100, which is, you know, the top 100 stocks in India, is categorised as large-cap.

Within those 100 stocks, the top 50 are Nifty-50, but the bottom 50 are Nifty-Next-50, for example. Now, when we create this index, we keep in mind two things. One is that they need to be representative of the underlying interests that they represent, so whatever segment they represent, it needs to be done completely.

Second is that they need to be replicable. This means that if we create a Nifty-Next-50 index, for example, and it has a fund manager, there's an investor who wants to replicate the returns of Nifty Next 50, that fund manager, that investor should be able to do that with ease.

Now, for that to happen, all 50 stocks of Nifty-Next-50 or all 150 stocks of Nifty-Mid-Cap-150 or any index should be liquid, right? Now, how do we gauge liquidity? There are different metrics that we apply for liquidity. The first one is that if a stock is available in the derivative segment of NSE, which is F&O, that tends to make that stock more liquid. So, other things being equal, if a stock has a derivative contract versus not having a derivative contract, having the derivative contract on that stock makes it liquid, but it's a Nifty-50, all 50 components compulsorily need to have F&O contracts on them. That's point number one because we cannot afford to have Nifty-50, which is not liquid because that's the most tracked index in India. The second factor is the trading volume. We call it the average daily value, ADV of trade, which is how

much transaction happens on a daily basis in that stock. Is it 10,000 crore? Is it 5,000 crore? Is it 2,000 crore of the total value of the transaction that happens in the cash market of that stock? Other things being equal, the higher the value traded, the higher the liquidity.

The third important factor is the frequency of trade. So, for example, we do the review of these indices on a six-month basis. When we do that, we look at the last six months' trades and we have a threshold defined, which is, so let's say during the last six months, there are 120 working days and we have a threshold that the stock that needs to be part of the index needs to be traded on at least 90% of the days. For Nifty-50, it is 100%, but for other indices, it is 90%, which means out of 120 days, it has to be traded for 90% of 120, which is 108 days. That's one more measure of liquidity, which is consistency of liquidity. Then there's one more measure, which is days to liquidity. Now, what are the days to liquidity? If I am managing a 1,000 crore fund, I'm replicating Nifty-50 or Nifty-Next-50 or some index, and let's say Reliance Industries has 10% weight, in my portfolio.

So, how much allocation have I made to Reliance Industries? 100 crore in my portfolio and let's say, Reliance is just an example, stock A, stock B, stock C, anything. Let's say that the stock is traded for 50 crore in a day. This means I will need two days of liquidity for me to get rid of that stock. Other things being equal, how much time I will take to liquidate a stock is also important.

Finally, we also look at a complex metric, which is called impact cost. Impact cost is nothing but the impact of illiquidity if I were to sell or buy stock in a big chunk. So, for example, at the cost of being technical, the bid and ask for every stock are available on the NSE or BSE exchange. So let's take a simple example, the bid and the ask are 100 rupees and 101 rupees. Now, this is the best bid and the best ask. The next bid could be 99, the next bid could be 98, like that, and similarly, the ask could be 101, 102, 103, like that.

So between the best bid and the best ask, the midpoint is 100.5, right? Now, ideally, theoretically, all transactions should happen at 100.5. Theoretically, because that's the midpoint of the best bid and the best ask, but if I were to, let's say, buy 1000 crore worth of that stock. The actual transactions will not happen at the best bid and best ask because the best bid was only available for 100 crore, and the best ask was only available for 100 crore. So I need to get deep into the order book on both sides for me to really be able to sell 1000 crores worth of stock. Let's say the eventual weighted average transaction happened for buying at 102 rupees. The average cost of buying all the shares is 102.

So this difference between 100.5 and 102 is the impact cost because the best bid was available at 100.5, and eventually I could buy everything at 102, right? So this one and a half rupee that I paid on a base of 100, which is 1.5% is the impact cost. Now, for very liquid stocks, the impact cost is negligible. However, for illiquid stocks, the impact cost is very high.

So we look at that metric also. To summarise, liquidity is important. We ensure that all stocks which are part of the index are liquid. How do we do that? The stock should have an F&O as a preferred metric. The value of liquidity, the trade value, should be very high. The trade frequency should be very high, 90% at least. The days to liquidity and the impact cost should be as low as possible.

**Punya:** What does a typical day in your life look like since you have to make so many important decisions? And what has your journey been like?

**Mr Aman:** You know, my work revolves around creating innovative indices so that mutual funds in India can create passive funds. So we are an index company; we create indices so that mutual funds can create passive funds around those indices. Why do they need indices? Because it brings credibility to the entire process of selling the fund, right? So when they go out and sell their passive funds, they say, you know what, take this fund. There's no fund manager discretion here. There's no fund manager at all. We are going to buy the stocks which are part of an index. So the investor says, which index? The index by NSE. So that brings

n credibility, right? Okay, NSE, that's a reputed organisation.

The indices follow a certain level of compliance, governance, and processes. So that brings in credibility to the entire process. What we do on a daily basis is think, brainstorm, and ideate so that we can launch these innovative indices. Now, indices broadly can be categorised into maybe four categories within equity. One is broad-based or market cap-based indices like Nifty-50, Nifty-100, and Mid-Cap-150, where the selection is based on the size, large cap, mid cap, and small cap. Plain vanilla indices, the global S&P 500, or the FTSE 100, are examples of market cap-based indices. That is one.

Then there are sectoral indices, like Bank, Nifty Bank, Nifty IT, Nifty Consumer Goods, for example. So if someone wants to take a call on the financial services sector, they simply buy a fund which tracks the Nifty financial services sector. If someone wants to take a bet on Pharma, they simply buy Nifty Pharma, or the fund based on Nifty Pharma.

For example, post-COVID, Pharma and IT were the flavour. So they could simply buy a Pharma fund or an IT fund, which is pegged to the benchmark. The third category, the interesting category, is themes and thematic indices. What is a theme? A theme is any idea.

For example, EV is a theme. So if someone wants to benefit from the EV revolution, what will they do? They will invest in a fund that tracks an EV index. Mobility is another theme, which includes auto, which also includes your last mile connectivity companies, your courier companies, and V Fast kind of companies. Then, there's also digital as a theme which is basically nothing but IT, FinTech, software, and e-commerce. So that's another theme. FinTech would be another theme and Sharia is also a theme. So we have Sharia indices also, and this is typically meant for investors who have faith in investing in Sharia-based stocks or stocks which are compliant with Sharia rules. So we have a couple of Sharia indices along with ESG, environment, and social governance factors.

There's a lot of talk around sustainability in Europe, in the US, and in India, as well where some importance is given to not just the financial factors of a company, but also non-financial factors, which is how conscious the companies are towards the environment. This measures how conscious they are about the social factors, the governance and corporate governance. Are they really green? If yes, what is the greenness of their initiatives and things like that, right? So these are evolving themes and if this is the need of the hour, we create indices that revolve around these themes.

So back in 2018, we launched India's first or NSE's first ESG index. For example, the NIFTY has 100 sector leaders. The ESG sector leaders index, has around 40-45 stocks selected from the top 100 stocks in India and those 45 stocks are sector leaders in ESG. So the sector leader in financial services, the sector leader in IT, the sector leader in consumer durables, and leaders in terms of ESG.

So they performed well on their ESG scores and these are thematics. Then there are factors and factor indices. What are the factors? These include high alpha, high-quality companies, high momentum companies, high-value companies, low-value companies. We create these innovative indices. So your question was, what keeps me engaged? You know, working on these innovative indices on a daily basis is what keeps me, engaged in my day-to-day work. So my day-to-day work involves brainstorming with my team, brainstorming with asset managers in India, and fund managers of 40+ mutual funds, talking to them, and getting to know what new things are happening and, trying to create more and more innovative indices in different asset classes, like equity, debt, hybrid, and alternative investment fund space. So yeah, so that's what I do on a daily basis. I think Punya here would agree with me since it is very evident how much you love this sector and this work.

**Kriti:** That is really evident as we have, had this 50-minute conversation till now. So, as we wrap this interview up, I would really like to thank you for patiently answering all our questions with so much great detail.

I know for a fact that once this interview goes out, this will be really helpful in simplifying the complex and confusions that people of our age, especially have about, these big terms like mutual funds, indices, index development, and stuff like that.

So thank you so much for being so patient with us and giving us the honour of hosting you. It was an amazing discussion. I would also like to thank you for generously sharing your experiences and insights.

# Digital Dawn: Navigating the Impact of Technology and Social Media on Investing

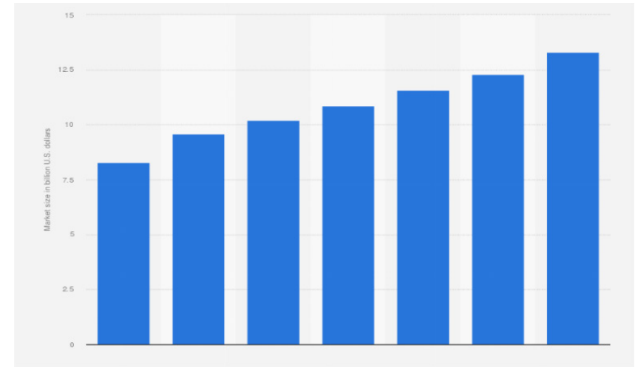
Khushi Gupta

## Introduction

At some point in our lives, we, the young blood of this modern world, must have been acquainted with past events that revolutionised how the world operates, including the Industrial Revolution, the Great Depression, the World War, etc. And, if the question arises as to which of the events affected this modern world the most, in the wink of an eye, the answer would be - 'Digital Dawn'.

Digital dawn is a remarkable technological advancement that has fundamentally reshaped how we live, work, and interact with the world. It is almost impossible not to be influenced by this profound digital era in some way or the other. This period can also be identified as a turning point for the modern world due to its by-products, which include the proliferation of smartphones, the increasing importance of social media and the unprecedented dominance of artificial intelligence. As rightfully stated by Bill Gates, "The internet is becoming the town square for the global village of tomorrow."

To get a better understanding of how influential the internet and social media can turn out to be, take the case of COVID-19. The news of successful vaccine breakthroughs during the global COVID-19 pandemic response instantly affected biotech markets. The material was primarily shared through social media, leading to sharp price swings in biotech stocks following the general mood, demonstrating how real-time information sharing on social media can influence market trends. As Mr. Aman Singhania, Head Products Development at NSE, mentions, the days of asymmetric information are fading, making it harder for active fund managers to consistently deliver alpha. Therefore, social media as well as the internet have the potential to make an impact on something as common as



Global Online Trading Market (2020-26)

stock markets.

The figure given above shows the size of the global online trading market from 2020 with forecasts up to 2026 (In US Billion Dollars). As clearly depicted from the image, the scope of online trading will only increase in the coming years and not fall.

## Impact of Social Media

Social media has revolutionised market dynamics by giving rise to a completely alien concept known as 'meme stocks'. These are the shares of a business that have become virally popular as a result of elevated social mood. Online activity, especially on social media platforms, is typically the cause of this societal sentiment. Many people consider GameStop (GME) to be the original meme stock. Over several months, its price increased by up to 100 times as its meme community created a short squeeze.

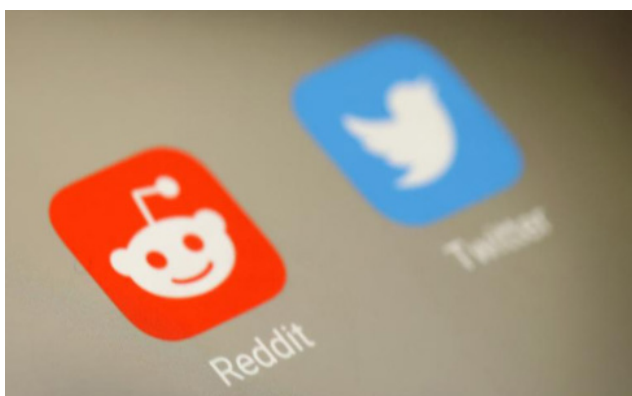
Through social media apps like WhatsApp and X (formerly Twitter), companies can share important news, updates, and events with their followers in real-time, with the help of various platforms, ensuring that their message reaches a wider audience. Due to a bigger reach, a broader pool of investors may become interested in and pay heed to positive

remarks made by users about a particular business or market trend on social media platforms. Positive attitudes may increase demand, which in turn may raise the price of a stock of any company. Similarly, through social media, everyone has simultaneous access to the same information, therefore, it becomes harder for active fund managers to consistently outperform the market.

It also allows companies to foster a direct and personal connection with investors by offering a platform for real-time communication, transparency, and engagement. Using platforms such as LinkedIn, Twitter, Reddit, and YouTube, companies can quickly share financial updates, earnings reports, and strategic developments, keeping investors well-informed. Discussions on stock-related forums and such social media sites usually contribute to the overall atmosphere that can affect trading decisions.

However, Mr. Aman Singhania highlighted that social media also gives rise to false confidence or herd behaviour amongst traders. A SEBI study suggested that 90% of retail traders lose money, and only 4% gain meaningful profits, highlighting the importance of financial literacy and informed investment.

Among all social media platforms, Twitter and Reddit have been the most influential in affecting financial markets. These platforms have become hubs for breaking news and market rumours, where tweets from influential figures- ranging from financial analysts to company executives- can move markets within seconds. The phenomenon of “Twitter rallies” or “Reddit-fueled rallies” has become increasingly common, where coordinated efforts among retail investors on social media can drive up stock prices of certain companies, as seen in the case of meme stocks discussed above.



## Impact of Technology

With the advent of technology, investors can access any company’s financial statements/reports with just a click of a hand by logging on to the Securities and Exchange Commission (SEC) website. Such easy accessibility has reshaped the speed at which market news is incorporated into trading decisions. Gone are the days when investors had to call brokers to place a trade. Today, online trading has opened a direct connection between investors and their trades, which has attracted more and more new investors to trade.



A 2000 academic study from the Wharton Business School summed up the key benefits of the internet on investing in three principal factors:

**A wider base of investors** - The invention of new technologies and the internet has helped to welcome a wider base of investors. Online brokerage firms give access to financial information to a larger set of investors and remove entry barriers, allowing even individuals with small capital to enter the investor market.

**Dilemma of Differential Pricing** - Due to their unique connections and access to private agreements, large investors such as banks and hedge funds used to be able to trade more quickly and at better prices than average individuals. However, the internet has made things more equitable. Anyone may now view real-time stock prices, evaluate fees, and select the best offers. Because online brokers compete with one another, trading costs have decreased, and fees have become more transparent. This makes investment more equitable for all by enabling regular investors to trade at prices that are substantially closer to those received by large institutions.

**Concept of Disintermediation** - Before the Inter-

net, buying and selling stocks required going via brokers or financial consultants, which frequently involved paying exorbitant fees and waiting for trades to be processed. Investors can now trade directly without the requirement for an intermediary, thanks to online trading platforms. As a result, the procedure is considerably more affordable, quicker, and convenient. Because individuals may conduct their research, make their own decisions, and execute trades whenever they choose, investors also have more control over their money.

In addition to that, Mr. Singhanian said, passive fund AUM in India has grown from INR 1,000 crore in 2008 to INR 8.5 trillion in 2024, growing at a CAGR of 56%. Web platforms now allow users to invest in index funds and ETFs with minimal fees, making market exposure accessible and affordable.

## Conclusion

As we all know, there's no rose without thorns, thus the advent of technology and social media also has its drawbacks in the long-term. Social media platforms and online trading are culprits of disinformation and manipulation of investors. They could be weaponised by malicious intent, thus sabotaging market integrity and stability. This side of technology and social media is rather unexplored and can be better explained through nudge theory and herd behaviour.

Nudge theory argues for the influence of small nudges in shaping people's decisions; in social media, this sometimes leads to wrong investment choices. Influencers, viral posts, or misleading news may make the investors purchase risky stocks without doing proper research. For instance, if a possible social media personality starts hyping a stock, that may lead many people into the stock merely for the buzz without any further thought, not realising the possibility of it being overvalued or a scam.

Herd behaviour happens when people blindly follow the crowd instead of making independent decisions. On social media, if many investors start buying or selling a stock, others often join in out of fear of missing out (FOMO), even if the stock is unstable. This can lead to bubbles (where prices rise too high and then crash) or panic selling

(where everyone dumps a stock, causing huge losses). A clear example was the GameStop surge, where many investors bought in late at high prices, only to see the stock crash, resulting in big losses. Thus, technology and social media have fostered accessibility in investing, allowing the most massive market participants, retail investors, to enter the market; however, volatility has been exacerbated. While it empowers retail investors, it encourages impulsive decisions through hype and herd behaviour. To avoid possible losses, investors should do their homework for themselves rather than just follow and trust trends blindly.

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*with*

# DHRUV SHARMA

*Senior Economist at the World Bank*

*Resilient  
India in a  
Rising  
World*

*Economics is a  
contest of ideas  
and we spend a  
lot of time  
contesting*



## IN CONVERSATION WITH MR DHRUV SHARMA

In this episode of our live interview series, we are honoured to have Mr. Dhruv Sharma, a Senior Country Economist at the World Bank. As the lead author of the India Development Update, he brings a great wealth of experience in macroeconomic policy analysis, growth modelling, climate change economics and policy reform-based lending projects. With a background that includes work with the Australian Treasury and the World Bank's Indonesia office, Dhruv holds a Bachelor's in Economics Honours and a PhD from the University of Sydney. In this interview, he shares key insights on the growth outlook for the Indian economy based on his extensive expertise with us.

**Kriti:** Starting with the topic of developing the economy, sir, how do you think India's economic growth compares to other emerging economies?

**Mr Dhruv:** Firstly, thank you for having me and giving me this opportunity to share some of the World Bank's views on India's economy and growth prospects. So, starting with the first question about India's economic growth and how it's placed. India's doing well relative to most other large economies. India's growth is somewhere between 6 and 7, and we expect the average growth rate for India over the next few years to be roughly within that range, which is much faster than most other emerging market economies. It's also faster than a lot of advanced economies. So, what that tells us is that coming out of the pandemic a couple of years ago, India's underlying resilience in its economy is there.

This resilience has been built up over the last couple of decades with good policy decisions and robustness that has been built up in many sectors of the economy, in the financial sector, in the real economy. There's been a robustness that's come into play when it comes to leveraging fiscal policy and monetary policy. So, all of this has placed India at a good step to continue to grow at a fast pace over the next few years.

**Kriti:** So, a follow-up question. What do you think is the role of domestic consumption in sustaining India's economic growth in the coming years?

**Mr Dhruv:** So, India's economy, if you break it down into large components, just under 60% is consumption. About 30% comes from investment, and the rest, whatever is left over, comes from the external sector. So, India is a large, domestic-demand-driven economy. Domestic consumption plays a very important role in determining India's growth trajectory. To the extent that it will drive economic growth going forward, yes, just simply because of how big a component it is. Where the volatility comes in, around an average growth rate, will be the investment. Investment numbers tend to be a little bit more volatile than consumption numbers. Now, within consumption overall, it appears to be solid and is a large component, as I just mentioned. But, if you disentangle what's going on within consumption, if you'd like to split it, say, into two categories, urban and rural, there are some signs of distress in rural areas as compared to what's going on in urban areas. So, while the headline numbers are largely driven by what is going on with urban domestic consumption, challenges related to wage growth and labour market conditions in the rural areas are affecting that particular segment and their consumption behaviour adversely.

**Punya:** That was very insightful. So, now we would like to come to the India development update that you recently authored. So, what do you think are the key opportunities for India in the coming future that can sustain the growth trajectory it is on? As you mentioned, the average growth rate is 6-7%. So, what are the key opportunities for India in the near future?

**Mr Dhruv:** Look, our estimate of India's potential is somewhere between 6-6.5%. India is growing a little

bit quicker at the moment, and that's a good sign. So, what's important for us to think about is how India will sustain that and grow faster. The government has an ambition for India to become a high-income country by 2047. So, what does it take for India to get there? Our estimates are that for India to become a high-income country from where it is today, it will need to grow on average by about 8% every year. So, the real question that we should be thinking about is, how does India go from 6.5% to 8%? There are a number of things that policymakers should consider. There are issues to consider when it comes to labour markets, particularly when it comes to labour force participation. If you want to drill that down even further, you could think about reforms in the area of encouraging more women to participate. If you are not fully utilising at least half your workforce, then there is a big opportunity to reap gains from making it easier for women to get jobs and removing barriers when it comes to maintaining jobs as well.

Number two in terms of what India can do, perhaps to get from 6.5% to 8%, is to think about increasing investment. In particular, India should think about what it can do to boost private investment. The reason we think private investment should play a bigger role is simply because the public sector cannot do everything. So, there is only so much the public side can do when it comes to boosting investment, and they are doing a fair bit. We have seen over the past two or three years that the government has spent a lot of effort and funds on boosting infrastructure investment. But again, there is a limited amount of financing for the governments, and this is where the private sector can play a bigger role. And third, what India needs to think about in sustaining and driving growth, particularly at a faster pace of growth, is to think about improving productivity. There are certain sectors in which India does particularly well. Most people are aware of the success story that is there in the services sector. India could do quite a lot more to improve productivity and other sectors, too. And if you take the combination of these three things, labour force, improvements in labour market output, particularly for women, improving productivity and increasing investment, all of these three factors could help India sustain and grow faster as well.

**Kriti:** I have a follow-up question on that. You said that private investment is something that India can focus on. Are there any specific sectors that need this kind of investment and which have the potential to take India from 6.5% to 8%?

**Mr Dhruv:** It's always very challenging. As economics students, you'd be aware of picking certain sectors. There are always opportunity costs. There are trade-offs involved in picking certain sectors over other sectors, especially if you are suggesting that the government should play a role in the form of providing some sort of fiscal incentives; then there are costs there as well. Rather than thinking about it specifically on a sector basis, we can pinpoint certain sectors which are obvious candidates for more involvement from the private sector. One of them is infrastructure. Basic infrastructure is needed to simply transport goods and reduce logistics costs. I'm talking about road, rail, multimodal forms of transport and so on. The government, again, is doing a fair bit in this space. In every budget for the last two or three years, they have announced significant increases in investment in that space. We've done some work which suggests that this should eventually catalyse and crowd in, if you like, private sector investment. If you think about the multiplier effect, our estimates suggest that for every rupee that the Indian government spends on infrastructure investment, GDP could increase anywhere between 2.5-4.5 rupees. That's a very large multiplier. At the same time, our analysis suggests that there's also a crowding effect. The more the government invests, the more the private sector will increase its investment in that space. I know the question is about specific sectors, but rather than thinking about it that way, if you think about it holistically, there's a large infrastructure gap in India. I think some reports suggest that, on average, India needs about 450 billion annually, up to 2030, to plug the gap. Not all of that can come from the government sector. Some of the things that the government can do are to ease access or make it easier for the private sector to invest.

**Punya:** As we know, all around the globe, right now, high interest rates are skyrocketing. How will they impact key investment sectors and consumption sectors in India? What will be the impact of high interest rates, particularly?

**Mr Dhruv:** For the better part of the last decade and a few years before that as well, especially following the global financial crisis, interest rates were low all across the world or lower than they had been historically and for a longer period than they had been historically, as well. We saw last year, as inflationary pressures started to increase, interest rates also increased.

For the first time in a few decades, we saw a synchronisation of rate hikes across advanced economies and emerging market economies as well. We saw rate hikes in the US and in the EU. India also started to increase interest rates in order to combat inflation.

What does that mean for consumption and investment, naturally, as I'm sure you're aware, if you increase the costs of borrowing, it will perhaps dampen demand, right? It will have a damping effect on both investment and consumption. We haven't seen that in India just yet. But once again, there are a number of factors at play here. When we think about increasing interest rates, India is still growing at 6.5+. So it suggests that right now, investment decisions aren't being as badly affected by the rate hikes that we saw last year. And also remember that the rate hikes that we saw last year really just covered back the ground that had been lost, lost isn't the right word, but when the central bank had cut rates to support growth over the previous years during the pandemic. So, long story short, at some point, consumption and investment may be affected, but I think there's enough underlying momentum in India's economy for it not to show up at this moment.

**Punya:** Right, so to summarise, theoretically, we know they are negatively related if their interest rates go high, economies dampen. But in the near future, we don't really expect any effect on the economic growth of India.

**Mr. Dhruv:** Well, one thing to note is that inflation has come down. India has an inflation-targeting framework. Many central banks around the world have a dual mandate to support growth and to keep price levels stable to the extent possible. So last year, we saw inflation going up above the central bank's comfort range between two and six. So inflation was higher than that. So, to a certain extent, the central bank has played its role, and inflation is now within the band as well. So if you take what's going on with inflation as an indication of consumption dampening, it certainly placed a little bit of the brakes on consumption. Now, the only caveat here would be to think about where the sources of pressure were for inflation. It's a little bit more challenging to address supply-side pressures with monetary policy. So, to the extent that those pressures that we saw on the inflationary side were supply-side, the rate hikes would not have as much of an impact on that.

**Kriti:** So our next question is, can you explain in simple terms what fiscal consolidation means and what might be the factors behind its decline from 6.4% to 5.8% of GDP?

**Mr. Dhruv:** So, simply speaking, India has a deficit ceiling, and when we talk about consolidation, there are two ways in which you can do fiscal consolidation. You can reduce expenditure, or you can simply increase tax revenue collections, or you can do a mixture of both.

So, given India's commitment to fiscal credibility and fiscal prudence, the government has made it very clear that it intends to bring the deficit back gradually over a few years closer to the deficit ceiling and of course, one of the reasons why it had spiked was due to the support measures that the government put in place as a result of the pandemic, and gradually, some of those support measures are being removed. That is typically what you expect when you go through various phases of the business cycle. When things aren't going so well, you have automatic stabilisers come into play, and once economic activity starts to pick up, those automatic stabilisers go away.

So, as stimulus measures are gradually unbound, we would expect some of the pressure on the expenditure side to reduce. And on the tax revenue performance side, India has done reasonably well when it comes to certain taxes, the GST being probably the most obvious candidate for success here. GST collections are

are strong, and every month, some record or another is being broken. So from that perspective, that's helped the consolidation efforts.

**Punya:** Okay, so as you just mentioned, the pandemic, we know that the global economies are in a slow-down. So, if you were to suggest some policy recommendations so that the Indian economy stays afloat, what would they be?

**Mr Dhruv:** So that's a very good question. There is no set of right answers that you can pinpoint very easily. There are certain things that can be done. The question is about timing and prioritisation. So, firstly, I wouldn't necessarily characterise the challenge as keeping the Indian economy afloat. I think India's economy is doing quite well.

It's growing, as I said earlier, very strongly and much faster than other economies. So the question really is: What can it do to sustain and perhaps even grow faster? I mentioned three policy areas earlier to improve labour force participation, particularly for women. The labour force participation rate for men is also something that the government should consider, given that it has stagnated over the last couple of decades. Other recommendations include increasing and attracting private investment. There are a number of things that the government could consider.

Typically, people think about tax rates and reducing taxes to attract more investment. But there's plenty of research that shows there are other, more important, perhaps, considerations that need to be taken into account when attracting investment. I can name a couple. Reducing transaction costs when it comes to setting up businesses. You could think about making it a little bit easier for businesses to invest in factories by making it easier to purchase and sell land. Providing access to 24 hours a day, seven days a week in terms of electricity and water.

So, if some of the very basic needs are addressed, then you can start thinking about some of the more challenging items to address. So that's on the investment side. And when it comes to thinking about it, I had mentioned productivity earlier. Again, this is not a new problem or a new challenge. Lessons learned from other countries and lessons learned from other sectors are things the government should consider. So when it comes to productivity making it, and also when it comes to thinking about encouraging businesses to invest, the regulatory framework is quite important.

The role of the government should be to provide an enabling environment and that could be in the form of labour market reforms. I know some states and the centre are also thinking about labour market reforms when it comes to hiring and firing. So some of these sorts of elementary things, elementary issues are what the government could consider.

**Kriti:** Also, it was mentioned in the report that despite headline inflation, foreign direct investment is all set to increase in India. So, what are the factors contributing to that?

**Mr Dhruv:** So, India is an attractive destination for foreign investment. We've seen that when we think about portfolio equity flows. When it comes to thinking about foreign direct investment as a share of GDP, it is a little bit low. It's under 2% of the GDP.

So what the government needs to think about is what the factors are that are stopping people from investing in India. And I mentioned some of those right now earlier with my question about investment. So when it comes to simple investment choices, India is growing fast.

It has a favourable growth rate differential and favourable interest rate differentials. India's policy rate is much higher than in most of the world. So of all of these, two of these factors are very important for investors to consider. But as I said, there are a whole host of other things that investors also look at. The regula-

tory environment, how easy it is to set up businesses, what sort of red tape is involved, and whether there is basic infrastructure? So, if some of these factors are looked at by policymakers, I don't see why India could not attract more foreign direct investment.

**Punya:** And just a question, that on the consumption side, you mentioned that most of it is driven by the urban economy. And you also mentioned a lot of suggestions that could be inculcated, which could drive the economy up. So, for the rural economy, do you feel that there are some suggestions unique to that? We have been reading that there have been a lot of initiatives taken on the rural side, but still, it is not performing up to par. So what do you think is the problem there?

**Mr Dhruv:** Look, so this is a challenging thing to address, simply because the factors that are affecting consumption behaviour in rural areas aren't necessarily the same as those affecting consumption behaviour in urban areas. So, I mentioned that the labour market was a bit of an issue in the rural area. So let me be a little bit more specific.

Wages in rural areas haven't grown as fast. In some cases, they've stagnated. So, if your income is stagnating, then you're not going to be spending as much as you could previously. In urban areas, what supported or bolstered demand over the past couple of years, you could potentially put that down to pent-up savings, which then people had an opportunity to spend once lockdowns and other restrictions were removed. So, a lot of people who lost jobs in urban areas, we've seen evidence that they went back to rural areas. And perhaps that reverse migration was permanent in many cases.

So then, this boils down to a question: Are there enough jobs in rural areas? What types of jobs are being created? Are people going back to the agriculture sector? Are people going back to other forms of employment? You could take a look at what is going on with the MGNREGA demand as well. That gives you sometimes an interesting perspective of whether people are in need of that or not. And what we've seen is MGNREGA demand has been sustained over the past couple of years as well.

So what I'm trying to say is that you don't have a one-size-fits-all sort of policy. It has to be a targeted and tailored policy. Some suggestions for the rural areas can be making sure that barriers, if there are any, to accessing jobs are removed. Ensuring that barriers that prevent migration are also removed. One thing that we saw over the past couple of years is the importance of the portability of welfare.

In many instances, people were only able to avail the welfare support that the government provides if they were back in their hometowns. So, allowing you to access welfare from wherever you are is something that's important, and the government has moved in that direction. It's got the One Nation, One Ration Card initiative as well. So there are a number of these things that can encourage or incentivise rural workers to maybe think about coming back or starting something new wherever they are.

**Kriti:** That makes sense. Coming at the end of this interview, while you were preparing for this interview, I read so much about you, about your journey and everything. So we just wanted to hear in your own words what your typical day in your life looks like, considering you make so many decisions on a daily basis that affect a large number of stakeholders and what your journey essentially has been till this day in your own words.

**Mr Dhruv:** Okay. So let me start with the journey part first, rather than what a typical day looks like. Because I suspect what a typical day looks like is not what one would expect. So let me think about it, let me share firstly, look, I studied economics. I did economics and econometrics as my two majors. And I knew that I wanted to work in policymaking. So when I sort of finished my PhD, I started work in the Department of the Treasury in Australia. I worked in the international economics department.

So my job there was always of interest to me. I wanted to work and learn about other economies, what sha-

pes their trajectories, and to answer that age-old question in economics, or at least development economics, “Why are certain countries rich and why other countries are poor?” So having an opportunity to work in the international economics division and specifically on Asia, and spending a couple of years, sort of convinced me that that was what I wanted to stay in that space for a long time. I also spent a fair bit of time looking at or trying to quantify the impact of policy decisions. So I feel that at least at an early stage of your career, if you’re interested in working in economics, development economics or policymaking, understanding the impact is quite important. So, I did policy modelling for a while.

I joined the bank in 2016, and my first posting was in Indonesia, where I played a similar role to here, where my job was to provide technical assistance and policy advice to the Ministry of Finance there. And I’m doing similar things here, perhaps what has happened over a period of time is that the breadth of work has increased from when I started. So a narrow sort of specialisation in forecasting, growth modelling, policy modelling, now sort of branches out to policy advice across many spheres.

So, you asked what a day-to-day, looks like, what I work on. I work in several states in India including projects in Northeast, in North India, Punjab, West Bengal, Assam, Kerala, Maharashtra and so on and each one of these engagements there, are in the advisory capacity. They involve different sectors, working on creative logistics in some, working on climate change in others, and working on fiscal policy in others. So my day revolves around thinking about what advice we can provide, we as the World Bank, to our clients, who happen to be subnational governments, about improving the lives of people in their states and also various outcomes that they’re interested in.

So, a lot of the time, we spend our day analysing what important government programs are in place and how we can help them achieve the outcomes for the government. At the end of the day, we are working for the people of a certain state or country, so whatever matters to them as long as it aligns with some of our priorities and expertise, then we do our best to help them.

**Punya:** That seems very interesting. Now, what does your typical day look like? You didn’t answer that.

**Mr Dhruv:** That’s a tricky question. So, there is no one day that looks the same, right? Each day is actually very different. There would be days when I would get a request from a certain government to think about a certain problem to help them with. I will be specific, for example, two years ago, some state government reached out to me to ask about what policy option they should take because the GST compensation was ending from the central government, so, as you might be aware, when the GST was introduced the central government was often in conversation for a certain amount of years to make up for the shortfall in revenue, so a couple of states, the secretaries of finance, all of them said that we have 3 options, which should be the best option for my state and they are not necessarily the same answer for each state. So, that involved me sitting down and trying to figure out, if I had been in their position, what I would think about and what would be some of the pros and cons of taking certain decisions.

So, a typical day could be driven very much by what the key stakeholders and my clients are asking. Other times, we can spend a fair amount of our time trying to understand what is going on in India’s economy. So, that normally combines in the publication of our development updates, where we think about writing that what are our views on India, why India is going in a certain direction, and what policies India could take in order to address certain challenges. We do spend a lot of time analysing what is going on, which helps us make less bad decisions and more informed ones, depending on how we look at it. It is a small team that works here; we have separate people, and like most other offices, we spend a lot of time debating ideas because there is not necessarily always consensus initially when we come up with our suggestions for advice. So, economics is a contest of ideas, and we spend a lot of time contesting, if you like.

**Punya:** That was a great answer. So, lastly, sir, we would like to thank you so much for patiently answering all our questions and sharing your insights with us. We are deeply honoured.

# India Development Update: Exploring India's Economic Resilience

Aayati Goyal

## Introduction

'Economic Resilience' is defined by the World Trade Organisation as "the ability of a system, including households, firms, and governments, to prevent and prepare for, cope with and recover from shocks." Essentially, it focuses on how well an economic system can deal with setbacks. As all economies attempt to become increasingly more economically resilient in a world of globalisation where trade is both a facilitator and hindrance to the same, India's ability in this domain stands as a testament to many of its goals as an economy.

Over the last few years, the world has seen several geopolitical circumstances that have affected the world's economies. From the global COVID-19 pandemic that brought the entire world to a standstill to the Russia-Ukraine war disrupting trade, countries' economic resilience has been put to the test. However, when we look at India's growth, from a -5.2% economic growth rate in 2020, our economic growth rate has risen to 7% in 2024. India has stood tall and sturdy on the track of its economic aspirations.

## Exploring India's Economic Resilience during the 2020 Pandemic

The 2020 pandemic brought the world to a complete halt. Trade was restricted, production activities were curtailed, and unemployment rose. India's GDP per capita dropped to \$1915.55 from \$2050.16 between 2019 and 2020. In fact, only from April 2020 to June 2020, India's economy saw a decline of 24.4%. The unemployment rate jumped from 5.27% to a whopping 8%.

However, something notable is that before 2020, India's economy had declined only four times

- in 1958, 1966, 1973, and 1980. This historical trend reinforces the idea that India has generally sustained economic resilience. Even during this unprecedented crisis, India quickly bounced back: the country saw a 9.7% economic growth rate, a fall in unemployment rate to 5.98%, and an increase in the per capita GDP to \$2250.18 in the subsequent year.



Dhruv Sharma, Senior Country Economist at the World Bank, highlighted in his recent interview that part of India's recovery was enabled by its strong macroeconomic fundamentals. Fiscal consolidation and robust tax collection efforts helped keep the public finances in check. This, combined with prudent monetary policy, created an environment where inflation remained largely under control even amid global food and energy price shocks.

Private consumption and investment rose steadily. Bank credit increased, another measure of consumer and industrial activity, rising from 11.1% in April 2022 to 12.1% by the end of May. A 7.1% rise in industry output led to a further twofold increase in electricity production. Mining and manufacturing surged, and eight major infrastructure sectors grew by 8.4%, up from 4.9% in March 2022.

India has demonstrated that its economy is robust, capable of surviving large-scale disruptions, and emerging stronger with inclusive growth momentum.



## Exploring India's Economic Resilience on Account of Its Neutral Foreign Policy

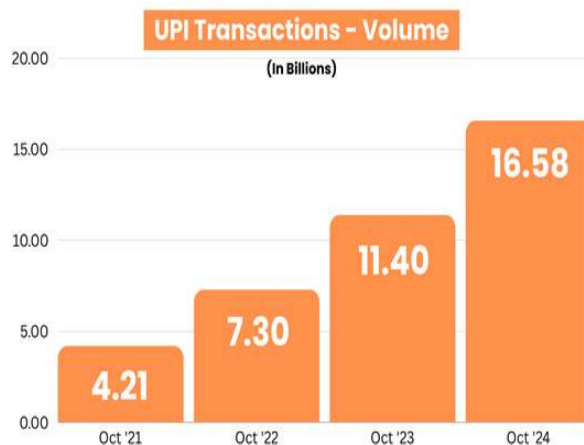
India has consistently taken a strategic, neutral stance in international politics, a position that has been a valuable asset in achieving economic resilience.

During the Russia-Ukraine conflict, for example, India maintained its diplomatic autonomy and continued to import discounted oil from Russia, capitalising on the global fall in demand. This helped India mitigate inflationary pressure on domestic fuel prices and protect its balance of payments. Sharma noted that this pragmatic foreign policy helped India shield itself from global commodity shocks. Despite global energy price surges, India experienced less-than-expected inflation, making it an outlier among peer economies in 2022–23. India also previously continued oil imports from Iran, even amid U.S.-imposed sanctions between 2012–2018, illustrating its long-standing tradition of foreign policy autonomy.

From the Cold War-era policy of non-alignment, which allowed India to draw aid from both the U.S. and USSR, to its COVID-era diplomacy which balanced vaccine imports from Western countries and Russia (e.g., Sputnik V), India's neutral foreign policy has supported its ambition of economic resilience by ensuring uninterrupted supply chains, foreign partnerships, and stable import baskets.

## Exploring India's Economic Resilience Due to Its Digital Transformation

India's strides in digital transformation, particularly Unified Payments Interface (UPI), have been monumental in shaping its economic resilience.



(Source: Ministry of Finance, GoI)

UPI has boosted financial inclusion by bridging the gap between unbanked and banked communities, bringing millions into the formal financial system. This reduces reliance on informal credit channels, increases the tax base, and curbs the flow of illicit funds.

According to Sharma, UPI has not just digitised payments but also strengthened real-time fiscal monitoring and tax compliance, aiding macro-fiscal management. This strengthens the resilience of the Indian economy by enhancing government revenue and reducing leakages.

E-governance initiatives like the National e-Governance Plan (NeGP) and projects like e-Praamaan and GI Cloud have further amplified this resilience by improving service delivery, enabling decentralised access to government services, and bringing marginalised regions into the growth fold. These tech-driven efforts, from e-Governance in remote villages to Aadhaar-enabled benefit transfers, make the state more responsive and citizens more empowered. The World Bank's India Development Update, as discussed in Sharma's interview, emphasises how this blend of tech infrastructure and service innovation has fortified India's ability to respond to crises and support vulnerable populations efficiently.

## Conclusion

India's ability to endure and recover from shocks while maintaining its growth trajectory is made clear by its economic resilience. Whether through its quick recuperation from the COVID-19 pandemic, its strategic neutrality in foreign policy that promotes economic stability, or its digital revolution that drives financial inclusion and efficient governance, India has shown a strong ability to adapt and prosper.

With stable macroeconomic fundamentals, rising labour force participation, improved fiscal space, and technology-led inclusion, India has consistently demonstrated that resilience is not just about bouncing back, but bouncing forward. As global uncertainties persist, India's emphasis on adaptability, strategic policymaking, and inclusive economic growth will continue to reinforce its resilience, ensuring long-term stability and progress in an interconnected world.

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*Competition,  
Regulation and  
Information  
Freedom*

*Safeguarding  
thought,  
empowering  
democracy*



## IN CONVERSATION WITH MR NITIN PAI

In this episode of our live interview series, we are honoured to have Mr. Nitin Pai, co-founder and director of the Takshashila Institution. The Takshashila Institution is an independent think tank in Bangalore. Mr. Pai also teaches international relations and public policy at Takshashila's graduate programs. A gold medalist from the National University of Singapore School of Public Policy, Mr. Pai brings over a decade of experience as a policy maker in the technology sector. Currently, he holds a position of a non-resident senior fellow at the Institute of South Asian Studies at the National University of Singapore and is actively involved with organisations like the Jal Seva Foundation and the Government of Karnataka's Vision Group on Higher Education.

**Kavish:** Thank you, sir, for joining us today. To begin the conversation, we would like to ask you, in the context of rampant misinformation, what role do you believe the government should play in addressing and preventing misinformation within the media? And also, should governments play a role in regulating media at all? Or do you believe it infringes upon the freedom of speech?

**Mr Nitin:** See, I think you have to take a step back and look at the role of government in the first place. Why should the government have a role in anything from civil aviation to telecoms to banking, rates and measures, shops and establishments, and so on? So, the logic here is, if you were to take the view from a liberal democratic point of view, you need the government to provide the conditions in which a free market can operate. You want the government to secure the conditions in which a free market can operate. Because if you look at your first year economics, a lot of your economics is about demand and supply, *ceteris paribus*. You expect a lot of those conditions to apply. But *ceteris paribus* is never there in real life. Or a perfect market, perfect competition, there's no perfection in real life. There are always imperfections. And those imperfections are different for different societies at different times. But the need for transactions remains the same. So, you could be in a very prosperous country where there's a lot of food to go around. Or you could be in a very drought-like situation in a poor country. In either of those two situations, there are imperfections and people's need for food remains. So, now if you're the state, by the idea of a social contract, one of the obligations that you have is to ensure that these transactions, voluntary transactions, take place in the most optimal way possible. So, this includes allocation of scarce resources. This includes who gets what. This also includes an element of equity and so on.

So, if you now look back and say, Why should the government be involved in anything to do with the media? Let's not use the word regulation because I think government intervention immediately, people assume is a regulation. There's a direct presumption that any engagement, anything that the government does in any industry, is regulation or it's regulatory in nature. That's not true. Regulation is one of the several things that the government does. And even in regulation, there are several types of regulation. So, I think it's very wrong and prejudicial to jump to a conclusion that whatever the government does in any industry amounts to regulation. Or even the stronger form of the argument is that anything the government involves itself in ought to be regulated. So, there are many other ways that the government can involve itself in an industry without necessarily being regulatory. So, when it comes to the media, what are you trying to do? For one, you want to ensure that the media industry is competitive. I think that would be the basis of any government engagement in any sector of the industry to ensure that the sector is competitive. Which means the free competition that you come across in Economics 101 doesn't happen in and of itself. It needs social construction to make it happen. Either there should be a very strong society which takes action in a diffuse way, or you need a government which makes that happen.

So, one of the first roles I would see for a government in the media space is to ensure free competition. Which means ease of entry, no entry barriers, no exit barriers. Which means that you don't allow existing

players to collude. You don't allow existing players to form oligopolies, monopolies, and run away with the public interest. Now, in the old days, a metric for seeing whether there is market concentration was to look at the prices. You look at the prices and see how high they are with respect to the costs. Now, you can't do this directly. So, what you would do is you look at the profits and profit margins of the industry. So, for example, if your media industry average profits are 60% whereas the average profits in other industries are 20%. So, you know that the media industry has something going on for those guys, which allows them to enjoy a premium in terms of profits. So, you look at the profits of the industry and then see if there is some kind of extraordinary profit that they are making. Supernormal profits, as you would call them, or any kind of extraordinary profits. That's the first sign.

This is what you would do because you can't do economic analysis all the time. But if you want to get a sense quickly, is there collusion in the market? Do entities have market power? You look at profitability. And you would see that there is an extraordinary amount of profits which people are making. Then you would intervene and say, Look, I need to see if there are entry barriers. If these guys have locked up the market, one of the things they could do is, let's say, you are in 1980. They could go to all newspaper vendors across the country and say, You can only sell my newspaper. And I'll compensate you in a certain way. You can't sell any competitor's newspaper. So, if you and I start a newspaper, well, we can start it, we can print it, but no one is going to be on the road to sell it. So, that's collusion. You sort of lock up those things. So, you, as a government, can now look at this, see whether this kind of thing is happening and then figure out ways to break this. It could even be more sophisticated. If you're a big media player, you could go to the banks and say, Look, if you want business from me, you better not encourage any competitor. So, that's another way you could. So, there are multiple ways you would try to keep rivals out of business. Then, as a government, you would now go and try to say, Hey, look, how do I ensure that new players can come into the game?

That was in the past. Now, the challenge is that the price which the media charges to the consumer is zero. It's on the website. The prices are zero. So, it's very hard to take an antitrust competition law approach to this. Because they're saying, look, the price to the consumer is zero. I'm not cheating the consumer. I'm not extracting rent out of or supernormal profits out of consumers. But they're getting it from somewhere. In this case, they're getting it from advertisers and so on. So, you'll have to be more sophisticated in looking at where their market concentration is, where there is unfair trade practice, and where there is unfair competition. This is important. Fair competition is fine. Because if you can operate a company through innovation, through cost-cutting, through ways of management, which reduces the costs, and you have supernormal profits, that's fine. That's fair competition. Unfair competition is whatever; you explicitly go out and bully others and prevent others from getting into the game. So, that's your first idea of why you need the government to be involved in any industry, not just media.

And to the extent that the government does this job well, you're more or less okay. It's not an easy job. Many countries, including ours, have competition commissions, the Federal Trade Commission in the US, and the EU has its own. So, to basically identify where unfair trade practices are going on, identify where barriers to entry are unfair, all of these are very sophisticated operations. It's not easy to go and do this. So, you have fairly well-developed apparatus for this. But why is the media different? First of all, if you look at it from an economics perspective, what is the media selling? The media is selling information. And information is a non-zero-sum good. Because if I were to sell you apples, I have an apple, I give you the apple, you take the apple, and you give me the money. So, I can't sell the same apple to anybody else. But if I'm selling information, I'm selling the same piece of information to as many people as possible. The marginal cost to me is zero. That same information, I can sell it to a million people and the millionth and first person, the cost is zero. And then you, as a person who bought that information from me, can also sell it to other people.

So, technically, in a situation like this, you could argue that the price of that thing becomes zero. Because if something is scarce, then it has a price, it has a value. The value is linked to scarcity. But in this case, it's available to everybody. So, technically, the price of that information should tend to zero. It doesn't become

zero; it tends to zero. So, you're essentially dealing with a very interesting kind of commodity, where the marginal cost of additional distribution is zero. And the scarcity value of that is also zero. Okay, that's the first level analysis. But second-level analysis tells you that information is valuable because of certain other characteristics. One characteristic could be time. So, if I were to tell you that the profit margins of a particular company are going to plunge, the latest results show that the profit margins have plunged. If you have that information, you can go to the stock market and sell that stock and make a lot of money. So, it's very important. If I tell you the same information tomorrow, it doesn't make sense because it has no value. But if you know that information today before the markets close, then you can do something with it.

So, there is a time domain to that information. The second is that there is a privilege attached to who you give it to. So, you can control who gets that information and when. So, if you know, for example, that the profits of this company have plunged, you can now restrict that information to 100 people who are your friends, and they will act on it. Therefore, it has value. So, you can make information valuable by restricting it to other people. Then there are a lot of other things, such as reuse. For example, if I give you the lyrics of a song versus I give you the audio of that song, that same information is different. If I give you the lyrics and the music notes versus I give you the audio of the song, then it's different. And if that song is sung by Kishore Kumar, that will make a difference. So, different versions of that information, different types of formats of that information can have different values. So, all of these things play a role in the way you look at information as a good, the core thing which the media is selling, which makes it very different from other things which governments do.

For example, regulating telecommunications and regulating the sale of apples are very different from governing the sale of information and media. So, that's the economics part. Now, there are other reasons why information goods are different. But let's look at these. These are the most important. Then there is a third part, which is extremely important because information is critical to the operation of liberal democracy and free markets themselves. In that sense, it's a very fundamental thing. Let's take us back to about 500 years. During the Enlightenment, before the Enlightenment, people didn't look at you as individuals. After the Enlightenment, 500 years ago, people decided that individuals actually exist. Therefore, you have rights. So, you have individual rights. Because you have individual rights, you can create a liberal democracy. Because you have individual rights, you can create free markets. Because if you don't have individual rights, neither do these things make too much sense.

Now, why did they say that? They said individuals have rights because individuals are capable of reason. What does reason mean? Reason means that you can evaluate pros and cons. And if the pros are better than the cons, you make that decision. And if you have two or three options, each has different pros and cons, you choose the option which gives you the highest pros and the lowest cons. So, that's what a rational individual does. You can reason. And that is why you are allowed to vote. I mean, why should you have the right to vote? Because you know what's good for yourself. And you are able to evaluate various options. So, you can choose what is good for yourself. That's why there's democracy. You get the right to vote because every person, regardless of caste, creed, colour, gender, whatever, can use this. Therefore, you have democracy. You have the right to vote. Similarly, free markets exist because everybody knows what value to place on goods. You and I know how much that apple is worth to you. And you, if you are producing apples, will sell that apple willingly because you know what you're getting is higher than the value of the apple to you.

Similarly, if you're buying apples, you'll buy the apple when you know that the value of that apple is higher than the price you pay. So, there is a voluntary transaction. So, this is the basis on which democracy and free markets are constructed. Critical to this is the ability to process information. You're able to process information and make decisions for yourself. Now, what we have learned in the last 35 to 40 years is that humans don't operate quite the same way. You don't weigh the pros and cons. You have a slow brain and you have a fast brain. Now, you would have heard of Kahneman's book called *Thinking Fast and Slow*. So, what does that book tell you? It tells you that you have a fast brain, which instinctively jumps to a conclusion, and you have a slow brain, which defends that conclusion. In that sense, you're not making rational decisions.

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You're jumping to a conclusion, and then you're using your rational apparatus to justify that. So, giving you more facts, as you might have found out on WhatsApp group conversations or canteen conversations, giving more facts to somebody doesn't change the person's mind. People find more and more reasons to defend themselves.

So, now you realise the importance of information because people make decisions based largely on things like social proof. Why do you buy a particular kind of shoe? Why do you have a particular kind of hairstyle? Why do you prefer a particular musician? Why do you prefer a particular politician? All of this is because people in your circle somehow prefer the same thing. Like, fashions are made this way. You buy an iPhone not because you measure the pros. Or they tell you that an iPhone is cool to have. Or Levi's jeans. I need to have Levi's jeans because they're cool. Everybody else thinks Levi's jeans are cool. So, now if you're in a situation where the media or the media setup creates particular narratives, creates particular versions of acceptability, particular versions of the truth, then you have a problem, right? Because an individual is not making rational decisions. An individual is largely going by social proof. And if someone can manipulate the social proof, then you have a problem.

That brings you to the new reason for the government to be interested in. When I say government, I think society as a whole should be interested in it. But because the government is an important agent of society, it has to be interested in. But that gives you a sort of conundrum, right? Why should you trust the government to do a good job, especially in a democracy? Because the government's own ability to return to power depends on manipulating the truth. And that becomes the central problem of media governance, right? Especially in a democracy. But even otherwise, you know, to the extent that political power depends on some kind of consent, and the media is a way to ensure that that consent exists, then, you know, you have a, what do you call it? Conflict of interest. Should the government promote truth, or should the government promote the kind of truth that will support its own existence? And that becomes your fundamental problem of media governance.

Now, you could say, let's not let the government do it. Let's do it with somebody else. Let's do this with markets. Let's let the government be out. Let the markets, well, markets, yes, if they are free and if they are free and competitive, yes. But then, even markets might decide to do things because certain things are more interesting, as Facebook and others did. They found that creating content and promoting content that makes you outraged gives them more money. So they promote a certain kind of content. So the markets also by no means can guarantee that, you know, you will get the truth. What about society? Let's say, let's leave it to civil society. Now, that's also a problem because civil society doesn't have an answer; there's no guarantee that civil society will want the truth. Society tends to want popularity. So if there's a particular religion, there's a particular social practice, there's a particular tradition which society wants to protect and uphold, it will protect and uphold that. It's not necessarily that it's going to chase the truth.

So you have a problem. And this is your essential problem of media governance. How do you now govern the media? Now, there are three parts, which, as I said, the first part is industry. How do you govern the media industry to ensure there's competition? The second part is how do you govern information as a non-zero-sum good? That's an economic governance problem. And the third is, you know, a fundamental problem, which connects it to freedom and liberty. How do you ensure individual liberty in a world where the media has an important role in what you believe? So, you know, three aspects.

**Punya:** Such a fresh perspective on the topic. And essentially, what you said is that the government has two options: either to promote the truth or to further its own objectives. And we do not know what it will do. So, sir, our next question to you would be whether you think there is a need for international cooperation among different countries to develop a sort of unified code of conduct for media regulations and so on? Like recently, only Meta, formerly Facebook, was in the headlines for not following certain rights, privacy rights and those things. So, do you think there is a need for international cooperation among countries?

**Mr Nitin:** See, any attempt to have internationally binding arrangements is very problematic. Because in the very first instance, it's undemocratic. Because if the people of a certain country or a political system want to live in a particular way, whether they operate in a democracy or not doesn't matter. If they want to pursue a certain way of life, a particular way of behaviour or particular norms, then international obligations are just like an imposition. It's like the British Empire imposing something on you. You might not want it. Hypothetically, imagine there's a society that doesn't want the truth. It's the norms of society. They don't want certain kinds of truth. Let's say they don't want to know the truths about physics. They're just anti-physics. And let's say your norms, international norms, are that science should be taught to all school children. Now you're imposing your norms on them. You're imposing your science norms. And those are not their norms. They feel that they shouldn't have it. And the one reason they are an independent republic is that they want to have their own norms.

Ultimately, why do you have 200 countries in the world, nation-states? It's because they want to live their own way. If people all agreed on the same set of norms, you would all be in a unified republic of Earth. So you have 200 different countries because you have different norms. Your religion might be different. Your language might be different. Your traditions might be different. Your politics might be different. So there is a fundamental problem with international norms. Second, let's assume that there are certain overriding interests of humanity as a whole that require you to have certain norms. Then it follows that those norms should be parsimonious. The word parsimonious means frugal. It means low cost, small, unambitious, and limited. The correct word is limited. Those norms should be extremely limited. Which is why even when you have fundamental rights for the people of India, forget the word, when the constitution writes fundamental rights, it just gives you a handful. Right to freedom, so on. These are the most minimal ones.

You could argue that the right to food is a fundamental right, as we've been trying to do. The right to education is a fundamental right. The right to broadband internet is a fundamental right. All of these things mean that they are not as fundamental as the right to life. You could argue that your right to life is important. It doesn't cost anyone to protect your right to life. But the right to give you broadband. Someone has to build that infrastructure. Someone has to pay you. You can't say I have a right to broadband. You might have a right against people denying you broadband access. But you can't say that I have a right to broadband itself. We used to joke that if those rights could solve a problem, then India just needs a right to a richer spouse. Every Indian is entitled to a richer spouse. So you do the mathematics. If everybody is entitled to a richer spouse, one or two generations later, poverty will be gone because everybody will be marrying a richer person. But it's absurd. So having a Bill of Rights has to be very parsimonious and limited.

Now, if you're thinking about international rights, then those rights also have to be very parsimonious. That's why the Universal Declaration of Human Rights is very limited. It's a very small set of rights. But even that is not agreed upon by everybody. So forget about the politics of it. Conceptually, creating a global code of media rights seems to be very hard to do in principle. Now, on this, you add politics. You have 20 or 30 different political systems. Each of them has a different set of interests. Some regimes are based on the denial of information. Let's say China or North Korea. Some regimes are based on a particular forced acceptance of certain kinds of information. This could be religious governments. This could be even in places like the United States, where they impose a certain set of policies based on unquestionable truths. So then you also have governments and societies which are based on the free flow of information.

Now, how do you arrive at a mutually acceptable code of conduct across 200 countries where people are so very, very different and diametrically different? So I don't think the answer is international code. Each country takes to the extent that it can, having a, you know, bound by its constitution, right? So what is it that India can do within the bounds of its constitution? What is it that Indonesia can do within the bounds of its constitution? How do you ensure that the media environment serves the interests of the public, given the bounds of the Constitution? I think that's the first step. And it's also easy, right? Because you just say, look, I don't want you to follow some foreign laws. I just want you to follow your own constitution. I can go to any country and make that argument. I can go to North Korea and make that argument and say, Look, I'm

not asking you to follow the Indian constitution or the US constitution. I'm asking you to follow your own constitution and do as you're supposed to do.

**Kavish:** That was indeed a very insightful answer, sir. Then our next question to you would be, how do you perceive the intersection of media regulations with geopolitical considerations and security concerns? Especially in the era of interconnected digital platforms?

**Mr Nitin:** See, the fundamental concern moving forward, right? I mean, whatever happened in the past is one thing. But if you're looking forward, the fundamental concern is protecting an individual's freedom to think. I would call it cognitive autonomy. Because unless that freedom is protected, unless your cognitive autonomy is protected, you will no longer be a free individual. All your other liberties, your choices are all hostage to this basic idea that you should have the freedom to think, and you should have the freedom, you should have the right for your freedom of thought to be protected. Again, you should not be influenced by people, by entities without your permission, without your consent. This includes dark patterns on the web. This includes social media algorithms. This includes propaganda. This includes coercion. This includes religious coercion. This includes social coercion. This includes, you know, even family coercion, right? So, you don't want your freedom, your mind to be tinkered with, without your consent.

That's the basis on which we have to look at governing media in the years ahead. Because it's, you know, talking about whether there should be a free media, free press, whether there should be laws, censorship, it seems to be like, you know, you're discussing non-fundamental stuff, right? If you get to the heart of the problem and say, what is it that you, as a government or you as a society, as we as people should be thinking of, is we want to ensure that our minds are not messed with. And how do you do that? Because, as we just discussed, the entity that is charged with protecting, to sort of protect us, is the government, the state. The state has its own interests. So, how do you ensure that the state doesn't use its information power to mess with our own brains? I'll give you an example. Let's say there is a foreign invasion of a country, and the invasion is going on, and our troops are unable to defeat those invaders. Now, you will take action as a citizen only when you know that it is happening. Now, what if, you know, conditions are created where you don't even know that it's happening? Or the second thing is, maybe you know that it's happening, but you're being, you know, you're being given information saying that, oh, we are actually winning, right?

If you read 1984 by George Orwell, that's exactly what happens, right? The governments have so much power over the media, on information, that the citizens are absolutely powerless to make their own decisions, right? I mean, how would a citizen in Orwell's, you know, London know what's happening in Europe, right? He's not able to go and see with his own eyes, with her own eyes. We have to rely on sources of information, which could be the media or the government. So, that's your fundamental conundrum, right? And each society, I think, will have to figure out its own way to deal with this. One way is that some of the new research and new thinking that is going on is to make the freedom to think a fundamental right. Other people say that, look, freedom to think is already a fundamental right. You don't need to make it a new fundamental right, because it's implied in all the fundamental rights that we have, including in the Universal Declaration of Human Rights, right? In which case, that right already exists. Then you have to make laws to make that happen. But making laws is not, you know, it's not some press button thing, right? You have to, I mean, you have to figure out, you still have to solve the underlying problem.

What, how, and who, and in what form, are you going to ensure that people don't mess with your brain? One idea which has been suggested in theory by a science fiction author called David Brin, maybe, I think it's about 30 years ago that he wrote this book, it's called The Transparent Society. So, what he says is that, look, let's say there's a need for surveillance, okay? That the police need CCTV cameras all over the place, so that they can, you know, they can see what's going on and act in the public interest, right? So that they can, you know, protect people. So there is a legitimate need for law enforcement to be able to see CCTV feeds. But the problem is, how do you prevent the police from putting CCTV cameras in areas where they shouldn't be, and snooping on citizens, right? And taking advantage of their ability to snoop, to do nasty

things which are not in the public interest. So, David Brin's solution to that is to allow people to see what the police are seeing. In other words, imagine that there's a room where the police are looking at a monitor with the CCTV feed, and the room has glass walls, so that the citizens can stand behind the police and see what the police are seeing, right?

I think it's a good metaphor for how to do these kinds of information regulations, right? That you introduce some kind of transparency in the way law enforcement actually operates, or, you know, the media management or the media governance of the state actually operates. Now, it's easy to say this in theory, right? But in practice, it's not so easy to do. But I think there's something there. We need to move towards something, because I think the methods that we have today in India, and most other countries also, are very, you know, 100 years, 200 years old kind of methods, right? It's an industrial age method. Oh, turn off the internet, ban this website, you know, have surveillance cameras everywhere. Now, you know, these are, you know, London does this, and so does Beijing, right? So, there's no difference between a liberal democracy like the UK and Beijing. Everybody has CCTV cameras. It's just that, you know, what kind of trust do you have in people? And what kind of accountability do those law enforcement guys have towards the city? That's the difference. So, we have to move towards a place where there's greater accountability and greater incentive for the state to act in the public interest.

**Punya:** Thank you, sir, for that answer. The CCTV analogy summarised things so well to the question that we've been seeking answers to since the beginning. So, sir, now, hypothetically, if we take the government out of the question for a minute, do you think that self-regulation by media houses would be enough or would we need to have an autonomous regulatory body that would not be controlled by the government?

**Mr Nitin:** I think self-regulation is doable in many industries, but I think in India, in the media, it's very hard, mainly because the business model is what it is, right? Because, as I said, people value zero, people do not pay for the media, right? So, you are dependent on advertisers. And advertisers mean that you have to get eyeballs, you have to create interest. That means you'll promote and privilege a certain kind of content over the others. So, I think that the business model problem was not going to go away. You know, people say, until and unless people are willing to pay for media, right? If you're willing to pay a fair price to run a good newspaper or run a good TV channel, you won't have good media, right? You know, economics is such that that'll never happen. You know, imagine you're paying 50 rupees a day for a newspaper and 5000 rupees a month for a television channel, which you watch, a news channel, right? It's not unlikely, right? It's not just in India, it's unlikely anywhere in the world. So, which means that to keep themselves afloat, right? From a business economics point of view, they will be forced to go in for some kind of an advertising-based model, which again, privileges sensational information, biased information, etc., to get more eyeballs, right? So, then it becomes a, you know, if you look at our television channels as a good example, it becomes a shouting match. And it's an arms race of shouting matches. It becomes who shouts more, who's more outrageous, right? Who does the more absurd and totally crazy thing? So, it's a, you know, spiral to the bottom. It's a race to the bottom. So, I don't think industry self-regulation is quite the answer in the media space.

Then the question is what, right? What do you do? You know, one answer probably is all of the above, right? Imagine a situation like this. Instead of the government trying to control what information, you know, censoring information or controlling the flow of information, let's say that the government takes its job as providing authoritative sources of information, right? So, whatever the government puts out is authoritative data. And it makes that data and that information have that reputation of being authoritative. So, for example, 30 years ago, right? People would see the BBC as an authoritative source of information, right? Whatever they read in the news or here and there, they'll turn on to the BBC radio and say, Oh, if the BBC radio says something, then it's true, right? It's authoritative. Or you would say, like, if this data comes from the government, right? If you know, whatever the thing is, whatever data that is, right? If the government builds a reputation for giving credible data, I think it does a lot, right? So, one rule of one option could be that there is a government channel, right? Within quotes, it could be a media channel, it could be a press release, or, you know, it could be whatever form. But you have a government which creates a reputation for deliver-

ing accurate, timely, authoritative information.

That means people can't bluff, right? People can't run away, you know, by saying all sorts of things. You know, for example, you could say that, oh, there's a riot in XYZ place, right? And that goes on to social media. But let's say you go to the government site and say, you know, type, Is there a riot going on? And it says no, you know? Then, you know, it's clear. And then, you know, people can't run away with rumours that easily, right? Because, well, there's a short amount of time where the rumours will fly. But because it's an authoritative source, you can compare it with. So, that's one way. So, instead of the government actually regulating anything, it can just do its own job well, right, by providing authoritative information. Second, this is not just a government function. This, although this, you could say that accurate information is a public good, right? And therefore, it has to be delivered as a public good, right? But you could also have private entities which provide that.

So, for example, today in the financial markets, you have several private players who provide credible information, right? Market information, you know, business information, which is important for investors, right? So, profits of companies, whose shareholders, the latest company news, right? Stock prices, all of that is available, right? You can pay Bloomberg to get a subscription for this, right? Reuters provides this to its subscribers. So, the CMIE in India, for example, provides information about the economy. So, there are specialised private providers of information. And they create value for themselves by being credible. Now, this is also possible in the media space, right? So, you could have a subscription-based media entity which provides accurate information. Although it might not be able to do it for everything, for certain types of information, probably there is, right? Then you have the role of fact-checkers, you know, fact-checkers and fact-checkers of fact-checkers and so on. But, you know, ultimately, I think the answer, because I was telling you about freedom of thought, is not so much about self-regulation or government regulation, but about the education of citizens, right?

Because let's say, and some of this might happen on its own, right? Because I think your generation is far more, you know, your generation is far more sceptical and savvy about spotting fake information on the internet than my parents' generation, right? And we are somewhere in the middle. Younger people tend to immediately look at a photograph and say, This is doctored, right? You look at this kind of news and say, This looks like fake news. Whereas our parents' generation is used to seeing visual information and believing what they see. So, they are a little more gullible than you are, right? One is this generational thing. The second is, if the school curriculum from a very young age teaches people critical thinking, right? Then I think we'll be able to solve a lot of this. Ultimately, as I said, it's about your mind. It's a battle for your mind. Now, if you're taught from a very young age how to be a critical thinker, right? Then a whole lot of this will fall into place on its own because you're not gullible, right?

Now, one reason it's not been important for societies to invest in critical thinking in schools is because, you know, news was, we didn't have that social media world even 15 years ago, right? So, people would say, okay, if I can read the Times of India or the Hindu or the Indian Express, and if it appears there, it's credible, right? So, all you had to do was that. You didn't really need to have great critical thinking at an existential level. The importance of critical thinking has gone up in the information age, which means your solution, if you're looking for how to solve the media thing, is don't look at the media, don't look at the governance, look at the education system and ensure that kids learn how to do critical thinking from the time that they're very young. Once you know, even if you solve 50% of that problem, right? The impact on the media and the media business is going to be massive because it all snowballs. Because if you don't have a gullible population, right? So, you can do, you can say, Oh, I have these deep fakes. I have these wonderful AI technologies to fool people. But if people have learned how to process information and tell, you know, be sceptical about information and critically evaluate it, you'll beat the technology any day.

**Punya:** So, sir, now, as we are nearing the end of the interview, our last question to you would be that before the interview, we had read so much about you and researched you. But now we would like to hear it in

your own words: what does your typical day look like? Because you have to make so many decisions every day, and manage so many things.

**Mr Nitin:** Well, actually, it's not true that your day becomes very difficult if you work for a well-designed organisation, right? So, I think most of the time, I have a lot of time to think, read and learn. So, I spend as much time as I can reading and learning, whether this is related to my work or not related to my work, it doesn't matter, it's about curiosity, right? So, I read a lot of fiction, and that's important because it tells you how society can be organised. I read a lot of non-fiction because that's important to my work. And no area of knowledge is irrelevant to a public policy analyst, right? It's the only, probably the only job in the world, which requires you to know everything from nuclear science to philosophy, to biology, to chemistry, to sociology, you know, tribes of Papua New Guinea to moon missions, right? A lot of time for that because one of the joys for us is that in my organisation, we are designed such that people are independent. People make their own decisions. Very few decisions have to come to me because most of those decisions, most of those choices, problems are already solved by people in the organisation. Mostly by people who are facing the problem, but also by their colleagues or by their immediate seniors. But the test of this is the questions that come to me will be the hardest questions, right? Because if the question is not hard, someone else already should have done it, right? So the hardest questions come to me, and I'm sort of able to do this. So the challenges come from a different direction. The challenges come from having to deal with the sustainability of the organisation. Which means if you're a non-profit, you have to keep looking for money. If you're a for-profit, you have to keep looking for money, right? So that becomes one of the biggest challenges, and money always is a troublesome thing in whatever you're doing, right? Either it has strings attached to it or it has challenges attached to it, you know. So the difficulties mostly are with respect to managing, you know, funding, sustainability and so on. The other kind of challenges come when, in a public policy profession, you're trying to figure out how to solve the problem, right? Because even if it's traffic on the road, you know these solutions exist. Obviously, people know that there are well-known solutions to this problem, but the well-known solutions are either not being implemented or not working. Then what do you do next, you know? So a lot of the job of a public policy analyst is spent trying to figure out different ways of solving the problem, right? Because if existing problems don't solve them, then what do you do? But yeah, I have a wonderful job. I have no stress, which is common in private sector jobs. I mean, I might have different kinds of stresses, but not the conventional ones. So I have enough time for my thinking and for my research and so on.

**Kavish:** Thank you, sir, for the answer. And now, as we wrap up, sir, thank you so much for being here and patiently answering all our questions. It was indeed an amazing session.

**Punya:** Yes, sir, to agree to this interview. And it was an afternoon well-spent. We learned so much. Thank you so much once again for joining.

**Mr. Nitin:** Thank you. Thank you. I'm glad it was of some use to you.

# Media Regulations: Balancing Freedom and Responsibility

## Aroma Mall

### Introduction

Every phenomenon has a line, and the line in every which way, is one that cannot afford to be crossed. Media regulations and their existence, for the longest time, have been a topic of sore dissent, often leading to frustrated arguments. But as unpleasant as they may sound (for isn't free speech and the liberty to express the fundamental right of every citizen and human being?), it would be unwise and often misguided to admit that the need for media regulations was one that did not exist at all, for a lot of our history would indicate otherwise.

### Salman Rushdie's *The Satanic Verses*

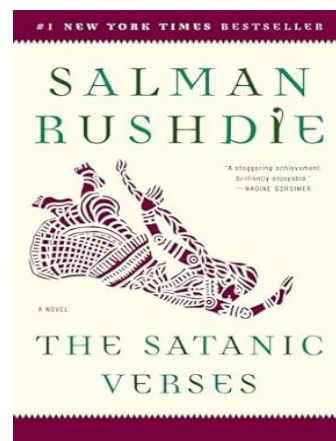
Salman Rushdie was an Indian-born novelist whose work primarily revolved around historical fiction with varied elements of magic realism, more often than not set on the Indian Subcontinent. He was a man brilliant enough to earn himself a Booker Prize for his second novel, *Midnight's Children*, and one unafraid of telling the truth.

His fourth novel, however, did more than just captivate - it sparked outrage. *The Satanic Verses* was a novel that incorporated a fictionalized version of Prophet Muhammad and caused waves of uproar in Pakistan, India, and even the UK (Rushdie's country of residence at the time), for its strong Islamic themes that offended the sentiments of the Muslims by referring to the namesake "Satanic Verses," which was a disputed historical event in Islamic tradition.

The release of this book sparked in many of its readers so much outrage that Rushdie was then forced to go into hiding to evade the assassination attempts that targeted him, attempts that had been

instigated by Iran's Supreme Leader, Ayatollah Ruhollah Khomeini, who believed the book to be "blasphemous." A three million dollar bounty was placed on Rushdie's head, and the declaration, or the fatwa, extended its claws not only to Rushdie but also to the publishers, editors, translators, and distributors of his book. Now, here we indent the need for media regulations and their workings: because a debate is sparked once again with both sides carrying equal amounts of truth and both sides carrying equal amounts of justice. Should Salman Rushdie's book, one that hurt the sentiments and religious beliefs of dozens of millions of people, have been prohibited from further publication, or should he have been allowed to write what he wished to and say what he wanted to, simply because that was his right?

For media regulations to come into play and for media regulations to be the hero of the day, we ask ourselves the following questio



*(Salman Rushdie's The Satanic Verses)*

Should the freedom of one preside over the feelings of hundreds? In a democratic society, such as the one in which we live, the freedom of speech is a fundamental right - but when it clashes with the

cultural, religious, and social beliefs of hundreds, thousands, or millions of others, the layers of that absolutism begin to crack.

## The Argument for Freedom of Speech

**Fundamental Right:** The freedom of speech is a fundamental right which allows individuals to question the norms and express distinct and diverse perspectives that often challenge authorities and the pillars of the everyday that they uphold. Would we have a progressive society without the liberty to question, ponder and state?



**Censorship and its harmful effects:** Creativity and intellectual discourse are stifled when the restrictions on speech become excessive. The powers of censorship, when misused, can silence dissenting voices and curb justified opposition, often benefiting those in power instead of protecting the society.

**The subjectivity of offense:** When the domains of offense become subjective, so do its parameters. Who defines the level of offense, and who agrees to it? In one corner of the world, a piece of art may be seen as profound, while in another, it may be deemed blasphemous. This ambiguity makes blanket restrictions a dangerous precedent.

**Cultural growth through discomfort:** Progress is not born out of comfort. Societies evolve by confronting their discomforts, their flaws, their forgotten histories. Writers, journalists, filmmakers, and other media creators often hold the mirror up to society - and not all reflections are flattering.

## The Argument for the Exercising of Media Regulations

**Sensitivity and Caution:** One could argue that every individual has the right to speak, but that right should be exercised with the awareness that words hold power. When words have the potential to enrage, divide, and inflame, the speaker must take responsibility for the consequences. Media, being as far-reaching and influential as it is, carries a higher burden of care.

**Social Harmony:** Media regulations, in their ideal form, seek not to suppress ideas but to safeguard harmony. The societal cost of unfiltered expression can be devastating - inciting riots, hate crimes, and social disharmony. Regulations, then, function not as a gag but as a seatbelt: preventive, not punitive.

**Protection against misinformation and hate speech:** In the digital age, misinformation spreads like wildfire. Regulating media can help verify the accuracy of information, preventing the harm that false narratives can cause. Similarly, unchecked hate speech not only threatens minorities but normalizes violence, racism, and exclusion.



**Cultural preservation:** While globalism encourages open dialogue, many societies fight to preserve their values, beliefs, and traditions. Media regulations, particularly in culturally diverse or religiously sensitive regions, help maintain a balance between modern expression and cultural integrity.

## Walking the Tightrope: Balance is the Key

It is not about gagging voices or unconditionally

protecting sentiments. It is about walking the tight-rope - where neither truth is sacrificed nor tolerance overlooked. Media regulation, when imposed with accountability, transparency, and inclusivity, can coexist with free expression. The line that must not be crossed is not always about what is said, but about how and why it is said, and to what effect. Intention and impact must be weighed in equal measure.

A writer must write, a filmmaker must create, and a journalist must report. But when their creations hold the power to provoke mass unrest or cause targeted harm, the debate becomes more than personal - it becomes public, and therein lies the crux of regulation.

## Conclusion

In the end, no society can flourish without the freedom to think and speak, but neither can it thrive amid chaos and injury born from untempered expression. Media regulations are not the enemy of democracy - they are the safety rails that ensure our rights do not become another's ruin. The question is not whether we need media regulations, but how we shape them - so they protect the freedoms we cherish without compromising the respect we owe to one another.

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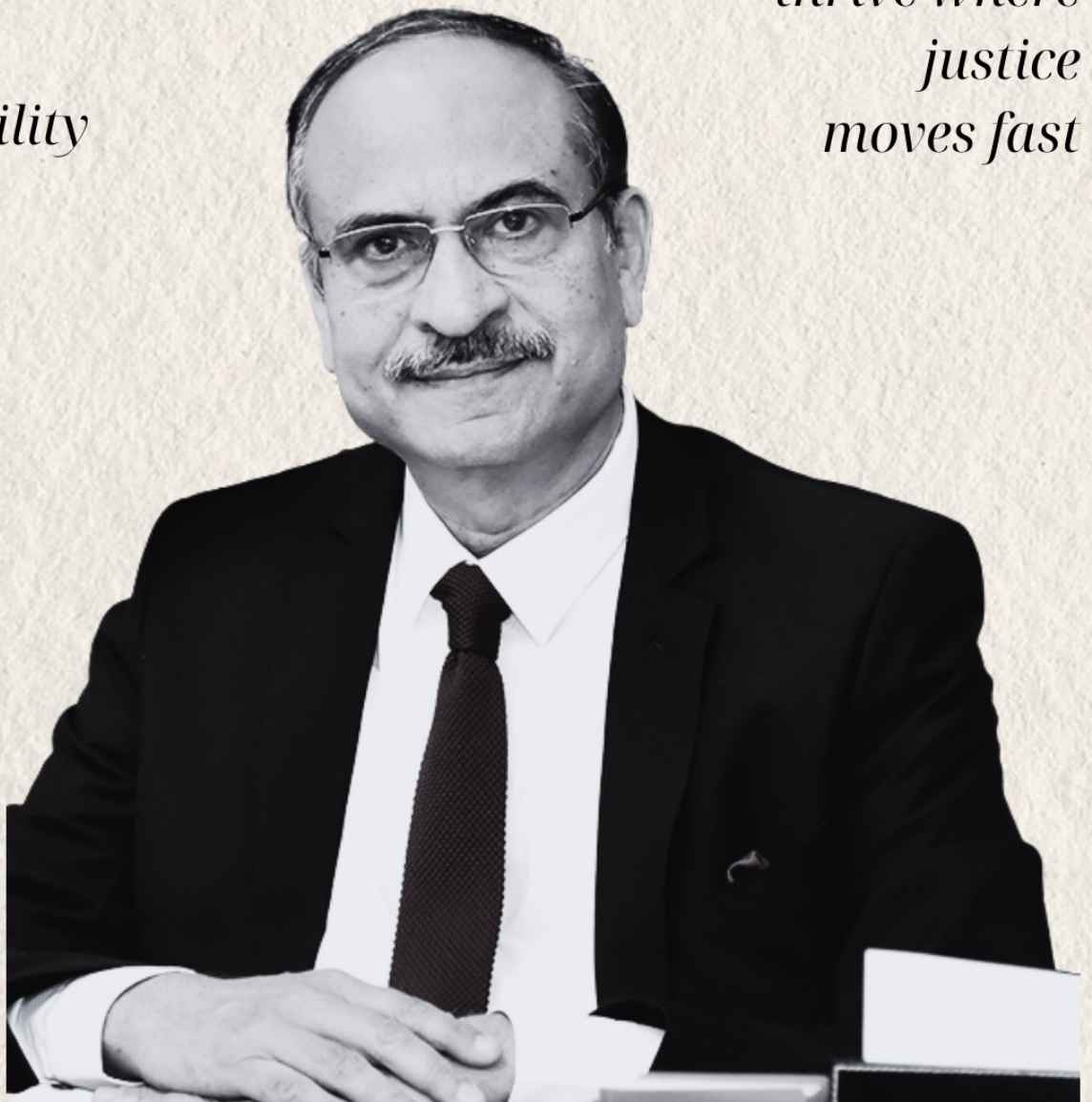
*with*

# ARUN CHAWLA

*Director General, Indian Council  
of Arbitration*

*Institutional  
Arbitration and  
Economic  
Sustainability*

*Economies  
thrive where  
justice  
moves fast*



## IN CONVERSATION WITH MR ARUN CHAWLA

In this episode of our live interview series, we are honoured to have Mr. Arun Chawla, Director General, ICA.. Mr. Chawla is a distinguished professional with a remarkable career trajectory in the field of commerce and arbitration. As the Director General of the Indian Council of Arbitration and Principal Advisor at the Federation of Indian Chambers of Commerce and Industry, he exemplifies strategic leadership and deep industry insight. With a proven track record, Mr. Chawla's tenure as the former Director General of FICCI underscores his pivotal role in shaping India's business landscape. His expertise and vision continue to drive forward the realms of commerce and arbitration in the country.

**Punya:** Coming to the first question, as the Director General of the Indian Council of Arbitration and former Director General of FICCI, what initiatives have been taken to promote and enhance the efficiency of arbitration processes in the country?

**Mr Arun Chawla:** Let me answer your question and put it very humbly, that I have spearheaded several initiatives to promote and enhance the efficiency of arbitration processes in the country. These efforts have been aimed at advancing a conducive environment for alternative dispute resolution and positioning India as a preferred arbitration destination. Some of the key initiatives include the promotion of institutional arbitration. This involves collaborative efforts with various institutions to raise awareness, offer support and encourage the adoption of institutional arbitration as the preferred method for dispute resolution. Noteworthy is the flagship International Arbitration Conference, which ICA initiated in 2015. It was themed Arbitration in the Era of Globalisation. Now, this event, inaugurated by the then Chief Justice of India and featuring eminent speakers globally, has become an annual affair, with the most recent edition being held in Dubai in 2022. Alongside this flagship conference, ICA has organised various other conferences, symposia and training workshops to further the cause of arbitration.

Now, coming to other initiatives, another important one is advocacy for legal reforms, engaging actively with policymakers and legal experts. I have advocated for reforms in arbitration laws. These efforts are directed at addressing gaps in the legal framework, streamlining procedures and rendering arbitration. I was a key member of the crucial committees, which were formed by the Government of India, that played a pivotal role in evaluating the existing Arbitration Act and recommending changes based on inputs from the legal fraternity. Another important initiative that ICA has taken is international collaborations. To enhance the global credibility of Indian arbitration, ICA has fostered collaborations with international arbitral bodies and other organisations. This includes entering into partnerships with renowned institutions, active participation in international conferences and the exchange of best practices to align our arbitration processes with global standards.

During my tenure, ICA has signed over 40 Memoranda of Understanding with internationally recognised arbitral institutions and associations. Last but not least, ICA has actively promoted the use of technology in arbitration processes. This encompasses the adoption of online platforms for case management, e-filing and virtual hearings, aimed at expediting proceedings and mitigating logistical challenges. All these initiatives are aimed at positioning India as a favourable destination for arbitration and, at the same time, developing a robust and efficient dispute resolution ecosystem that caters to the needs of businesses and contributes to the overall growth of the country.

**Mishthi:** Thank you, sir. We hold deep regard for the contribution of ICA towards furthering the scope of arbitration in India. Our next question to you is, what are your views on the increasing usage of technology in arbitration, such as online platforms, video conferencing, etc., and how can these be leveraged effectively

in the context of arbitration in India?

**Mr Arun Chawla:** A very pertinent question, Mishthi. Let me tell you that the field of arbitration has been experiencing significant changes over the last few years, with advancements in technology playing a key role. Two technologies in particular have emerged as game-changers in the field. One is artificial intelligence, and the other is blockchain. In this interview, I will briefly discuss the advantages and effective usage of technology in arbitration, specifically focusing on the integration of artificial intelligence and blockchain.

Now, artificial intelligence can be utilised for faster and more accurate document review. Machine learning algorithms can sift through vast amounts of information to identify relevant details, saving time and reducing costs. While human arbitrators remain essential, and I reiterate, they remain essential, AI can assist in decision-making by analysing precedents, statutes, and legal documents. This can contribute to more consistent and well-informed rulings. The other is blockchain technology, which can be employed to create an immutable and transparent record of evidence. This enhances the integrity of the arbitration processes by ensuring the authenticity of documents and maintaining an unalterable chain of custody.

Other than these, leveraging online platforms for case management and communication can enhance accessibility. Parties and arbitrators can collaborate more efficiently, reducing the need for physical presence and accommodating global participation. While technology has ushered in efficiency, it ensures that the use of technology does not compromise the fairness and impartiality of the arbitration process. Safeguards must be in place to address concerns related to bias in algorithms or unequal access to technology. As arbitration involves sensitive legal matters, maintaining the security and privacy of information is paramount. Robust cybersecurity measures must be implemented to protect data from unauthorised access and breaches.

**Punya:** How would you evaluate India's current arbitration and ADR frameworks in comparison to major economies? What best practices from other countries can be adopted in India?

**Mr Arun Chawla:** India's arbitration and ADR framework have witnessed radical changes in recent years. Our country's commitment to transforming the legal landscape for arbitration is evident through the 2015 and 2019 amendments to the Arbitration and Conciliation Act. As we evaluate India's framework in comparison to other major economies, it is essential to recognise the strengths that have emerged and identify areas for improvement. The amendments have helped in opening up opportunities for lawyers and law firms to practice in India, particularly in arbitration, which is a significant step towards inclusivity and a more global approach. India's ratification of the United Nations Convention on International Settlement Agreements, which is called the Singapore Convention, enhances the enforceability of settlement agreements and thus contributes to the global recognition of Indian arbitral awards. Institutions like the ICA, the Delhi International Arbitration Centre and the Mumbai Centre for International Arbitration are gaining recognition from the Supreme Court and other high courts. These arbitral bodies are given preference over ad hoc arbitration. Having said that, there are several areas for improvement. Mandatory training of arbitrators, legal professionals and support staff is crucial to enhancing overall competence in handling complex international disputes. 2. It is also important to learn from the best practices of leading arbitration jurisdictions and align Indian arbitration laws with international standards. 3. We need to encourage diversity in arbitration panels by adopting policies that promote the appointment of arbitrators from varied backgrounds, including gender and nationality diversity. Finally, embracing technological advancements in case management, document review, and virtual hearings can contribute to the efficiency and accessibility of arbitration proceedings. Continuous efforts should be made to address these challenges and incorporate best practices from leading economies. By doing so, we strengthen India's position as a preferred destination for dispute resolution.

**Mishthi:** Your rich history and prowess in the field of arbitration in India reinforce our faith, and we are confident that with the vision and leadership of luminaries like yourself, the future of arbitration and harmonious dispute resolution in India is bright. Moving to our next question for you, can you please elaborate on the advantages of utilising alternate dispute resolution, i.e. ADR mechanisms in arbitration, in the context of

India's economic growth?

**Mr Arun Chawla:** Firstly, utilising ADR mechanisms, particularly arbitration, offers numerous advantages that can significantly contribute to India's economic growth. The few benefits that strike me immediately are Time and cost efficiency. Arbitration is known for its expeditious resolution of disputes compared to traditional litigation. This translates into reduced downtime for businesses, allowing them to focus on their core activities and investments, which fosters economic productivity. The second important benefit is the reduced case backlog. By opting for ADR, especially arbitration, parties can bypass the often overburdened traditional court and time-consuming litigation processes at various court levels, thereby contributing to a reduction in the backlog of cases. This will not only speed up the dispute resolution process but will also ensure that businesses can swiftly address legal issues without waiting for prolonged court proceedings. Thirdly, and a very important point, it attracts foreign investment. A robust ADR framework enhances the overall business environment and makes the country more attractive to foreign investors. The availability of efficient dispute resolution mechanisms is a crucial factor considered by international businesses when deciding to invest in a particular jurisdiction. ADR's reputation for fairness and swiftness can positively influence foreign investment inflow and thus contribute to economic growth. Fourthly, a well-structured ADR system, including arbitration, enhances the credibility and predictability of the legal environment. Businesses can have confidence in the consistency and fairness of dispute resolution outcomes, leading to increased trust in the legal system. This, in turn, fosters a stable business climate conducive to economic development. Very importantly, ADR mechanisms offer parties a higher degree of flexibility and party autonomy in resolving their disputes. Arbitration, in particular, allows parties to nominate their preferred arbitrators, determine the rules governing the process, and tailor proceedings to suit their specific needs. This flexibility can lead to more efficient and satisfactory outcomes, promoting a business-friendly environment. And of course, another important feature of the ADR process is that it provides a greater degree of confidentiality compared to traditional court proceedings. This is especially crucial in business disputes where the parties may want to protect sensitive information. The assurance of privacy encourages businesses to engage in ADR, contributing to a more open and cooperative business environment. Finally, ADR mechanisms allow parties to select arbitrators. I've already said that, but this is with specific reference to they can select arbitrators with expertise in specific industries or legal areas relevant to the dispute. This ensures that disputes are adjudicated by professionals who understand the nuances of the industry, leading to more informed and accurate decisions. So this expertise contributes to the overall efficiency of dispute resolution. So as I said, the advantages of utilising ADR mechanisms, particularly arbitration, align with the broader goals of economic growth in India. By providing a quicker, cost-effective, and reliable means of resolving disputes, ADR contributes to a more favourable business environment, attracts investment, and enhances the overall economic landscape of the country.

**Punya:** So that was a very insightful answer. It was greatly emphasised how ADR mechanisms are useful for a business in particular, and thereafter, a country's entire economic growth. So my next question to you would be, are there any specific challenges or opportunities related to dispute redressal in emerging industries such as fintech or e-commerce?

**Mr Arun Chawla:** Well, in emerging sectors like fintech and e-commerce, dispute redressal poses both unique challenges and opportunities. Number one, fintech and e-commerce transactions often involve intricate technical details and complex contractual relationships. So, disputes in these sectors may require specialised knowledge and understanding of the industry-specific nuances, making the resolution process more challenging. Another challenge pertains to the fact that due to the global nature of fintech and e-commerce, the disputes may transcend national borders. The challenge lies in navigating through diverse legal frameworks, jurisdictional issues, and differing regulatory environments to ensure effective and enforceable dispute resolution. The fast-paced evolution of technology in these industries can outpace the development of legal frameworks and dispute resolution mechanisms. So, adapting traditional arbitration processes to address emerging technologies and novel business models becomes challenging. Adding another layer of complexity to the resolution processes are the disputes arising from data breaches or privacy issues, which

require careful consideration of privacy laws and regulations. But despite all the challenges, there is a significant potential for dispute resolution professionals in fintech and e-commerce disputes. The unique nature of fintech and e-commerce contracts can provide parties with a more customised and efficient dispute resolution mechanism. This may include provisions for expedited procedures or the use of industry-specific rules. Harmonising arbitration practices across jurisdictions will also immensely help. At the Indian Council of Arbitration, we have been addressing these challenges and leveraging the opportunities to enhance the dispute resolution framework for emerging industries, ultimately contributing to the growth and sustainability of these dynamic sectors in India.

**Mishthi:** That is fascinating to hear, sir. It seems that there is a delicate balance to strike between addressing these challenges and leveraging the potential of ADR in these arenas. Now, looking ahead, what trends do you anticipate in the field of arbitration and ADR in India, and how might these trends, in your opinion, shape the future of the country's economic development?

**Mr Arun Chawla:** Looking ahead, several trends are anticipated in the field of arbitration and ADR in India, each holding a significant implication for the country's economic development. As the Director General of the Indian Council of Arbitration, I foresee typical trends such as, number one, digital transformation of arbitration processes with the growing acceptance of technology in legal proceedings, online case management, e-filing, and virtual hearings will become more prevalent, contributing to cost savings, efficiency, and increased accessibility. This trend, of course, aligns with the global developments and positions India as a technologically advanced arbitration hub. Secondly, as industries become more specialised, there will be a greater demand for arbitrators and mediators with industry-specific knowledge. This trend will lead to the development of specialised panels and training programs, ensuring that dispute resolution professionals possess the expertise needed to handle complex cases in such sectors as technology, finance, and healthcare. Another important trend is that the parties may seek environmentally conscious and socially responsible dispute resolution processes. Arbitrators may be called upon to consider ESG factors in their decisions, reflecting a broader shift towards sustainable and responsible business practices. Of course, a major shift that is anticipated is increased institutionalisation of arbitration. Institutional arbitration is likely to gain further prominence as parties seek the benefits of a structured and well-regulated dispute resolution process. Strengthening existing arbitration institutions and the establishment of new ones will contribute to the standardisation of procedures, enhancing the overall credibility and efficiency of the arbitration system in India. Last but not least, the adoption of mediation as a preferred resolution mechanism for small businesses provides easy access to justice. Now, mediation is likely to see increased adoption as businesses recognise the advantages of consensual dispute resolution. This trend aligns with the government's emphasis on promoting mediation as a viable alternative to litigation, offering quicker and more amicable resolutions. The anticipated trends collectively contribute to the evolution of India's dispute resolution landscape. So by embracing these developments, India can position itself as a hub for efficient, specialised, and technologically advanced arbitration and other ADR services. This, in turn, will instill confidence in businesses, both domestic and international, and help sustainable economic growth and development of our great nation.

**Punya:** Thank you so much, sir. As we wrap up, The Economics Society would like to thank you sincerely for taking the time from your busy schedule for us and patiently answering all the questions. It was indeed an amazing discussion, and we thank you for all the insightful answers that you provided today. Thank you once again.

**Mr Arun Chawla:** Most welcome, I wish the society the best of luck and best wishes for all endeavours. Thank you.

# Driving Economic Sustainability: Role of Arbitration and Other ADR Mechanisms in India's Economic Development

Vishnu Todi

## Introduction

Economic sustainability is, as popularly defined in the words of Milton Friedman, 'the business of business is business'. This entails how businesses need to converge the conflicting demands of environmental, societal and economic sustainability in free markets, the success of which is determined by profits and business growth and how, through a delicate balance of these demands, businesses continue to stay in business.

The conclusion of the colonial period, marked by the denouement of World War 2, saw a swift emergence of several African and Asian states. The opportunities brought on by International Trade had by now become imminent, and with an increase in Globalisation and Commercial Interdependence, there came the pressing need for an international and impartial infrastructure for Arbitration. Hence, the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards came into existence, which is the cornerstone for International Arbitration, even today. The rise of International Commerce, coupled with arbitration's nature of being, by virtue more cordial, private, personalised and collaborative, garnered massive interest by countries, and is the reason behind its overwhelming relevance today.

## Concept and Rationale

Arbitration is the private alternative to traditional litigation wherein, by the agreement of both parties, a legally binding decision is made by one or more arbitrators. The Indian Judicial System is, as of today, plagued by a backlog of 58.59 Lakh pending cases, an excess so burdensome that the situation has become synonymous with Sunny Deol's infamous dialogue in the 1993 movie,

Damini-, 'Taarik pe taarik, taarik pe taarik milti rahi hai my lord, par insaaf nahi mila'.

In the Indian Context, Alternative Dispute Resolution Systems can be broadly classified into two segments - Court-annexed (Mediation, Conciliation) and Community-based mechanisms (Lok Adalats).

Mediation involves two parties that meet with an unbiased mediator who, from then on, facilitates their discussion and brings both parties to a compromise through effective negotiation. After Arbitration, Mediation continues to be one of the most prominent methods of dispute resolution. Lok Adalat (People's Court) is an innovative concept, native to India, that delivers speedy trials with enhanced flexibility and minimal costs.

ADR Systems have gained substantial traction across the globe as an expedited and cost-effective alternative to the adversarial legal procedure. A key aspect of such ADR systems is that they bestow more control to the parties to mutually come to a satisfactory conclusion, unlike the decisions imposed upon them by traditional courts and as such, these systems cater to the tailored needs and interests of the parties, making for a more desirable procedure. ADR Systems offer increased confidentiality and privacy, which is of profound use while catering to high-level businesses and thus sheltering sensitive information from the eye of public scrutiny. This additionally enhances the likelihood of the stakeholders involved engaging in more honest and candid discussions and thus having a higher chance of settling. Furthermore, a salient feature of ADR Systems is that they are substantially economical and efficient. Unlike the long, drawn-out and costly procedures analogous to court proceedings, ADR Systems have streamlined processes and fewer formalities added to already reduced timeframes, which lead to noticeably faster results.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards is by far the primary institution for International Arbitration, an acceptance of which positively influences foreign entrepreneurs to engage in trade with citizens of that country and serves as a step towards the process of legal institutionalisation. Studies have shown that the countries that have ratified the convention have seen a measurable impact on trading patterns. For example, Indonesia, in the 5 years since the ratification of the convention, saw a fifty-per-cent increase in exports. Additionally, this encourages investors and foreign entrepreneurs as not only would breaches serve as domestic violations, but also international violations.



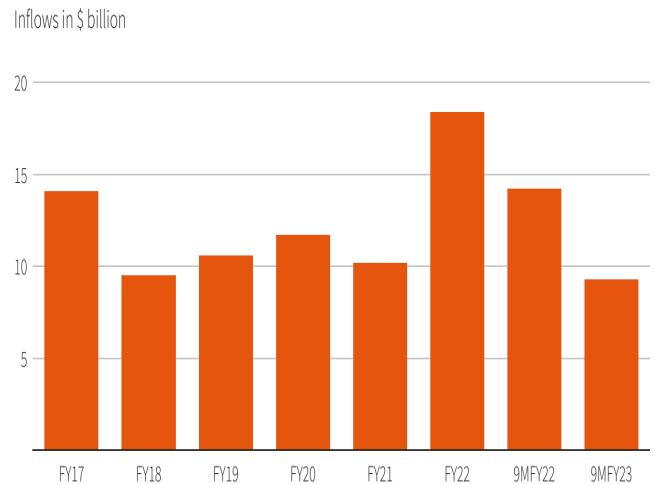
## Costs of delayed justice

As the saying goes, “Justice delayed is justice denied.” Hence it becomes pertinent to discuss the ripple effects of delayed justice while discussing arbitration and alternative dispute resolution (ADR) systems. Fueled by a burdening backlog of cases, lack of judicial infrastructure, complex procedures and resource constraints in the form of outdated technology and shortages of judges and courtrooms, the issue holds profound significance in India.

Long-standing disputes especially in industrial applications can slow down the rate of economic growth in the country. Prolonged justice often results in economic losses, reduction of investor’s

confidence and upheaval of business activities. Furthermore, it reduces the deterrence of legal implications often emboldening wrong-doers. The stupendous amount of backlogs that India coupled with the role that these mechanisms play only goes on to highlight the grave need for such systems.

## Trend in India's manufacturing FDI



(Source: RBI, CEIC, CITI Research)

## Investments and ADR Systems : A quid pro quo relationship.

The International business community has long favoured arbitration, with more than 80% of investment contracts enclosing clauses for arbitration and surveys of MNEs showing that more than 90% of respondents preferred arbitration as compared to cross-border litigation.[Link] Foreign Direct Investment is often directly interlinked with the quality of arbitration and other ADR Systems. A report by UNCTAD clearly shows how FDI inflows of those countries who joined the NY Convention [1975-2003] increased from a mere 2% to reach 11% by the end of the eight year. This positive relation between FDI and ADR systems is further heightened in the case of developing countries with low judicial quality as ADR systems replace domestic judicial courts.

As Mr. Arun Chawla succinctly puts it, “A robust ADR framework enhances the overall business environment and makes the country more attractive to foreign investors. ADR’s reputation for fairness and swiftness can positively influence foreign investment inflow.”

## Technology and ADR Systems



Technological advancements across the globe have led to the rise of Online Dispute Resolution (ODR) Systems, mechanisms that further expedite the judicial processes through the use of ICT tools eliminating both time and costs associated with the physical congregation of parties. In India, the Judiciary, through principal initiatives such as the Samadhaan Portal and e-Lok Adalats, have made substantial strides to bridge the gap of pending cases with e-Lok Adalats in Chhattisgarh - having solved a staggering total of 2270 cases in a single day. The success of ODR Systems further encouraged public-private partnerships resulting in the creation of organizations such as like CADRE (Centre for Alternative Dispute Resolution), Sama, MCIA (Mumbai Centre for International Arbitration), Presolv360 and CORD, that now form the backbone of ODR Systems in India. An emergence of Hybrid ODR Systems that combines the traditional ADR Systems and with efficiency associated with online platforms allowing for the facilitation of asynchronous communication, collaborative document drafting and the integration of artificial intelligence for dispute analytics.

Emphasising the transformative power of innovation, Mr. Arun Chawla notes, “Artificial intelligence can be utilised for faster and more accurate document review... Blockchain can create an immutable and transparent record of evidence, enhancing integrity.” These technologies, as he highlights, not only enhance efficiency but also ensure the security, consistency, and integrity of arbitration proceedings, making them increasingly future-ready.

## Challenges

Despite India having tremendous potential due to a large English speaking population, abundance of human talent and noteworthy infrastructure in

cities like Mumbai and Delhi, it has fallen short of expectations. It was one of the earliest adopters of The Model Law, only the seventh nation-state to ratify the New York Convention and is still to this date often labelled as ‘arbitration unfriendly’. A lack of arbitration lawyers has long droughted the Indian Judicial System, as lawyers generally give second priority to arbitration and thus are unable to devote ample time and expertise to the same arbitration. Loopholes emergent in the law and insufficient legal protection continue to serve as deterrents to the widespread adaptation of ADR Mechanisms in India. When compared to the litigation infrastructure, there is a lack of vibrant arbitration culture and most arbitration centres are ad hoc i.e. only when needed. Even despite the existence of arbitration centres like DIAC and MCIA, Indian Institutions are yet to see the prominence displayed by counterparts like the SIAC and the LCIA. In India, it is a norm to hire retired lawyers as arbitrators and thus the most renowned top-most arbitrators of in our country are arbitrators due to the lack of choice reducing the resilience of arbitration. Poor recognition of Arbitration issues due to a lack of Bar Association for Arbitration further leads to inefficient and delayed treatment of such cases. Continuous interference by domestic courts in the proceedings of ADR Systems has also led to a loss of confidence in the ADR Systems in India. The vast social diversity in India can also often complicate things leading to delayed procedures. The Constitution of India considers 22 official languages and as such, difficulties might arise due to the mismatch of languages between the staff and other stakeholders.

## Conclusion

Without a doubt, the tone for ADR Systems has been established and the Indian Judiciary has taken initial strides for its widespread adaptation. Nonetheless, there is still a long rocky road to be travelled if India is to succeed in its pursuit of becoming a hub for dispute resolutions much similar to the likes of its Singaporean and British counterparts. It must be kept in mind that while this target is largely achievable, such things do not happen overnight. ,’Rome wasn’t built in a day.’. The onus lies on a collaborated effort of the government backed judicially and complemented by a corporate attitude and atmosphere that’s favourable to India’s aspirations.

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