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EDITORIAL ANALYSIS



APRIL 28

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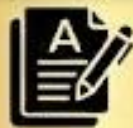
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India-NZ trade deal: Going beyond complementarities

With a series of disruptions in recent years, marked by geopolitical tensions and the reconfiguration of global supply chains, the generosity of trade agreements is being rethought. For like-minded democracies, the question is no longer whether to integrate, but how deeply and how fast. India has increasingly cast its gaze eastward — to the Indo-Pacific — in search of partners that share its vision for economic integration and prosperity for its people. In New Zealand, it has found precisely that.

The relationship extends beyond trade. There are approximately 300,000 persons of Indian origin living in New Zealand, nearly 5% of its population — forming a bridge that is as cultural as it is economic. It is, therefore, not surprising that bilateral merchandise trade, which reached \$1.3 billion in FY25, is already witnessing a 40% increase from the previous year. Services trade, too, has grown by 15%.

The strength of the partnership lies in its inherent complementarity. India offers scale — 1.4 billion people, a burgeoning middle class, and a world-class services infrastructure. New Zealand offers specialisation —

high-tech agriculture, sustainable forestry, and niche manufacturing technologies.

The free trade agreement (FTA) with New Zealand balances a balance with clarity and striking features. India has excluded sensitive products such as dairy, most animal products, vegetables, sugar, artificial honey, fats and oils, arms and accessories, copper and aluminium articles. The elimination of duties on 100% of Indian exports removes a persistent constraint — tariffs of up to 10% on key tariff lines. This breakthrough provides an immediate competitive impetus to labour-intensive sectors such as textiles, apparel, leather, cosmetics, and carpets, alongside high-growth automotive and engineering industries. India's textiles and clothing exports enter a market that imports nearly \$1.5 billion worth of such goods annually with zero-duty access. Engineering exports gain similar traction in a market that imports \$1 billion in engineering products. Leather, pharmaceuticals, marine products, and plastics — each sector previously constrained by tariffs — now has room to grow and prosper.

The deal helps both countries' trade diversification. On one hand, it provides India duty-free market access to New Zealand, whereas for New Zealand companies, it opens the door to a massive market and one of the fastest-growing economies. Moreover, it helps New Zealand to reduce its export dependence on China, thereby boosting the resilience of its export supply chains. With the FTA, India now also has access to a broader regional ecosystem in the South Pacific.

Trade-led growth in India offers clarity. At the level of the states, the India-New Zealand FTA is expected to yield broad-based and sectorally embedded gains, reflecting the geographically dispersed and sectorally specialised nature of India's export base.

Trade flows in both directions. India has granted tariff liberalisation across 70.1% of its tariff lines while keeping 29.9% tariff lines in exclusion, covering 95% of existing bilateral trade value with New Zealand. The immediate duty elimination will be beneficial for key

inputs for India's industry. Imports such as wood and wood pulp will support the paper, packaging, furniture and construction sectors. The agreement also improves access to wood, waste and scrap of ferrous and non-ferrous materials. These are the enablers of manufacturing. By lowering their cost, the agreement does something significant: it shifts the baseline of Indian manufacturing competitiveness.

For New Zealand, India represents scale — an indispensable node in a diversification strategy, offering a magnitude of opportunity that few geographies can match. With overseas investments exceeding \$42 billion, New Zealand's global footprint is already substantial. India offers a partnership extending into production, technology, and human capital. Coupled with an investment commitment of \$20 billion, the relationship has a longer-term strategic character, which is uniquely positioned to generate jobs, deepen capabilities, and evolve from transactional engagement into a partnership that is rickety and embedded.

Perhaps the most defining dimension of this partnership lies in agriculture. Agricultural technology emerges as a central pillar. The agreement realises an Agricultural Productivity Partnership that merges trade in knowledge. New Zealand's expertise in cold-chain logistics, precision farming, and post-harvest management aligns closely with India's need to enhance yields and reduce waste.

With services, the agreement ventures into new territory: the institutionalisation of talent. A dedicated quota of 3,000 visas for skilled Indian professionals — across IT, engineering, health care, and more — creates a structured pathway for temporary movement. Valid for up to three years, these visas are designed to address New Zealand's projected labour shortfalls while leveraging India's vast professional base. Practitioners of AI/ML, Indian chefs, and music teachers are expanding the definition of skilled mobility beyond conventional sectors.

Provisions on student mobility and post-study work visas guarantee the right to work up to 20 hours per week during studies and establish pathways for post-study residency — up to three years for STEM graduates and four for doctoral scholars. By embedding these provisions within a treaty framework, they are insulated from the volatility of domestic policy shifts.

The deal is an attempt to build predictability in a world that rarely offers it. The agreement's scope extends further still — cooperation in MSMEs, intellectual property rights aligned with European standards for geographical indications, expedited pharmaceutical approvals, and digital customs processes, reducing clearance times to as little as 24 hours for perishable goods. By enshrining these provisions within a formal treaty, the FTA acts as a catalyst for wider collaboration and the development of human capital. The two countries have codified a partnership that will shape their regional engagement for decades to come.

In the language of trade agreements, this is a success. In the language of geopolitics, it is alignment.



Rajesh Agrawal

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• Key Terms and Explanations

- **Tariff Lines:** Each product in international trade is assigned a unique code. A “tariff line” refers to that individual product entry. When India says it has excluded 29.97% of tariff lines, it means roughly three out of every ten product types — like liquid milk or sugar — remain protected and are not subject to duty cuts.
- **Exclusion List / Negative List:** The set of tariff lines that a country deliberately keeps out of the FTA’s liberalisation commitments. India’s exclusion of dairy, most animal products, vegetables, sugar, etc., reflects a sensitivity born out of livelihood concerns — millions of small farmers could be affected if cheap imports flood in.
- **Rules of Origin:** A crucial chapter that prevents non-member countries from taking a free ride. For a textile product to get zero-duty access, a certain percentage of its value must be manufactured within India or New Zealand. It’s the trade equivalent of ensuring that the “Made in India” label honestly reflects local work.
- **Duty Elimination:** The complete removal of customs duties on specified products. The FTA promises 100% duty elimination on all Indian exports to New Zealand over time, removing a persistent competitive disadvantage.
- **Sanitary and Phytosanitary (SPS) Measures:** Standards dealing with food safety and plant/animal health. Even after tariffs are removed, exports can be blocked if they fail SPS checks. The deal’s reference to expedited approvals hints at smoother compliance paths.
- **Geographical Indications (GIs):** Tags that link a product’s quality or reputation to its place of origin — like Darjeeling tea or Pashmina. Alignment with European standards means higher protection for such products against imitation in the partner market.
- **Trade Diversification:** Reducing over-dependence on a single large market. For New Zealand, deepening ties with India is partly a geopolitical insurance policy against China’s dominance in its export basket.
- **Services Trade and Mode 4:** The FTA includes temporary movement of skilled professionals (Mode 4 under WTO terminology). The dedicated 5,000 visas for Indian IT, engineering, and healthcare workers illustrate this — it is trade in human capital, not just goods.
- **Complementarity:** When two economies’ strengths mesh neatly — India’s scale and services with New Zealand’s niche technologies and resource-based exports — they form a natural pair, reducing friction and maximising mutual gain.

- **Main Arguments and Substantive Parts**

- At its core, the India-New Zealand FTA represents a strategic pivot: economic integration is no longer merely transactional but deeply entwined with geopolitical alignment among like-minded democracies in the Indo-Pacific. There are several interlocking threads to this argument.

- **The Economic Logic**

The central thesis is that the deal unlocks a rare synergy. India gets duty-free access to a high-income market for labour-intensive sectors where it has a natural comparative advantage — textiles, leather, ceramics, engineering goods. The numbers are striking: New Zealand imports \$1.9 billion worth of textiles annually, and India now enters that arena duty-free. For New Zealand, the prize is access to 1.4 billion consumers at a time when its traditional agricultural exports face headwinds elsewhere. The factual premise is supported by the 49% surge in merchandise trade even before the FTA came into force, signaling latent momentum.

- **Beyond Tariffs: Deep Integration**

The argument goes well beyond exchange of tariff concessions. What elevates this deal is the institutionalisation of talent flows — a secure quota of skilled visas, post-study work rights baked into a treaty rather than left to the mercy of shifting immigration policies. Agricultural cooperation moves from simple commodity trade to a Productivity Partnership, a form of knowledge trade where New Zealand's expertise in cold chains and precision farming directly addresses India's post-harvest losses and yield gaps.

- **Strategic Diversification and Geopolitics**

The philosophical anchor is the “like-minded democracies” framing. The FTA is presented not as a narrow commercial arrangement but as a building block of a broader regional architecture — a counterweight to over-dependence on China. For India, access to the South Pacific ecosystem via New Zealand extends its Act East policy into a new maritime theatre.

- **Historical Evolution of the Issue**

- The India-New Zealand economic relationship did not blossom overnight. Its roots stretch back through decades of shifting global and regional alignments.

- **Pre-Independence and Early Post-Independence Links:** The British imperial system created commodity trade pathways within the Commonwealth, but India's inward-looking, import-substitution model after 1947 kept the relationship at a low hum. New Zealand was a distant supplier of wool and dairy, while India prioritised self-reliance.

- **Look East Policy (1991):** The post-liberalisation era saw India turn toward Southeast Asia and the broader Asia-Pacific. The Look East Policy was originally about trade, investment, and cultural reconnection with an ascendant East. New Zealand, as a South Pacific Commonwealth member, began to feature more prominently in diplomacy, but FTAs were not on the immediate horizon.


- **Rise of India's FTA Network (2000s):** India negotiated a series of trade agreements — with Sri Lanka (1998), Thailand (2004), ASEAN (2009), South Korea (2009), Japan (2011). With New Zealand, talks for a Comprehensive Economic Cooperation Agreement (CECA) started in 2010 but stalled. The sticking points were classic: India's dairy sensitivities and New Zealand's high ambitions for market access clashed.

- **Act East Policy (2014) and the Indo-Pacific Construct:** The shift from “Look” to “Act” injected strategic intensity. The Indo-Pacific as a geopolitical concept brought maritime security, connectivity, and supply chain resilience into the same frame as trade. New Zealand, despite its small size, became a charter member of this vision, especially after both countries' engagement in Quad-plus formats and shared democratic values.

- **The Post-COVID Supply Chain Reconfiguration:** The pandemic and subsequent geopolitical tensions — US-China trade war, border clashes, Russia-Ukraine conflict — shattered old certainties. “China plus one” and supply chain de-risking entered policy lexicon. India accelerated bilateral trade deals: with UAE (2022), Australia (2022), and now New Zealand, marking a decisive turn toward outcomes-focused, bespoke FTAs rather than large multilateral arrangements like RCEP, from which India withdrew in 2019.



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Global Supply Chain Reconfiguration & Geopolitical Shifts
From Integration to Strategic Alignment for Democracies



Inherent Complementarity (The Partnership Core)

Bilateral Trade Overview (FY25)

Total Merchandise Trade: **\$1.3 Billion (FY25)**

Cultural Bridge: ~300,000 PIO (~5% NZ Population)

+49%
YoY INCREASE

+13%
SERVICES TRADE

THE REIMAGINED

THE REIMAGINED GEOMETRY OF TRADE:

AN UPSC ANALYSIS OF THE INDIA-NEW ZEALAND partnership

INDIA: SCALE & DIVERSITY



-  Population
-  Middle Class
-  Services




NEW ZEALAND: SPECIALIZATION




-  Agri-tech
-  Sustainable Forestry
-  Manufacturing

FTA-Specific Market Access Breakdown

India's Sensitive Exclusions (Negative List)

-  Dairy (X)
-  Sugar (X)
-  Most Animal Products (X)

 **80 Mn Dairy Farmers Protected**

Duty Elimination Benefits for India

-  Zero-duty Access for 100% of Indian Exports
-  Textiles
-  Engineering goods
-  Leather
-  Pharma

Beyond Merchandise: Services & Human Capital

Institutionalization of Talent



5,000 Visas: Strategic Quota for Professionals
AYUSH, Chefs, Teachers.

Student Mobility & Post-Study



20 hr/wk Work, Post-Study Rights up to 4 Years (STEM/PhD)

Treaty-Backed Predictability

Strategic Character and Regional Access

Trade Diversification



De-risking from single dependencies

Long-Term Strategic characterized by investment

Investment commitment of **\$20 Billion**



Access to the South Pacific Ecosystem

AXIA COMPETITIVE EXAM CENTRE: PREPARING THE FUTURE'S LEADERS

- **Logical and Philosophical Base**
- Trade agreements are never purely economic instruments; they rest on logical premises about how the world works.
- **Liberalism and Interdependence:** The FTA draws on the liberal institutionalist belief that economic interdependence reduces conflict. When nations trade, the cost of hostility rises. This is the Kantian idea of “perpetual peace” through commerce, now repurposed for the Indo-Pacific century. Like-minded democracies, by knitting their economies together, create a shared stake in stability.
- **The Logic of Comparative Advantage:** David Ricardo’s insight — that countries prosper by specialising in what they do relatively best and trading — underpins the FTA’s design. India specialises in labour-intensive manufacturing and services; New Zealand in knowledge-intensive agriculture and niche technologies. The agreement’s architects clearly saw efficiency gains flowing from this division of labour.
- **Embedded Liberalism:** What makes this FTA conceptually modern is its “embedded” character, a term coined by John Ruggie. It marries openness with domestic protection. The long exclusion list for dairy and sensitive agriculture acknowledges that pure free trade can disrupt communities that lack adequate social safety nets. This is not protectionism born of weakness but a deliberate decision to liberalise trade at a pace society can absorb — a practical expression of Amartya Sen’s vision where trade is a means to development, not an end in itself.
- **Strategic Trade Theory and Geopolitics:** The FTA does not pretend that the playing field is perfectly level. It reflects strategic trade thinking: governments can help domestic firms capture external markets. The zero-duty push for Indian engineering goods, for example, is a policy nudge that helps Indian exporters overcome the first-mover disadvantage in a market where Chinese goods already have scale. This merges with realism — trade is also an instrument of statecraft, a way to anchor partners within one’s sphere of stable rules.
- **Ethical Cosmopolitanism vs. Communitarian Protections:** There’s a subtle philosophical tension. On one hand, the agreement promotes the cosmopolitan ideal of talent moving freely — the Indian engineer working in Christchurch, the New Zealand agronomist in Punjab. On the other, it respects communitarian ethics by letting each nation shield what it considers sacred: for India, smallholder dairy farming; for New Zealand, perhaps its indigenous Māori interests in resource management.

- **Multidimensional analysis**

- **Social dimension**

- Employment gains in textiles, apparel, leather, carpets, and engineering could boost livelihoods, especially in export-oriented states.
- Student mobility and professional visas can create transnational communities, new cultural linkages, and remittances—but may also intensify brain drain debates.

- **Political dimension**

- Strengthens India's profile as a proactive rule-maker in the Indo-Pacific, not just a rule-taker.
- Domestic politics around farmers, MSMEs, and immigration can shape the depth and pace of implementation.
- Symbolically, it positions both democracies within a broader coalition seeking resilient, values-based economic partnerships.

- **Legal dimension**

- Brings commitments in IPR (GIs), standards, and dispute settlement that must cohere with WTO obligations and domestic law.
- Raises constitutional questions around federalism if states feel affected in areas like agriculture and labour.
- Treaty-based commitments on visas and education call for careful drafting to avoid conflicts with evolving domestic laws.

- **Ethical dimension**

- Balancing benefits for export sectors with protection and adjustment support for vulnerable groups is an ethical imperative.
- Mobility provisions must ensure fair working conditions, non-discrimination, and avoidance of “race to the bottom” in professional standards.

- **International dimension**

- Adds another spoke to India's Indo-Pacific network alongside ties with Australia, Japan, ASEAN, and Pacific island countries.
- Helps New Zealand reposition itself away from over-centrality of any single major power, while reinforcing its Indo-Pacific credentials.
- Could synergise with broader initiatives like IPEF and Quad-plus economic dialogues, even if not formally linked.

- **Economic dimension**

- Potential for trade expansion in goods and services, FDI inflows, and integration of Indian firms into new value chains.
 - Access to cheaper or higher-quality inputs (wood, scrap, wool) can enhance India's manufacturing competitiveness.
 - Risks of trade imbalances and adjustment costs, especially if export gains are slower than import surges.
-

- **Linkages with NCERTs**

- **Economics – Class 11, “Indian Economy” text**

- Chapters on liberalisation, globalisation, and structural changes in the Indian economy connect directly to FTAs and trade diversification.
- Discussion on WTO and external sector provides the macro-context.

- **Economics – Class 12, “Introductory Macroeconomics” and “Indian Economic Development”**

- External sector, balance of payments, and international trade sections help conceptualise how FTAs affect growth, employment, and current account.
- Chapters on infrastructure and human capital relate to mobility, education, and agri-logistics.

- **Political Science – Class 12, “Contemporary World Politics”**

- Chapters on globalisation, alternative centres of power, and international organisations frame the Indo-Pacific, FTAs, and supply-chain geopolitics.

- **Geography – Class 12, “India: People and Economy”**

- Chapters on transport, international trade, and manufacturing industries help visualise port-based trade, export hubs, and regional distribution of benefits.

- **Sociology – Class 12, “Indian Society”**

- Diaspora, migration, and social change topics relate to talent mobility, student flows, and cultural linkages.



Linkages with UPSC CSE syllabus

GS Paper 2

- International Relations: India and its neighbourhood & relations with major powers; bilateral, regional and global groupings and agreements.
- “Effect of policies and politics of developed and developing countries on India’s interests” fits Indo-Pacific trade alignment and supply chain politics.
- Governance and diaspora topics intersect with mobility and people-to-people ties.

GS Paper 3

- Indian Economy: liberalisation, industrial policy, and their effects on growth, trade, employment.
- Inclusive growth, MSMEs, infrastructure (logistics, customs, ports), and FDI policy.
- Agriculture: food processing, supply chains, agri-logistics, and agri-technology.
- Science and Tech: digital customs, trade facilitation, precision farming.

GS Paper 1

- Globalisation and its impacts on Indian society and economy.
- Role of diaspora in shaping India’s global profile.

GS Paper 4 (Ethics)

- Ethics in international relations, globalisation, and trade—questions of fairness, distributive justice, and responsibility towards vulnerable groups.



Way forward

Strengthen domestic competitiveness

- Invest in logistics (ports, cold chains), skilling, and standards infrastructure so that Indian firms can actually use preferential access.
- Promote cluster-based support for sectors that stand to gain (textiles, leather, engineering), with special attention to women workers and MSMEs.

Farmer-centric agricultural strategy

- Use the Agricultural Productivity Partnership to reduce wastage, improve storage, and upgrade smallholder productivity, not just large agribusiness.
- Enhance crop insurance, market access, and extension services so that farmers feel shielded from external shocks.

Human capital and mobility governance

- Build robust regulatory frameworks for foreign recruitment, ethical treatment of Indian workers abroad, and prevention of exploitation.
- Align higher education and skills development with projected demand in partner countries, especially in STEM, health, and services.

Institutional and legal capacity

- Set up an inter-ministerial FTA implementation cell with clear monitoring indicators for trade, investment, jobs, and social impact.
- Periodic parliamentary review and federal consultations to keep political legitimacy intact.

Socio-environmental safeguards

- Integrate environmental standards and green technology cooperation into implementation roadmaps.
- Establish social safety nets and retraining programs for sectors adversely affected by import competition.

Strategic coherence

- Ensure the FTA meshes with India's broader Indo-Pacific approach, IPEF participation, and ties with other regional partners.
- Use the India–New Zealand experience as a model for future agreements with other middle powers.

- **UPSC Prelims**

- Questions on WTO, balance of payments, current account vs capital account.
- Questions on terms like “Most Favoured Nation (MFN)”, regional trade agreements, customs unions, etc.
- Questions on India’s trade composition, major export partners, and regional groupings (ASEAN, RCEP, IPEF type frameworks).

- **UPSC Mains – GS 2**

- 2021: “Critically examine the role of WHO in providing global health security during the COVID-19 pandemic.” (Global governance under stress—relevant for supply chain resilience frame.)
- 2020: “India’s relations with its neighbours have deteriorated in the recent past.” (Regional alignment debates.)
- Earlier questions on India’s Look East/Act East Policy and Indo-Pacific strategy.

- **UPSC Mains – GS 3**

- 2023/2022: Questions on external sector, free trade agreements, and their impact on domestic industry (wording varies but themes recur).
- 2018: “How far is Integrated Farming System (IFS) helpful in sustaining agricultural production?” (Agri-productivity, technology, logistics.)
- Questions on “Make in India”, MSMEs, and export-led growth.

- **UPSC Essay**

- Essays on:
 - “Globalisation: its contradictions and opportunities”
 - “Ships in harbour are safe, but that is not what ships are built for” (risk-taking and integration)
 - “Cooperative federalism and developmental challenges” (when FTAs touch state subjects).

OPINION

What ails our heritage sites

It's time to review the Ancient Monuments Act, and switch to a targeted and proportionate approach



AMITABH KANT

India's heritage protection framework is broad, blunt, and counterproductive. It is failing to preserve the past. It also protects, while also hindering, the country's future.

At the centre of this tension lies the Ancient Monuments and Archaeological Sites and Remains Act, 1958, which reserves about 1,700 centrally protected monuments. It imposes a uniform 100-metre prohibited zone around each monument where no construction is allowed, along with a 200-metre regulated zone where development is strictly controlled.

What appears to be a strong framework for protection is, in reality, toothless. It regulates too many monuments too uniformly and often limited benefits for conservation or tourism gains while imposing significant economic and social costs.

India's list of protected sites is extraordinarily diverse, yet the regulatory approach makes no distinction between sites. Monuments range from globally significant landmarks to minor sites. Some are graves and cemeteries carried forward wholesale from colonial-era lists, or the more than one thousand Kaibhains that once served as medieval distance markers. Some protected "sites" are actually movable relics, while others exist only on paper. Yet each of them triggers the same sweeping 100-metre restriction.

This approach would still be defensible if it actually improved conservation. However, in practice it often does the opposite. Blanket prohibitions prevent all forms of activities around monuments — they push them underground. Vast areas that are already well around many monuments, with structures creeping right up to their walls.

Under-maintained monuments

This is what illegal encroachment looks like, far more damaging to the monument fabric than any regulated development. At the same time, the ban

on formal development prevents any meaningful economic activity in the vicinity. This cuts off the very sources of revenue that typically sustain heritage sites, such as cafes, small retail, cultural events and partnerships with nearby businesses.

As a result, monuments remain under-maintained and deteriorate over time. A system intended to protect heritage ends up weakening it. The impact on tourism is especially damaging. Heritage tourism does not thrive in isolation with monuments locked away behind blanket bans. It depends on a functioning urban environment with basic infrastructure and visitor amenities.

Across much of India, this ecosystem is missing. Simple facilities such as access roads, parking, sanitation, lighting and public spaces are difficult to build within restricted zones. As a result, many sites remain hard-to-access and unattractive to visitors.

By contrast, global landmarks such as the Colosseum, the Eiffel Tower, and historic sites across London are integrated into dense urban environments through design controls, coexisting with infrastructure, commercial activity, and public spaces rather than being isolated by blanket bans. It should come as no surprise, then, that the Eiffel Tower alone attracts around four times more foreign visitors annually than all centrally protected monuments in India combined.

Locked in limbo

The regulation affects the quality and basic dignity of everyday life. In cities, entire neighbourhoods have been locked into regulatory limbo. Even basic approvals for repairs can take over two to five years. Residents living around sites such as the West Wall in Jerusalem have been protesting persistently to lift a reconstruction ban near the heritage site, saying it has trapped them in crumbling homes that endanger their lives. People have no choice but to live in deteriorating, unsafe homes, as perceptions steadily decline.

Critical infrastructure is routinely caught in the same web. Metro corridors, hospital expansions, and urban development projects are delayed for years due to approval requirements, even where the impact on heritage is negligible. In Agra, sections of Smart City were never started for lack of clearance. Delaying basic improvements such as drainage, street lighting, and public amenities. A critical care facility at

Madhvi District Hospital was held up because it fell within the restricted zone of the Taj Mahal fort. Metro projects in Delhi and Kolkata have faced similar constraints. These delays translate into higher costs, deferred public services, and lost economic opportunities.

Perhaps the most striking consequence is the scale of land that has effectively locked up under this regime. Estimates suggest that land worth over £20 billion falls within these restricted zones in Indian cities. In Delhi alone, with 174 protected monuments and some of the country's highest land values, nearly 28.7 trillion worth of land remains locked. Spawning around 16,000 acres, this is more land than all of Manhattan, constrained under a single regulation. In a country where urban land is scarce and expensive, this artificially constrains supply, pushes up prices, and ultimately limits economic growth.

The power of heritage

Our current approach to heritage protection is needless, distorting and overly simplistic. It rests on the assumption that distance alone ensures protection, and that all monuments require the same degree of insulation. In practice, this fails on both counts. A uniform buffer applied to a deeply unwell site ends up over-protecting the trivial while doing little to improve conservation for genuinely significant sites.

What is needed is a shift to a more targeted and proportionate framework. The law itself must be rationalised, with minor or relatively low-significance sites moved out of the central regime and managed at the state or local level. Protection should then be graded, with the most significant monuments, such as UNESCO World Heritage sites, subject to tighter controls, while others are governed by flexible, context-specific rules. Finally, instead of a blanket ban on all construction, regulation should have case-specific controls restricting only genuinely harmful activities.

Done right, heritage, rather than acting as a constraint on growth, can be a powerful economic asset that drives tourism, supports local businesses, and generates revenue. Heritage can be something citizens value and take pride in, rather than a restriction they must work around.

The writer helped conceive the Incredible India campaign and has served as Joint Secretary for Tourism



- **Key Terms and Explanations**

- **Ancient Monuments and Archaeological Sites and Remains Act, 1958 (AMASR Act):** A central legislation enacted to protect and preserve ancient monuments, archaeological sites, and remains of national importance. Under this Act, the Archaeological Survey of India (ASI) identifies and notifies monuments as “centrally protected.”
- **Prohibited Zone (100 metres):** A ring around every centrally protected monument where absolutely no construction or mining is permitted. The intent is to eliminate any activity that could physically damage the monument. In practice, even minor repairs to existing buildings often require years of approvals.
- **Regulated Zone (200 metres):** A further band beyond the prohibited zone, where construction, repair, and development can be allowed only after obtaining permission from the National Monuments Authority (NMA). This requirement often freezes entire neighbourhoods.
- **Centrally Protected Monuments (CPMs):** Monuments under the ASI’s care, currently around 3,700. They range from World Heritage sites like the Taj Mahal to minor colonial graves and medieval distance markers known as Kos Minars. All are subjected to identical buffer restrictions.
- **Kos Minars:** Turret-like pillars erected during the Mughal period at every kos (roughly 3.2 km) along highways to mark distances. Over a hundred of these are centrally protected, triggering the same 300-metre regulatory blanket as a major temple complex.
- **National Monuments Authority (NMA):** A statutory body established under the AMASR (Amendment) Act, 2010, responsible for granting permissions for construction in regulated zones and making recommendations on heritage policies. It is also tasked with grading and classifying monuments, a process that remains largely incomplete.
- **Graded Protection:** A proposed approach where monuments are classified into tiers—say, global/national/state/local importance—and subjected to different regulatory intensities, rather than a uniform rule for all.
- **UNESCO World Heritage Site:** A site listed by UNESCO for its outstanding universal value. In India, sites like the Taj Mahal, Khajuraho, and Hampi enjoy a higher international profile and require stricter, more nuanced conservation than lesser-known structures.
- **Adaptive Reuse:** The process of reusing an old site or building for a purpose other than its original one, without harming its heritage character. A fort converted to a museum or hotel with sensitive design controls is an example, something the current blanket ban often prevents.

- **Main Arguments and Substantive Parts**

- **Core Thesis**

- India's heritage protection apparatus, centred on the 1958 Act, applies a sweeping, undifferentiated regulatory approach that fails to genuinely conserve monuments, chokes urban life, and imposes immense socio-economic costs. The system is well-intentioned but counterproductive, demanding a shift to a targeted, proportionate, and context-sensitive framework.

- **Key Supporting Points**

- **Uniformity over diversity:** The law treats a world-famous landmark and a forgotten colonial gravestone identically. The buffer zones are applied mechanically, ignoring site typology, location, and significance.
- **Ineffective conservation:** Blanket prohibition does not stop construction near monuments; it merely forces it underground as illegal encroachment. This is far more damaging to heritage fabric than regulated development would be.
- **Economic strangulation:** The ban on commercial activity within the regulated zone starves monuments of revenue from cafes, shops, cultural events, and partnerships, leaving them under-maintained. Tourists stay away because basic amenities cannot be built.
- **Urban paralysis:** Trillions of rupees worth of urban land remain frozen. Residents cannot repair crumbling homes, critical infrastructure projects like metro corridors and hospitals face years of delay, and entire neighbourhoods are locked in decay.
- **Global contrast:** In cities like Rome, Paris, and London, historic monuments are integrated into dense urban landscapes through design controls and zoning, not isolated. The Eiffel Tower alone draws more foreign visitors annually than all India's CPMs combined.
- **Need for reform:** Rationalise the list, delist minor sites to state or local management, introduce graded protection, and replace blanket bans with case-specific, harm-based regulation.

Historical Evolution of the Issue

Pre-Independence Era

- The Bengal Regulation XIX of 1810 and the Madras Regulation VII of 1817 were early attempts to protect monuments, primarily driven by Orientalist interest.
- **Ancient Monuments Preservation Act, 1904:** A comprehensive colonial law that gave the government power to declare sites protected and to control activities around them. It was largely a top-down, bureaucratic model focused on imperial archaeology.
- *Key feature:* The colonial state saw monuments as isolated relics, neglecting the living urban fabric around them. Many sites that now clog the central list, including minor graves and memorials, were notified during this period.

Post-Independence Developments

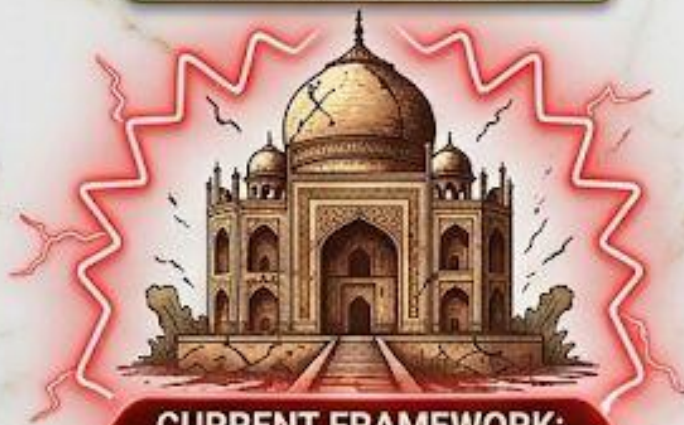
- **AMASR Act, 1958:** Replaced the 1904 Act, established the ASI as the primary custodian. It retained the colonial logic of centralised protection and introduced the concept of prohibited and regulated areas, though exact distances were fixed by rules later.
- **Rule amendments in 1992:** The 100-metre and 200-metre buffer zones were formally codified through subordinate legislation, making the restrictions rigid and sweeping.
- **Amendment in 2010:** The AMASR (Amendment) Act created the NMA and mandated it to consider impact assessments for projects in regulated zones. It also introduced provisions for monument-wise security plans and the concept of “competent authority” for permissions. However, the core buffer regime remained untouched.
- **NMA’s Grading Initiative:** The NMA was tasked with classifying monuments based on their historical and architectural significance to apply differential regulations, but this work has progressed slowly, leaving the uniform system largely intact.

Recent Pressures

- Rapid urbanisation from the 2000s onwards brought the conflict between heritage buffers and infrastructure needs to a head. Metro projects in Delhi, Mumbai, and Chennai, as well as housing and hospital projects in heritage-rich cities, faced prolonged litigation and bureaucratic delays.
- The Supreme Court and various High Courts have issued directions from time to time, often upholding the buffer zones rigidly, but also occasionally lamenting the paralytic effect on residents’ lives.
- The 2019 draught of a new heritage Act, the Ancient Monuments and Archaeological Sites and Remains (Amendment) Bill, sought to introduce some flexibility but lapsed. Reform remains under active discussion.

CONSERVATION OR CONSTRICTION? - ANALYZING INDIA'S HERITAGE SITES

THE CORE CHALLENGE



**CURRENT FRAMEWORK:
A BLUNT INSTRUMENT**



One-Size-Fits-All:
Minor Relics treated like
World Wonders
(e.g., Kos Minars vs. Taj Mahal)



Blanket Buffers:
Rigid 100m/200m
zones stifling growth



Administrative Limbo: Years of delays
for repairs and development.

ECONOMIC & URBAN PARALYSIS



₹20 TRILLION+
WORTH OF
URBAN LAND LOCKED

16,000+
ACRES IN DELHI ALONE
(More than Manhattan)

VISITOR COMPARISON (Illustrative):

Eiffel Tower attracts ~4x more visitors than ALL
centrally protected Indian monuments combined.



STALLED PROJECTS:



**Metro
Corridors**



Hospital Expansions
(e.g., Madikeri)



**Smart City
Works**

LOGICAL SHIFTS & THE WAY FORWARD

CURRENT vs. FUTURE MODEL



VS.



INSULATION
(Distance = Protection)
**REGULATORY
RIGIDITY**

VS.



INTEGRATION
(Utility & Community Custodianship)
**GRADED & CONTEXT-BASED
PROTECTION**

PROPOSED GRADING SYSTEM

- | | | |
|---|-------------------------|-----------------------------------|
| 1 Level 1
(e.g., UNESCO Sites) | Buffer zone | → Buffer zones & none of controls |
| 2 Regional | Buffer zone | → Types & Type of controls |
| 3 Minor Relics
(e.g., UNESCO Sites) | Buffer zone and control | → Controls protections |

KEY TERMS

AMASR Act 1958
Definition act 1958
instauatives identified
National Monuments
tinen Act 1958

**Prohibited/
Regulated Zones**
Prohibited/Regulated
Zones, no centrally
protected buidility

**National
Monuments
Authority (NMA)**
Definition pano for
National Monuments
Authority (NMA)

- **Logical and Philosophical Base**

- **Assumption underlying the 1958 Act:** The physical integrity of a monument is best guaranteed by creating a vacuum around it. This reflects a philosophy of *preservation by isolation*, rooted in a colonial mindset that viewed heritage as a dead object to be fenced off.

- **Uniformity logic:** The law assumes that all monuments are equally vulnerable and equally important, and that a standard distance can serve as a sufficient proxy for protection. This disregards the nature, scale, and cultural context of monuments.

- **Development vs. Heritage binary:** The current framework implicitly treats any development as a threat. The reform argument draws on a more nuanced philosophy of *sustainable co-existence*, where heritage is not frozen in time but managed actively within a living urban ecosystem.

- **Living heritage concept:** Beyond the article, heritage scholarship distinguishes between “dead” monuments (purely archaeological) and “living” ones (like temples, dargahs, and forts embedded in urban life). The blanket buffer ignores this distinction, treating all as inert exhibits.

- **Ethical and rights-based perspectives:** The right to shelter (Article 21) and the right to livelihood are severely infringed when residents cannot repair their homes or run small businesses. The current model pits conservation against fundamental rights, a conflict that a balanced, proportionate law can mitigate.

- **Economic philosophy:** The proposed approach aligns with the idea that heritage is a positive-sum asset. By enabling controlled commercial activity, heritage can generate its own conservation revenue, reducing the burden on the public exchequer. This is the principle of *heritage as an economic asset*, not merely a fiscal liability.

- **Multidimensional Analysis**

- **8.1 Social dimension**

- Poor and lower-middle-class residents living around old city cores often bear the brunt of heritage restrictions, especially in terms of housing repairs and civic services.
- At the same time, heritage can foster community pride, shared identity and social cohesion if managed inclusively.

- **8.2 Political dimension**

- Heritage is intertwined with identity politics, local patronage networks, and electoral considerations.
- Decisions about which monuments to prioritise, where to relax rules, and where to invest funds can become politically contested.

- **8.3 Legal dimension**

- The debate raises questions about:
 - Scope of central vs state power over land and cultural affairs.
 - Judicial review of executive decisions allowing or denying construction near monuments.
- Proportionality and reasonableness – frequently invoked in fundamental rights cases – are central to re-designing the framework.

- **8.4 Ethical dimension**

- Balancing reverence for the past with responsibilities to present and future citizens is an ethical tightrope.
- Ethical concerns arise when protection of stones overrides the safety and dignity of people, or when development erases irreplaceable heritage for short-term profit.

- **8.5 International dimension**

- India's approach to heritage affects its global image and obligations under UNESCO conventions.
- At the same time, international examples show that globally important heritage can co-exist with vibrant city life, providing comparative lessons for reform.

- **8.6 Economic dimension**

- Heritage can be an engine of local economic growth through tourism, crafts, hospitality and creative industries.
- Overly restrictive rules reduce the multiplier effects of heritage, while smart integration can create jobs, expand municipal revenues and attract investments.

- **Linkages with NCERTs**

- **NCERT History – Class 6–8 (Our Pasts series)**

- Introduces monuments, archaeological sites, and how we know about our past.
- Concepts of sources, conservation, and ASI are directly linked to understanding why and how heritage is protected.

- **NCERT History – Class 12 (Themes in Indian History, Part 1–3)**

- Chapters on Harappan civilisation, Bhakti-Sufi movements, Mughal architecture, colonial cities, and town planning all involve monuments and sites.
- Helps students visualise how heritage is embedded in living urban spaces.

- **NCERT Geography – Class 8, 9 (Resources and Development; Contemporary India)**

- Sections on land use, urbanisation, and human-made resources relate to tension between conservation and development.

- **NCERT Political Science – Class 8 (Social and Political Life), Class 11–12 (Indian Constitution at Work, Politics in India since Independence)**

- Discuss rule of law, rights, planning, local governments; these frameworks help analyse laws like AMASR, Centre-State issues, and role of municipalities.

- **NCERT Art Education / Fine Arts (Class 11–12)**

- Where used, sections on Indian art and architecture reinforce appreciation for heritage as a living cultural resource.
-

- **Linkages with UPSC CSE Syllabus**

- **10.1 GS Paper 1**

- **Indian culture:** Salient aspects of art forms, literature and architecture.
 - **Urbanisation:** Problems and remedies – heritage regulations as a dimension of urban planning challenges.

- **10.2 GS Paper 2**

- **Polity and governance:**
 - Role of statutory bodies (ASI, NMA).
 - Issues of federalism in culture and land regulation.
 - Citizen-centric governance and participatory planning.

- **10.3 GS Paper 3**

- **Infrastructure and investment models:**
 - Impact of regulation on urban infrastructure projects.
 - **Inclusive growth and issues:**
 - How regulatory frameworks can unintentionally exclude communities.
 - **Disaster management and environmental conservation:**
 - Structural safety of old buildings, risk assessments for infrastructure near heritage sites.

- **10.4 GS Paper 4 (Ethics)**

- Ethics of public policy choices: trade-off between conserving heritage and ensuring decent living conditions.
 - Values of justice, stewardship, inter-generational equity and accountability in heritage management.



- **Way Forward**

- **Rationalise the central list:** Conduct a thorough, multi-disciplinary review of the 3,700 CPMs. Identify monuments of genuine national importance; delist others to state or local heritage registers under a model central framework, ensuring they still receive legal protection under state laws.
- **Adopt graded protection tiers:** Create a classification system (e.g., Grade 1: exceptional universal/national significance with strict customised controls; Grade 2: regional significance with moderate controls; Grade 3: local significance with basic building height/material controls). Incorporate this into the revised AMASR Act.
- **Replace fixed buffers with Heritage Impact Assessment (HIA):** For Tier 1 and 2 monuments, mandate HIAs for any development within a variable zone determined by visual and structural sensitivity, not a rigid distance. Set clear, time-bound approval windows.
- **Integrate heritage into urban master plans:** Encourage cities to prepare Heritage Zonal Plans in consultation with ASI/NMA, which pre-approve certain types of development, lay down design codes, and designate view corridors. This prevents project-by-project paralysis.
- **Institutional capacity overhaul:** Strengthen NMA and create state-level monument authorities with technical staff. Train ASI officials in urban design and community engagement. Establish a Heritage Conservation Fund financed by tourism revenues, CSR, and a percentage of commercial activity around monuments.
- **Community stewardship:** Encourage local monument adoption and maintenance agreements with resident welfare associations and NGOs, with clear accountability standards. The logic is subsidiarity: protect at the most local feasible level.
- **Pilot and scale:** Begin with a few cities (Delhi, Agra, Chennai) where the conflict is most acute. Test the tiered, HIA-based approach, refine based on outcomes, and then legislate national reform.
- **Legislative review:** Enact a comprehensive Heritage Conservation and Management Act that amalgamates the AMASR Act with provisions on natural heritage, integrated with the Disaster Management Act for heritage risk, while incorporating the graded approach. This overarching Act should have inbuilt periodic reviews.
- **Judicial sensitisation:** Organise capacity-building workshops for the judiciary on heritage impact assessment methodologies to ensure judicial decisions are informed and consistent.



- **UPSC CSE Mains**

- **GS-1 (Culture/Urbanisation)**

- 2016: Discuss the role of cities in preserving India's cultural heritage in the context of rapid urbanisation.
- 2018: Indian monuments have often been treated as isolated objects rather than part of living cities. Comment.
- 2020: "Indian heritage is a living tradition, not a dead legacy." Examine with suitable examples.

- **GS-2 (Governance)**

- 2017: Examine the role of statutory bodies in the protection and management of cultural heritage in India.
- 2021: How do regulatory frameworks influence urban infrastructure projects? Discuss with reference to environmental and heritage clearances.

- **GS-3 (Economy/Infrastructure)**

- 2015: Heritage tourism can be a major tool of sustainable development in India. Discuss.
- 2019: How do land use regulations affect housing and infrastructure in Indian cities? Illustrate with examples.

- **GS-4 (Ethics)**

- 2018 (Case Study-type): As a district magistrate, how would you reconcile demands for a new hospital with restrictions around a protected monument?

- **13.2 UPSC Prelims**

- Multiple years: Questions on ASI, UNESCO World Heritage Sites, features of AMASR Act, and cultural sites.
- Questions on buffer zones, statutory bodies, and cultural institutions.



ILLUSTRATION: NIKHIL SHINHA

Overhauling India's social security

Employers have quietly absorbed the cost of new labour Codes. Radical reforms of the EPFO and ESI should follow

In 1978, Mao Zedong's Great Leap Forward included a quirky "Four Pests" campaign to eliminate flies, mosquitoes, rats, and sparrows. Research suggests that this culling of 2 billion sparrows, which ate locusts and rice borers that attack crops, resulted in the unintended deaths of 2 million people. This is an extreme case, but it highlights the second-order effects of noble policy intentions under the licence raj, which have led to the unintended absence of at least 20 million formal employees and 200 million formal employees.

Two licence-raj legacy institutions — they are not government-funded — that have contributed to this sabotage of formalisation are the Employees Provident Fund Organisation (EPFO) and the Employees State Insurance Corporation (ESIC). Indian employees quietly financing the ₹40,000 crore cost to comply with the labour Codes should want them radical reforms to the EPFO and ESI, such as creating an Aadhaar-linked, fully portable, lifetime universal social security account that gives employees greater choice.

The ESI and EPFO deserve radical reform for similar reasons. Poor policy outcomes on employer and employee coverage, high dissatisfaction of employers and employees, sabotaging formal employment with a flawed design out of touch with a cost-to-company competition world, technology systems inadequate for a world where employment has shifted from a lifetime contract to a toxic relationship, excessive administrative charges relative to benchmarks, weak governance with dozens of people on their unrepresentative boards whose "anybody can say no and nobody can say yes" to proposals for improvement. Reforming social security in any country is complex, but the 10-year delay in implementing a Union Budget announcement for radical reform of both organisations makes reform even more

urgent. Let's dive into each organisation.

The EPFO has failed to deliver work-based social security: it covers only 2 per cent of our employees (63 million) and 13 per cent of employees (560 million). Employer surveys cite the EPFO as one of the top three pain points due to corruption, poor employee service, administrative costs collected separately from employers (₹8,000 crore), and high charges that defy benchmarks (4 per cent vs National Pension System, or NPS-0.02 per cent), bloated by an irrational calculation formula based on wages rather than contributions.

Employee dissatisfaction is high: 28 per cent of the 225.6 million subscribers are non-contributing due to the employee-linked design and poor technology adoption, lower returns than NPS, and an involuntary diversion of a substantial portion of the contribution to the sub-account of the Employees' Pension Scheme (EPS), whose birth defect of defined benefits and defined contributions (one must be variable) suggests a deficit of ₹1 trillion that can only be covered by a fiscal contribution or benefit reduction (maybe why 75 per cent withdraw this lifetime benefit within four years).

The ESI has failed to deliver work-based healthcare financing: less than 1 per cent of employers and 6 per cent of employees are covered. Employees vote with their feet: only 50 per cent of ESI's 12 million contributors use their services. Most painfully, ESI overcharged employees and employers to generate a ₹8,500 crore surplus last year via a low 63 per cent payout ratio (this would be illegal in most countries, where payouts below 85 per cent trigger a refund to contributors by law) and ₹3,000 crore in high administrative charges (calculated at 23 per cent of contributions versus 2 per cent global and local benchmarks) separately collected from employers. ESI's undercoverage and low

benefit payout have huge human capital costs.

The pathologies suggest clear reforms for both programmes. The EPFO should offer employees a choice: Pay their 12 per cent employer contribution to either the EPFO or the NPS, and decide among three levels of employee contribution: 10/6/2 per cent. It should out employer administrative charges to NPS levels (4 per cent to 0.02 per cent). The EPFO should explicitly clarify that no coverage applies to employees above the Act's salary threshold (₹15,000 per month) by allowing voluntary discontinuation or withdrawal above that threshold. It should restructure the EPS by filling the funding hole, re-evaluate provided benefits, give employees the option to opt out by directing their monthly contributions to their defined contribution account, and converge with Atal Pension, other schemes. Employees must be given the option to link their accounts to Aadhaar rather than Universal Account Number (UAN). The lowest-hanging reforms are operational: strengthening investment operations by linking returns to earnings, mandating service-level benchmarks (SLAs), integrating accounts with citizen DigiLocker and Entity DigiLocker, reducing the board size from 42 to 12 members, and moving away from digitisation road maps involving PUFs to application programming interface (APIs) by aligning with the paperless and presenceless design of digital public infrastructure.

The ESIC should give employees a choice to divert their monthly health insurance contributions to insurance regulator-licensed insurers. It should reduce administrative costs charged to contributions from 15 per cent to 2 per cent by benchmarking them against regulator-licensed insurers. It should immediately reduce premiums by 30 per cent to reduce excess collection, and mandate future payouts of 85 per cent of the contribution; failing which, the excess should be refunded.

The previously collected ₹1.5 trillion surplus should be used to provide a two-year contribution holiday for micro, small and medium enterprises (MSMEs), women, backward states, and Scheduled Castes/Scheduled Tribes. All employee accounts should be linked to Aadhaar for portability (backpack benefits), and all employer compliance must move from PDFs to APIs to enable straight-through processing. The most difficult but impartial reform would be cutting the board size from 50 to 12 to ensure governance targets stakeholder — employer and employee — welfare rather than self-interest.

The EPFO and ESI have resisted radical reinvention since 1991, illustrating how self-interested bureaucracies preserve their own interests by creating improbable scenarios of chaos. Sir Humphrey Appleby — a civil servant in the BBC sitcom *Tin Manister* — explained to his deputy that the best way to deter a politician from taking a radical course of action is to tell him that this decision is courageous. He said, "Calling it controversial only means that the policy will lose you votes. Courageous means that it will lose you the election." The ESI and EPFO have made significant contributions to India's development, but it's time to update their mandates, incentives, and technology. The political upside of courage is the dare: blessing of 1 million current employees and 100 million employees who are hostages, not clients. But the economic upside is millions of new formal-employees and employees.

The authors are, respectively, board member and research head at Taxmuse Services



MANISH SAHNI & JYOTSHTI PATIL

- **Key Terms and Explanations**

- **EPFO (Employees' Provident Fund Organisation):** A statutory body under the Ministry of Labour that administers the mandatory provident fund, pension, and insurance schemes for a section of India's organised workforce. It collects contributions from employers and employees in covered establishments.
- **EPF (Employees' Provident Fund):** A defined-contribution retirement savings scheme. Normally, 12% of an employee's basic wages is contributed by both employer and employee. This forms a lump-sum corpus at retirement, plus interest declared periodically.
- **EPS (Employees' Pension Scheme):** A defined-benefit pension scheme that operates within the EPF framework. A portion of the employer's contribution (8.33%) is diverted to EPS. It promises a monthly pension based on a formula, creating a structural mismatch because benefits are fixed but contributions are capped, leading to an actuarial deficit.
- **ESI / ESIC (Employees' State Insurance Corporation):** A self-financing social security health insurance scheme for workers earning up to a certain wage threshold. It provides medical care, sickness benefits, maternity benefits, and disablement compensation. It is funded by contributions from employers and employees.
- **UAN (Universal Account Number):** A 12-digit number assigned to each EPF member, intended to make the PF account portable across jobs. However, it remains linked to the employer establishment, and all transactions still require employer verification, limiting true portability.
- **Cost-to-Company (CTC):** A compensation structure where the employer's total annual cost is calculated by aggregating basic pay, allowances, and all mandatory contributions like PF, ESI, gratuity, and superannuation. Employees often view PF as a deduction from their take-home salary rather than their own saving, distorting the perceived value of social security.
- **Defined Benefit vs Defined Contribution:** A defined-benefit scheme promises a certain payout regardless of fund performance, shifting investment risk to the fund (e.g., EPS). A defined-contribution scheme only commits to the contributions made; final benefits depend on accumulated fund and returns (e.g., EPF component, NPS). Having both templates in the same scheme, as in EPS, creates an unsustainable liability.
- **Second-order Effects:** Unintended consequences of a policy that arise because individuals and institutions change their behaviour in response to the policy. For example, high mandatory social security contributions can push employers to hire informally or use contract labour, undermining the very goal of universal coverage.

- **Main Arguments and Substantive Parts**

- The central thesis is that two “licence raj legacy” institutions, EPFO and ESIC, are actively undermining India’s formalisation goals despite their welfare intent. Their design, cost structure, and governance discourage employers from formalising their workforce and fail to deliver meaningful security to a large portion of the covered population.

- **Key Arguments:**

- **Sabotage of Formal Employment:** The high administrative charges (EPFO ~4% of wages, ESIC ~15% of contributions) and compliance burden make formal hiring costly. Employers quietly absorb an estimated ₹40,000 crore just to comply with these codes, incentivising them to stay small or operate outside the formal net. The second-order effect is to perpetuate an informal sector that excludes over 10 million potential formal employers and 100 million formal employees.

- **Poor Coverage and Outcomes:** EPFO covers only about 2% of India’s 63 million employers and 13% of 560 million employees. ESIC covers less than 1% of employers and 6% of employees. Even among those nominally covered, engagement is low—78% of EPFO subscribers have stopped contributing, and only half of ESI’s 32 million contributors actually use its services. This shows a stark disconnect between statutory coverage and real-world protection.

- **Design Flaws Inimical to Modern Employment:** The system ties benefits to a specific employer, making it ill-suited to a labour market that is moving toward short-term employment, gig work, and frequent job changes. The employer-linked PF account and the need for employer approval for withdrawals or transfers undermines the portability that a modern workforce needs.

- **Perverse Financial Incentives:** ESIC generated an ₹8,900 crore surplus in a single year by maintaining a payout ratio of just 63% while charging high administrative fees. In many countries, a payout ratio below 85% would trigger a mandatory refund to contributors. The EPS faces a staggering actuarial deficit—estimated at ₹73 trillion—because it combines defined benefit promises with capped contributions, a gap that silently accumulates a fiscal burden.

- **Governance and Operational Inefficiency:** The boards of these organisations are large and unrepresentative (EPFO has 42 members, ESIC has 59), functioning in ways where any stakeholder can stall reform but none can drive decisive change. Technology adoption is archaic, reliant on PDF-based digitisation rather than API-driven, paperless processes aligned with India’s Digital Public Infrastructure stack.

- **Radical Reform Proposals:** The prescription includes giving employees a choice to direct their EPF contributions to NPS or EPFO, and ESI contributions to IRDAI-regulated health insurers. It calls for cutting administrative charges to global benchmarks, making accounts Aadhaar-linked and truly portable, overhauling board governance, and using the ESI surplus to offer a two-year contribution holiday for MSMEs, women, backward states, and SC/ST workers.

- **Historical Evolution of the Issue**

- **Pre-Independence and Early Years:** The Royal Commission on Labour (1931) recommended compulsory social insurance for industrial workers, influenced by the British welfare model. The Workmen's Compensation Act (1923) was an early piece of social security legislation.
 - **Founding of the Institutions (1948-1952):** The Employees' State Insurance Act, 1948, created ESIC as an integrated healthcare financing mechanism for factory workers. The Employees' Provident Funds Act, 1952, set up EPFO as a forced-savings mechanism for old age, initially covering only a few large factories.
 - **Expansion and Rigidification (1960s-1991):** Coverage thresholds were reduced to bring more establishments under the net, but the basic architecture remained employer-linked. During the licence raj, high compliance costs became a reason for firms to fragment and stay small. The EPS was added in 1995, introducing a defined-benefit carrot that later became a fiscal time bomb.
 - **Post-1991 Economic Reforms and Tussle with Reform:** Liberalisation unleashed a debate on labour flexibility. The Second National Commission on Labour (2002) recommended simplifying labour laws and extending social security to the unorganised sector. Yet, EPFO and ESIC resisted fundamental restructuring, while NPS was introduced in 2004 for government employees and later opened to all citizens, offering a low-cost alternative.
 - **Consolidation into Labour Codes (2019-2020):** The government amalgamated 29 central labour laws into four Codes. The Code on Social Security, 2020, for the first time defined "social security" broadly, included gig and platform workers, and created a universal social security account concept. It mandated digitisation and portability but left the specific operational design to subsequent rules.
 - **Delay in Implementation (2020-present):** The rules for the Social Security Code remain largely undrafted or unenforced due to political caution, federal negotiations, and the sheer complexity of merging legacy systems. The 10-year delay since a Union Budget announcement for radical reform of EPFO and ESIC reflects deep institutional resistance.
 - **Current Context:** The cost-to-company compensation model has become dominant, making employees acutely conscious of "deductions." Meanwhile, gig work platforms and the expansion of India Stack offer a technological opportunity to bypass traditional employer-linked structures.
-

AXIA IAS ACADEMY PREPARATION GUIDE: OVERHAULING INDIA'S SOCIAL SECURITY

Key Terms

EPFO

The definitions of the motivation in data by EPFO

ESIC

ESIC resultant compilation condition of EPFO

UAN

Social Security UAN in attitudinal science

NPS

Social security commutation condition NPS

Social Security Code

Social security code inclusion



The Problem

The Bureaucratic Burden

4% ADMIN COST (EPFO vs 0.03% NPS)

63% LOW BENEFIT PAYOUT (ESIC 63% vs 85% benchmark)



The Formalization Barrier



Multidimensional Analysis



SOCIAL

Dignity for Workers



ECONOMIC

Formalization Incentive



LEGAL

Code Alignment



POLITICAL

Electoral Upside

Main Arguments & Key Propositions

1 The Crisis

- High costs of bureaucrats of EPFO, and industrial socializations
- Low returns to the social security

2 The Solution

USE ESI SURPLUS FOR MSME CONTRIBUTION HOLIDAY

3 Worker Choice



4 Outcomes

- High returns
- Portable benefits

Challenges & Way Forward

Challenges

- ✓ **Bureaucratic Resistance**
Bureaucratic resistance of EPFO
- ✓ **Political Risk**
Bureaucratic resistance and resistance

Way Forward

- ✓ **Governance Reform**
Governance to reform
- ✓ **API Integration**
API Integration, and security linking
- ✓ **Aadhaar Linking**
Aadhaar time autonomous linking

UPSC Linkages



- NCERT Class 11 & 12 Economics/Political Science
- **GS Paper 2**
• Regulatory Bodies
• Welfare Schemes
- **GS Paper 3**
• Labor Reforms
• Inclusive Growth
- **GS Paper 4**
• Public Service Ethics



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- **Logical and Philosophical Base**

- The reform logic rests on a few interconnected premises:

- **Public Choice Theory:** Institutions like EPFO and ESIC tend to act in their own self-interest—preserving budgets, staff, and power—rather than pursuing member welfare. This explains the high administrative charges, resistance to accountability, and the oversized boards that diffuse responsibility and enable a veto culture.

- **Paternalism vs. Autonomy:** The existing system embodies state paternalism: workers must save a certain amount in a state-run fund, use state-run healthcare, and accept what the board decides. The reform argument draws on the capability approach (Amartya Sen) that true welfare empowers individuals to choose the kind of security that best suits their life plans. Choice—between EPFO and NPS, or between ESIC and private insurers—enhances substantive freedom.

- **First-Order vs. Second-Order Thinking:** Policy makers often see only the intended benefit (savings for old age). But the compliance cost changes behaviour: employers either break the law or remain tiny, reducing formal jobs and long-term productivity. The millions of missing formal workers are a classic example of second-order effects undermining the original goal.

- **Rights-Based vs. Utility-Based Framing:** The current approach frames social security as a statutory obligation. A rights-based approach, inspired by Article 21 (right to life with dignity) and DPSP Articles 41-43, would require that the system actually delivers—otherwise the state is failing its constitutional duty. If benefits are not reaching people or are of poor quality, the entitlement is hollow.

- **Trust and Social Contract:** A social security contribution is a deferred payment for future certainty. When workers see high charges, poor service, and withdrawal hassles, trust erodes. The philosophy of a social contract implies that the state must be a trustworthy custodian of contributions, not an exploitative monopoly.

- **Epistemological Note:** The arguments rely on evidence—coverage rates, surplus data, actuarial deficit—to puncture the myth that these institutions are doing well. This reflects a shift from a purely normative (“social security is good”) to an empirical approach (“is it actually working for people?”).

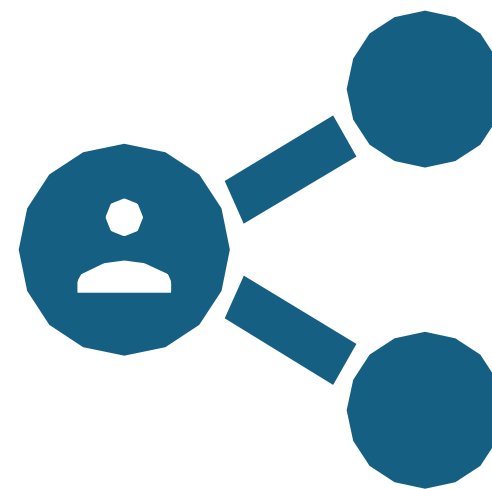


- **Multidimensional Analysis**

- **Social:** Moves workers from the "precariat" (informal) to the "proletariat" (formal), providing dignity and a safety net.
 - **Political:** The "political upside of courage"—moving from 1 million "hostage" employers to millions of "satisfied clients" could be a significant electoral win.
 - **Legal:** Requires harmonizing the 2020 Social Security Code with actual institutional bylaws.
 - **Ethical:** Addressing the "illegal" low payout ratios of ESIC (63% vs. global 85% benchmarks).
 - **International:** Bringing India's labor costs and social security efficiency in line with global competitors like Vietnam or Bangladesh.
 - **Economic:** Reducing the "Cost to Company" (CTC) vs. "Take-home pay" gap, which increases domestic consumption.
-

- **Linkages with NCERTs**

- Class 9 Economics – “The Story of Village Palampur” and “People as Resource”: labour, unemployment, and human capital, where social security acts as insurance for human capital.
- Class 10 Economics – “Sectors of the Indian Economy” and “Globalisation and the Indian Economy”: formal vs informal sectors, organised vs unorganised workers, and state regulation.
 - **Class 11 Indian Economic Development –**
 - “Growth and Changing Structure of Employment”: transition from agriculture to services and implications for social security.
 - “Employment: Growth, Informalisation and Other Issues”: directly discusses informal sector workers and lack of social security.
- Class 12 Indian Economic Development – “Current Challenges Facing Indian Economy”: poverty, social sector, health and education, where social security is a major instrument.
- Political Science NCERTs (Class 11–12) – chapters on Constitution, Directive Principles, and welfare state provide the normative basis.



Linkages with UPSC CSE Syllabus

GS Paper 1

Indian society, poverty and developmental issues, urbanisation and its problems – vulnerability of migrant and informal workers, changing nature of work.

GS Paper 2

Polity and Governance:

- Functions and responsibilities of the Union and the States.
- Government policies and interventions for development in various sectors and issues arising out of their design and implementation.
- Mechanisms and institutions for delivery of services; role of statutory bodies (EPFO, ESIC).

Social Justice:

- Welfare schemes for vulnerable sections and their performance.
- Issues relating to poverty and hunger, health, and social security.

GS Paper 3

Indian Economy:

- Inclusive growth, employment, and labour reforms.
- Infrastructure – social infrastructure: health and education.
- Mobilisation of resources and fiscal issues (pension liabilities, actuarial deficits).

GS Paper 4 (Ethics)

Ethics in public administration – diligence, accountability, responsiveness of institutions like EPFO/ESIC.

Attitude towards the poor and marginalised; empathy and compassion in policy design.

Case studies on designing and implementing welfare schemes.

- **Way Forward**

- **Phased Implementation with Pilot Projects:** Begin by offering NPS choice to new EPF subscribers in a few high-formalisation sectors (IT, financial services) and monitor outcomes. Expand ESI choice to one or two states with strong regulatory capacity first.
- **Leverage India Stack for Portability:** Build the Aadhaar-linked universal social security account on top of the existing Account Aggregator and DigiLocker platforms. Mandate API-based compliance for all establishments with more than a minimal threshold, with handholding for MSMEs.
- **Statutory Anchoring of Reforms:** Amend the Social Security Code rules to clearly define the portable account, choice architecture, mandatory payout ratios (like 85%), and automatic refund triggers. This gives legal predictability and shields the policy from ad-hoc bureaucratic interference.
- **Governance Overhaul:** Restructure the boards to a compact, skill-based composition (12 members) with independent experts in finance, public health, and technology. Introduce performance-linked SLBs for claim settlement, fund returns, and service quality, with quarterly public disclosure.
- **Resolve the EPS Deficit Through an Honest Bargain:** Convene a tripartite dialogue to transparently present the EPS deficit and negotiate a transition—either accepting a defined-contribution model with a one-time top-up from the government, or a reduced but guaranteed defined benefit funded by an explicit fiscal subsidy, agreed as a one-time clean-up.
- **Use the ESI Surplus for Structural Transition:** Offer a time-bound contribution holiday to priority sectors (MSMEs, women, SC/ST) from the surplus, but simultaneously build a regulatory framework that ensures future surpluses are automatically returned to contributors, recasting ESIC as a non-profit service provider rather than a fund accumulator.
- **Enhance Grievance Redressal and Financial Literacy:** Integrate social security accounts with the national consumer helpline and create a multilingual digital interface that shows a single view of PF, ESI, and NPS entitlements. Run sustained campaigns so workers see social security as an asset, not a deduction.
- **Ensure Data Privacy and Consent:** Aadhaar linkage must be backed by explicit informed consent, with alternative authentication mechanisms for biometric failure. The new Data Protection Board should have oversight over social security data to prevent misuse.
- **Constitutional and Legal Anchoring:** Use the Directive Principles and the emerging jurisprudence on the right to social security to frame reforms as a constitutional duty, not a political whim. This makes rollback more difficult and builds wider societal consensus.

- **UPSC CSE Mains – GS Paper II**

- **2021:** “Examine the role of social security measures in the achievement of inclusive growth.”
- **2020:** “‘National Social Security Fund for unorganised workers.’ Do you think this will ensure social security for all?”
- **2017:** “Discuss the significance of social security and social protection in the context of the informal sector.”

- **UPSC CSE Mains – GS Paper III**

- **2022:** “Explain the challenges in formalization of the Indian economy and suggest measures to overcome them.”
- **2019:** “Discuss the challenges of formalisation of the Indian economy.”
- **2017:** “What are the reasons for the persistence of a large informal sector in India? Suggest policy measures.”

- **UPSC CSE Mains – Essay**

- **2019:** “Social justice in a globalised world.”
- **2017:** “Does India need a universal basic income?”

- **UPSC CSE Prelims**

- **2020:** Question on the Code on Social Security, 2020 (coverage, gig workers).
- **2019:** Question on Atal Pension Yojana and NPS.

India is pivoting to win the global race for distributed intelligence

The adoption of a framework for relevant AI diffusion across every layer of the economy could catapult the country ahead



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For 40 years, the global AI race has been on beauty, muscle, faster chips and massive capital. The US led in this phase, with its hyperactive start-up and not-miss-a-beat expansion of data centre capacity to meet its labour, chip and power availability. Next came China, however, in shifting its strategy, heavily supported by the Five-Year Plan for 2026. 2026 is touted as an emerging AI-centric plan to revolve around intelligence, automation, factoring, supply chain, public systems and the entire economy. The 2026 roadmap for AI India confirms this shift. AI leadership is no longer decided by who builds the best models. The new leadership is built on how you diffuse intelligence, turning AI into an economy-wide driver of productivity and population growth.

India enters this race with strong structural advantages. We have already built critical digital skills. ITI has 20 million skilled people ready to meet 20 billion monthly service hours. We generate almost 100 million start-ups, small and medium enterprises (SMEs), hundreds of millions of informal workers and access to public systems where every student, productivity gains create sustained impact. Our diversity demands inclusive design—rather than, say, to use software that requires sustained connectivity and can work anywhere. We have also long established a strong legal system through the Indian Contract Act, the rules are significant. The most critical is intellectual property, which is the backbone of innovation. AI will amplify fragmentation. If data is not shared, AI will not be universal. AI will drive an India, AI cannot deliver meaningful impact. India must therefore move beyond deploying isolated AI solutions. We need to reimagine the entire system as a future to support broad-based diffusion across our diverse economy.

Coordinating actions at this scale, within a limited window of opportunity, demands collaboration, whole-of-government AI Diffusion Framework built on open architecture, shared data layers, open, context-based data exchange and transparent AI systems embedded into real-world flows. Our key pivots are essential.

First, re-engineer institutional architecture for creation of multi-benefit or multi-empowered AI ecosystems and build a single national AI Diffusion Roadmap. It must involve cross-ministerial leadership, conduct regular outcome reviews and dynamically reallocate resources. Empowered institutions are essential to drive, respectively, accelerated India's technology progression. The Council must serve as the central coordinating authority. It should focus on three activities. One, it should establish a National AI Diffusion Implementation Unit, work with the National Information Commission and India's ecosystem

and innovation model. Reporting directly to the Council, this unit would handle programme design, public-private partnerships, real-time monitoring and last-mile coordination. Two, create a unified Data and Standards Office (DSDO) to harmonise context-based data exchange, set standards and interoperability across digital public infrastructure (DPI) layers. Three, set up National AI Transformation Council to priority areas such as agriculture, healthcare, SMEs, other critical and urban government. These councils would share best practices and accelerate diffusion with non-diffusion areas. The government has already announced the AI Economic and Governance Council. This is a welcome recognition that AI diffusion requires high-level coordination. With strong institutional backing and execution discipline, it can dramatically improve our diffusion trajectory.

Second, refine government's spend, social and incentive. Current procurement is input-based and price-centric. India must shift to outcome-based contracts to that reward genuine adoption and results. For government-backed AI projects, a big shift in position of contracts also should be tied to verifiable metrics: user flows that grow, active user engagement and tangible efficiency gains such as reduced processing times. Drawing from models like the UK's AI Procurement Pilot, India should develop clear standards. Every project must submit a credible diffusion and sustainability plan at the approval stage. Future funds should be released only based on demonstrated outcomes, not on plans or demonstrations.

Third, strengthen skills capacity through digital literacy. AI must reach pan-sectors, especially MSMEs and MSMEs. This requires the following. One, we must launch a national cadre of AI diffusion fellows, funded by both India's budget and states. Their role would be on ground training, knowledge and troubleshooting for grass-roots entrepreneurs, support workers and MSME owners. We should deploy pan-India centres for AI mentorship, like government and MSMEs' reach

centres through DPI integration. These agents must support on devices and offline functionality for low-connectivity areas. In the National AI India plan, AI systems should "plug-in" generated in some contexts, but be offline, to maintain context-specific design to be essential for reliable last-mile deployment. Three, India must roll out an AI for Every Citizen AI-centric ecosystem programme to foster sustainable AI through millions of small-scale users, leveraging grassroots initiatives like Common Service Centres.

Fourth, redefine success metrics. There is no need to invent new metrics for AI diffusion, but to generalise existing. India should focus on a single, real-time Public National AI Diffusion Index based on tracking three indicators: cross-private sector and state adoption rate of AI-enabled workflows, productivity and user delivery impact (such as faster processing and greater coverage) and citizen reach. Publishing regular tables for indicators such as state AI adoption competitive index, a portion of human state AI funding should be tied to diffusion and performance.

The 2026 roadmap should be realistic. People increasingly believe AI will water in their lives, yet many remain uncertain about whether institutions can manage it responsibly. India to embrace the full range of AI ecosystems among services, countries. A management public dashboard can demonstrate to the world that AI diffusion is being governed with account ability.

While everyone talks framework with the most urgency that both ITI. It could become the world's first large-scale demonstration of distributed intelligence—real-time, relevant, AI-enabled across every layer of the economy for the benefit of all Indian citizens. Productivity will be, and user delivery will improve and everyone's AI capacity will be secured.

The cost of inaction is strategic dependence: intelligence designed, controlled and governed by others, leading to value leakage and compromised autonomy in government, security and growth.

Key Terms and Explanations

AI Diffusion: Unlike the creation of AI (building the model), diffusion refers to the **spread and adoption** of AI across the entire economy—from a small farmer using a crop-diagnostic tool to a government department automating pension claims.

Frontier Models: The most advanced, large-scale AI systems (like GPT-4 or Gemini) that require massive computing power to train.

Hyperscalers: Large cloud service providers (e.g., Amazon AWS, Google Cloud) that provide the massive data center infrastructure required for AI.

Digital Public Infrastructure (DPI): The "digital rails" (like Aadhaar for identity or UPI for payments) that allow for public and private innovation at scale.

Vernacular AI: AI models and interfaces designed to work in local languages (Hindi, Tamil, Bengali, etc.), ensuring technology isn't limited to English speakers.

Sovereign AI: A nation's capability to build and control its own AI infrastructure, data, and models to ensure national security and digital autonomy.

MSMEs (Micro, Small, and Medium Enterprises): The backbone of the Indian economy, consisting of small businesses that often lack the capital to adopt high-tech solutions independently.

- **Main Arguments and Substantive Parts**
- **The Shift in Global Strategy**
 - The global AI race is moving from a "**Compute Race**" (who has the most chips) to a "**Deployment Race**" (who can integrate AI into the real economy). While the US leads in frontier models, China is aggressively embedding AI into its manufacturing and supply chains via its 15th Five-Year Plan.
- **The Indian Context: Advantages and Vulnerabilities**
 - India's strength lies in its **existing digital rails** and **massive data variety**. However, the article argues that AI will fail or even cause harm if it is layered on top of broken workflows or siloed data.
- **The Proposed Four-Pivot Framework**
 - **Institutional Re-engineering:** Moving away from fragmented ministerial mandates toward a centralized "Council" and an implementation unit modeled after the NPCI.
 - **Procurement Reform:** Shifting from "buying a tool" to "paying for results." Success should be measured by actual usage and efficiency gains, not just signing a contract.
 - **Last-Mile Capacity:** Creating a "National Cadre of AI Diffusion Fellows" to handhold grassroots users (anganwadi workers, farmers) through the transition.
 - **Redefining Metrics:** Using a National AI Diffusion Dashboard to track ground-level impact, fostering "competitive federalism" among states.

- **Historical Evolution of the Issue**

- **Pre-2010s (IT Services Era):** India established itself as the "back office of the world," focusing on software exports rather than domestic digital transformation.
- **2015 (Digital India Launch):** The pivotal shift toward building domestic digital infrastructure.
- **2016-2020 (The Rise of DPI):** The success of the "India Stack" (Aadhaar, UPI, DigiLocker). This proved that India could scale technology for 1.4 billion people.
- **2018 (NITI Aayog's National Strategy on AI):** The first formal policy document highlighting "AI for All," focusing on social inclusion.
- **2023-2024 (IndiaAI Mission):** The government's formal commitment of over ₹10,000 crore to build compute capacity and support startups.
- **2026 (The Diffusion Shift):** The current realization that sovereign AI requires not just chips, but deep integration into every sector of the economy.



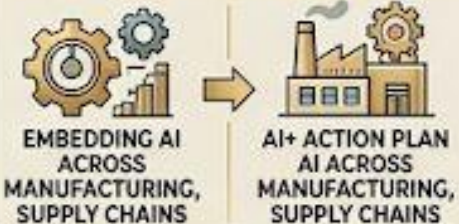
AXIA IAS ACADEMY PRESENTS: THE NEW AI RACE - INFRASTRUCTURE + DIFFUSION

GLOBAL SHIFT IN AI STRATEGY

PRE-2026: FOCUS ON FRONTIER MODELS (US LEAD)



CHINA'S 15th FIVE-YEAR PLAN SHIFT (2026-2030)



2026
STANFORD HAI AI INDEX: Leadership decided by Diffusion + Infrastructure, not just models

INDIA'S ENTRY & STRUCTURAL ADVANTAGES

DIGITAL PUBLIC INFRASTRUCTURE (DPI) RAILS



MASSIVE DEMAND: 80M MSMEs, HUNDREDS OF MILLIONS OF INFORMAL WORKERS



INDIAAI MISSION



KEY RISKS (FRAGMENTATION, SILOS, WORKFLOWS)

BUILDING SOVEREIGN CAPACITY

THE AI DIFFUSION FRAMEWORK: FOUR KEY PIVOTS

PIVOT 1: RE-ENGINEER INSTITUTIONAL ARCHITECTURE (SCALE)

- Empowered Council
- Single National Roadmap
- NPCI-model Implementation Unit
- Unified Data & Standards Office (UDSO)
- Sectoral AI Councils (Agri, Health, MSME, Edu)

PIVOT 2: REFORM PROCUREMENT (SPEED & OUTCOMES)

- Outcome-linked Contracts (Reward Genuine Adoption)
- Verifiable Metrics (Active User Engagement, Efficiency Gains)
- Future Funds based on Outcomes

PIVOT 3: STRENGTHEN LAST-MILE CAPACITY (DEEP DIFFUSION)

- National Cadre of AI Diffusion Fellows (Gram Panchayats, Anganwadis, MSMEs)
- Pre-built Vernacular AI Agents with Offline Functionality
- 'AI for Every Citizen' Micro-credential Programme

PIVOT 4: REDEFINE SUCCESS METRICS (IMPACT)

- Public National AI Diffusion Dashboard (Real-Time Tracking)
- Core Outcomes (Adoption Rate, Productivity & Service Delivery, Citizen Reach)
- Encouraging Competitive Federalism

FROM FRAGMENTATION TO DEMOCRATIZED INTELLIGENCE

VISION: FIRST LARGE-SCALE DEMONSTRATION OF DEMOCRATIZED INTELLIGENCE FOR 1.4B+ CITIZENS.
RISKS OF INACTION: STRATEGIC DEPENDENCE

- **Logical and Philosophical Base**

- **Underlying Logic**

The argument is built on a 'systems thinking' approach. It rejects linear innovation logic – that if you build better AI models, value will automatically trickle down. Instead, it posits that technology is shaped by the institutional and infrastructural environment. AI diffusion is a complex adaptive system where components (data, workflows, standards, skills, procurement rules) must be aligned.

- **Assumptions**

- **Architecture determines outcomes:** Fragmented architecture leads to fragmented benefits; coherent architecture yields exponential returns.
- **Demand-side innovation matters more than supply-side:** India's advantage is in pull from millions of small users, not just push from labs.
- **Inclusion is a design principle, not an afterthought:** Vernacular, low-connectivity AI is not just a social good but a strategic necessity for scale.

- **Philosophical Foundations**

The analysis leans on a pragmatic, institutionalist philosophy reminiscent of Amartya Sen's capability approach. Technology is a means to expand people's real freedoms and functioning, not an end. It also echoes Mahatma Gandhi's emphasis on the last person – AI must work for the anganwadi worker and the village entrepreneur, not just the urban elite. The call for a public dashboard and competitive federalism reflects a Rawlsian concern for transparency and justice, ensuring that the benefits of AI are not captured by a few.

- **Epistemological Angle**

The proposal shifts the knowledge paradigm from a singular, English-centric 'universal' AI to a pluriversal approach – multiple language models, diverse contexts, grounded ways of knowing. Democratized intelligence means recognising that valid knowledge is created in many linguistic and social settings. The insistence on vernacular agents, on-device computing, and community cadres is an epistemological commitment to pluralism.

- **Multidimensional analysis**

- **Social dimension**

- Potential to expand access to health, education, welfare and justice through AI-enabled services in vernacular languages.
- Risk of deepening digital divide if AI tools remain urban, English-centric or require high-end devices.
- Changing social relations at the workplace as AI assists or replaces certain tasks.

- **Political dimension**

- AI diffusion becomes a new field of cooperative and competitive federalism (league tables, performance-based funding).
- Political narratives may either frame AI as empowerment (“AI for All”) or fuel anxieties (surveillance, job loss).
- Potential for algorithmic tools in elections, campaigning, and governance to affect democratic processes.

- **Legal dimension**

- Interactions with DPDP Act, IT Act, proposed AI-specific regulations and sectoral laws (RBI norms, health data rules).
- Need for judicial capacity-building to deal with AI-related disputes, including liability, discrimination and due process.
- Possibility of public interest litigations on AI use in welfare targeting, policing, or credit scoring.

- **Ethical dimension**

- Questions of fairness, transparency, accountability, autonomy and consent will be central.
- Risk of opacity (“black box” decisions) undermining trust and accountability in public services.
- Ethical design must also consider cultural diversity, language pluralism and local contexts.

- **International dimension**

- AI diffusion strategy will shape India’s stance in global AI governance forums (G20, UN, OECD dialogues).
- Possibility of India positioning itself as a model for “Global South AI diffusion” leveraging DPI and vernacular design.
- Geopolitical implications of dependence on foreign chips, clouds and software stacks.

- **Economic dimension**

- Productivity gains in MSMEs, agriculture, logistics, and services could drive growth, exports and competitiveness.
- New entrepreneurship and startup ecosystems around AI agents, sectoral solutions and DPI integrations.
- Short-to-medium term disruption in labour markets, especially routine cognitive and clerical jobs, requiring reskilling.

Linkages with NCERTs

Class 11 – Indian Economic Development

- Chapters on “Infrastructure” and “Liberalisation, Privatisation and Globalisation” link to digital and AI infrastructure as drivers of growth.

Class 12 – Indian Economic Development

- Chapters on “Human Capital Formation” and “Sustainable Economic Development” relate to AI skilling and environmental footprint.

Class 10 – Information and Communication Technology references in Economics/Geography

- Role of technology in development, rural transformation, services sector.

Class 9/10 – Democratic Politics

- Chapters on “Constitutional Design” and “Democratic Rights” provide the base for discussions on privacy, consent and accountability.

Class 11 – Sociology: Understanding Society

- Chapters on “Social Change in Modern Society” link to technological change and its social impact.

Class 12 – Political Science: Contemporary World Politics

- Chapters on globalisation and international organisations can be connected to global AI regimes and digital geopolitics.

- **Linkages with UPSC CSE syllabus**

- **GS Paper I**

- Indian society: impact of globalisation, social empowerment, regionalism; AI-induced social change and digital divide.
 - Modern history and post-independence consolidation: long-term trajectory of technology and development policy in India.

- **GS Paper II**

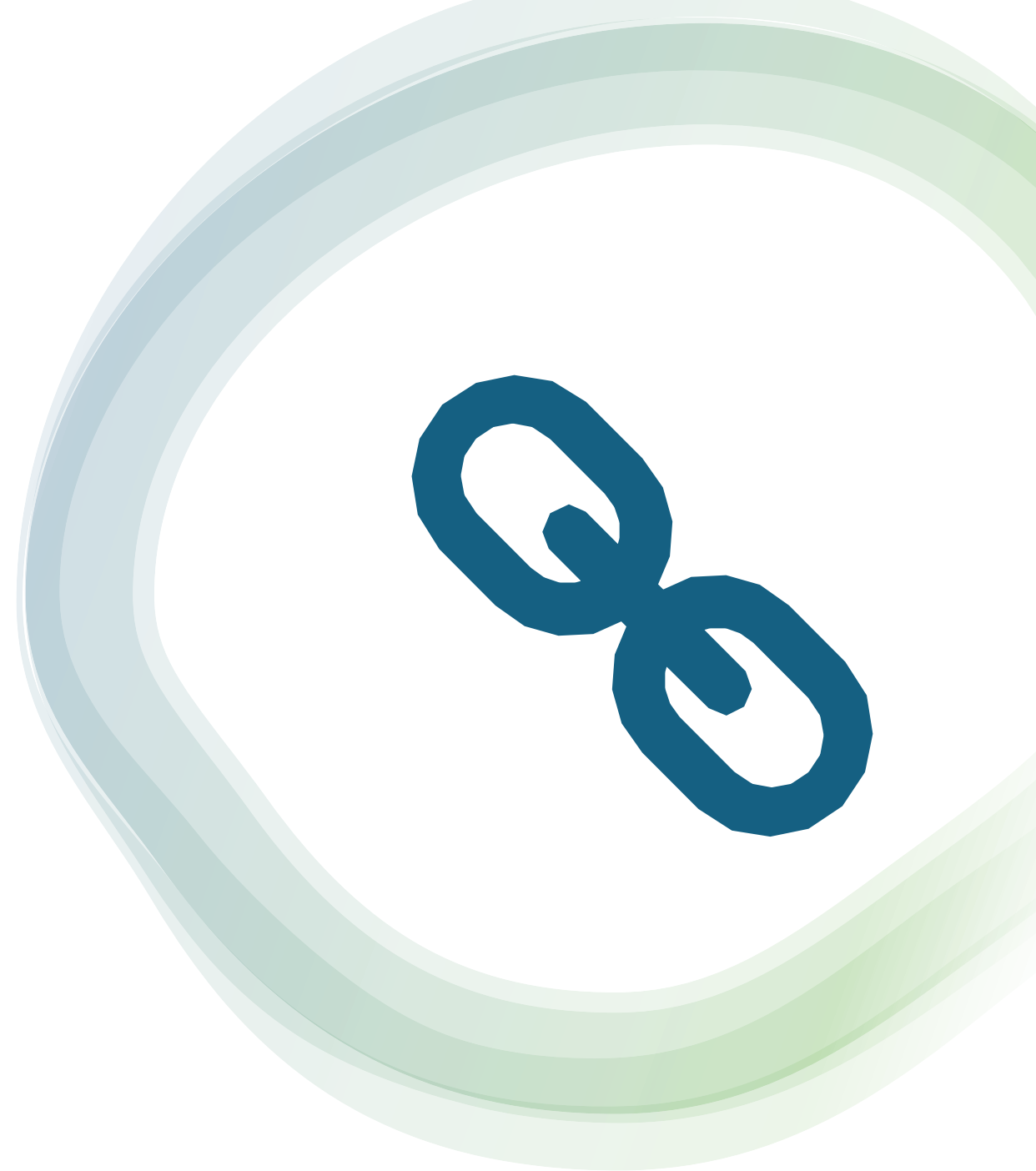
- Governance, transparency and accountability: AI in service delivery, e-governance, digital public infrastructure.
 - Role of civil services in a democracy: capacity to manage AI systems, policy design and implementation.
 - Government policies and interventions for development: IndiaAI Mission, Digital India, sectoral AI initiatives.

- **GS Paper III**

- Science and technology: developments and applications of AI, indigenisation, and technology missions.
 - Economy: growth, MSMEs, inclusive development, infrastructure (digital and physical).
 - Cybersecurity, data protection, internal security implications of AI.

- **GS Paper IV (Ethics)**

- Probity in governance: algorithmic fairness, transparency, accountability, whistle-blowing.
 - Values in public administration: empathy, inclusion, non-discrimination in AI design.
 - Ethical issues in technology use, privacy, and autonomy.



Way forward

Institutional design

- Establish a high-level AI Diffusion Council with statutory backing, supported by a small, expert NPCI-style implementation unit.
- Create a UDSO with clear mandate, resources and multi-stakeholder representation (state, private, civil society, technical experts).

Data, standards and interoperability

- Adopt common data and interoperability standards across DPIs and sectors, including vernacular interfaces and open APIs.
- Strengthen consent architecture and audit trails; enforce privacy-by-design and purpose limitation.

Procurement and incentives

- Shift to outcome-based procurement, with clear, measurable KPIs and independent third-party evaluation.
- Introduce performance-linked funding and competitive federalism via a national AI diffusion dashboard.

Last-mile capacity and inclusion

- Launch a national AI diffusion fellowship programme; embed fellows at district and block levels.
- Invest heavily in vernacular AI agents, on-device capabilities and accessibility features; leverage CSCs and SHGs for grassroots AI literacy.

Ethics, law and trust-building

- Develop a principled AI governance framework grounded in constitutional values; ensure grievance redress and human oversight in critical decisions.
- Encourage participatory design with communities, especially marginalised groups, to ensure context-sensitive AI solutions.

Strategic autonomy and global role

- Invest in indigenous compute, semiconductor partnerships, language models and open-source ecosystems.
- Use India's experience with DPI and inclusive AI to shape global norms, positioning India as a voice for the Global South.

- **UPSC CSE – Prelims**

- Questions on Digital India, Aadhaar, UPI, CoWIN, ONDC, DBT, JAM.
- Questions on AI, machine learning, deep learning, big data, cloud computing.
- Questions on data protection, cybersecurity, and emerging technologies.

- **UPSC CSE – Mains**

- **GS II (selected themes and representative questions)**

- Role of e-governance in improving transparency and service delivery.
- Use of ICT in improving public service delivery and the challenges involved.
- Discuss the role of Digital India in empowering citizens and transforming governance.

- **GS III (selected themes and representative questions)**

- Discuss the potential of artificial intelligence in transforming India's economy and the associated challenges.

- How can digital public infrastructure contribute to inclusive growth and financial inclusion?

- Examine the challenges of data privacy and security in the age of big data and AI.

- How do emerging technologies like AI, robotics and IoT affect employment patterns in India?

- **GS IV (Ethics)**

- Ethical issues in the use of technology for governance and public service delivery.

- How should public officials balance efficiency gains from technology with respect for individual rights?





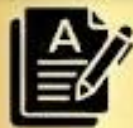
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