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Western Ghats conservation with science and dialogue

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The Ecologically Sensitive Area debate highlights the need for balanced, inclusive conservation approaches

The Western Ghats, spanning six coastal States of India, are internationally recognised for their rich biodiversity. They contain 39 biodiversity hotspot areas, including national parks, reserved forests, and wildlife sanctuaries declared World Heritage Sites (WHS) by UNESCO in 2012. To protect this natural heritage, the Western Ghats Ecology Expert Panel (WGEEP) was constituted in 2010 under the chairmanship of ecologist, academic, and writer Madhav Gadgil. Its report recommended declaring 142 talukas covering 44 districts in the entire Western Ghats into Ecologically Sensitive Area (ESA), while sub-dividing it into three Ecologically Sensitive Zones (ESZ). Such a declaration would regulate human activities to protect fragile ecosystems and, once notified under the Environment Protection Act, 1986, would provide legal protection.

The ESA journey

Following strong local and political opposition in the States concerned to the WGEEP recommendations, the central government constituted a high-level working group headed by Krishnaswamy Kasturirangan in 2012 to review them. The group limited restrictions on economic activities and livelihoods to ecologically sensitive natural landscapes, reducing the area covered to only 37% of the Western Ghats

Based on this recalibrated report, the Ministry of Environment, Forest and Climate Change (MoEF&CC) issued the first draft notification in 2014. Since the matter remained unresolved, the Ministry constituted an expert panel headed by former Director General of Forests Sanjay Kumar in 2022 to examine the concerns raised by the stakeholder States. Following the expert panel's deliberations, Gujarat and Goa appear to have agreed to the finalisation of the ESA notification, while Maharashtra has sought a fresh review.

Discussions between the Centre and other States, including Karnataka, Kerala, and Tamil Nadu, are ongoing. A "phased rollout" or "State-wise finalisation" is possible after the inclusion of this clause in the 2024 draft notification.

Between 2015 and 2026, five draft notifications were issued as the Centre and States did not reach a consensus. Following the expiry of the last notification, in July 2026, the Ministry has extended the expert panel's tenure by another year.

The case of Karnataka

Karnataka has 10 districts in the Western Ghats, with 23.4% of the State's population residing there. Around 20,668 square kilometres have been identified for ESA declaration. Regardless of the government's political affiliation, the State has consistently opposed the proposal, citing its potential impact on agriculture, plantations, mining, and infrastructure development.

A study by this writer covered villages located in the proximity of 10 WHS across four districts – Chikkamagaluru, Kodagu, Shivamogga, and Udupi – and three other important sites in Uttara Kannada and Udupi, including the Kali Tiger Reserve, Mundigekere Bird Sanctuary (five acres and a breeding ground for cattle egrets in Sirsi), and Mookambika Wildlife Sanctuary. The study highlighted local perspectives on livelihoods and conservation efforts.

In villages adjoining the Kali Tiger Reserve and Kudremukh National Park, some residents reported accepting or considering rehabilitation packages. Those opposing relocation felt that they might eventually have to follow due to declining village populations and the resulting threat to village life. Even villages with granted forest rights have faced challenges due to restrictions on minor forest produce collection and agricultural practices. Concerns were also raised over the rejection of forest rights claims by non-tribals with long-standing residence, including in a village (at least 150 years) near the Balahalli Reserved Forest. Meanwhile, local officials and some communities supported regulating environmentally harmful activities such as stone quarrying and unplanned tourism projects, including proposals for forest ropeways.

With specific reference to the notifications, it must be noted that local communities faced similar restrictions whenever these areas were declared protected zones, even before the WGEEP was constituted. Many residents believe that buffer zones extend 10 kilometres from core areas and fear possible eviction from their lands. Stakeholders across the study districts unanimously expressed concerns that reliance on satellite imagery for identifying ESA areas was unfair, as they were convinced that it could not distinguish plantation crops such as arecanut, shade-grown coffee, rubber, and coconut from forest cover. They also raised concerns that no committees had physically visited their villages.

In this context, Karnataka's case requires an empathetic approach that addresses genuine stakeholder concerns before a final decision is taken.

Protecting indigenous communities

In the broader context, the Union government's decision to proceed with the ESA notification for the Western Ghats reflects political will to protect ecology and biodiversity. Conservation efforts cannot be indefinitely delayed as it will result in States losing their control in such areas; ecological systems transcend administrative boundaries.

More importantly, ESA should include indigenous communities living deep within forests, as they naturally follow conservation principles and maintain a sacred, sustainable relationship with the environment despite challenging conditions. Their presence serves as a bridge between forests and mainstream society, while their absence risks the loss of biocultural diversity.

Key Terms and Explanations

Term / Concept	Definition & Conceptual Framework
Western Ghats (Sahyadri Range)	A continuous mountain chain running parallel to India's western coast (~1,600 km) across six states: Gujarat, Maharashtra, Goa, Karnataka, Kerala, and Tamil Nadu. It is one of the world's eight "hottest hotspots" of biological diversity and a UNESCO World Heritage Site.
Ecologically Sensitive Area (ESA)	A designated land parcel governed under **Section 3(2)(v) of the Environment (Protection) Act, 1986**, where specific commercial, industrial, and infrastructural activities are regulated or prohibited to protect fragile ecosystems.
Ecologically Sensitive Zone (ESZ)	Buffer areas surrounding National Parks and Wildlife Sanctuaries (often extending up to 10 kilometers) designed to act as "shock absorbers" for protected core habitats.
WGEEP (Gadgil Commission)	The *Western Ghats Ecology Expert Panel*, appointed in 2010 under ecologist Dr. Madhav Gadgil, which advocated a bottom-up, community-led, ecocentric framework declaring the entire range as an ESA with three tiered zones (ESZ-1, ESZ-2, ESZ-3).
HLWG (Kasturirangan Committee)	The *High-Level Working Group* (2012) led by Dr. Krishnaswamy Kasturirangan, which re-evaluated the Gadgil report by splitting the landscape into "Natural" (forests) and "Cultural" (human-inhabited/agricultural) areas, recommending ESA status for only 37% of the range.
Phased Rollout / State-wise Finalisation	A administrative mechanism introduced in recent draft notifications allowing individual states to finalize their respective ESA boundaries independently rather than waiting for an all-state consensus.
Biocultural Diversity	The intrinsic link between biological diversity, cultural heritage, and indigenous knowledge systems, where ecosystems and traditional human practices co-evolve sustainably.
Forest Rights Act (FRA), 2006	A landmark legislation (*Scheduled Tribes and Other Traditional Forest Dwellers Act*) that legally recognizes the land, resource, and habitat rights of forest-dwelling communities who have resided there for generations.

- **Main Arguments and Core Perspectives**
- **The Conservation Imperative vs. Policy Paralysis**
- The core debate centers on protecting an ecologically irreplaceable landscape that regulates South Asia's monsoon climate while hosting thousands of endemic flora and fauna species. Despite broad consensus on the Western Ghats' ecological fragility, administrative efforts have spent over a decade locked in policy deadlock. Five successive draft notifications issued between 2014 and 2026 have expired without finalization due to resistance from state governments, reflecting a deep-seated tension between central environmental mandates and regional developmental priorities.
- **The Spatial Identification Dilemma: Satellite Imagery vs. Ground Realities**
- A major point of friction is the methodology used to demarcate Ecologically Sensitive Areas. State governments and local communities argue that remote sensing and satellite data fail to distinguish native forest cover from shade-grown cash crop plantations such as arecanut, coffee, rubber, and coconut.
- Because satellite surveys miss these ground-level distinctions, farmers fear that agricultural lands will be wrongly classified as protected zones, leading to land-use restrictions, property depreciation, and loss of livelihood options.
- **Local Anxiety and the "Fortress Conservation" Fallacy**
- Community opposition in states like Karnataka is driven less by anti-environmental sentiment and more by fear of administrative displacement and economic marginalization.
  - **Misperceptions regarding Buffer Zones:** Many rural populations believe ESA notification will create a rigid 10-kilometer buffer zone leading to forced evictions, restricted infrastructure (roads, electricity), and bans on traditional agricultural practices.
  - **Marginalization of Local Voices:** Top-down notifications issued without ground-level consultations reinforce fears that environmental regulation primarily serves bureaucratic control rather than community-led stewardship.
- **Indigenous Co-existence and Cultural Ecology**
- Top-down conservation models often view human presence as inherently damaging to nature. However, indigenous forest dwellers and long-standing traditional residents operate as critical components of the ecosystem. Their traditional ecological knowledge, sustainable resource harvesting, and spiritual protection of sacred groves provide natural defenses against illegal logging and poaching. Excluding these communities risks creating environmental management voids that can leave forests vulnerable to commercial exploitation.

- **Historical Evolution of the Issue**
- Enactment of the Environment (Protection) Act (EPA)
- 1986
- Section 3(2)(v) gives the Union Government authority to restrict industrial and developmental activities in designated Ecologically Sensitive Areas (ESAs).
- Passage of the Forest Rights Act (FRA)
- 2006
- Legally recognizes individual and community forest rights for Scheduled Tribes and Other Traditional Forest Dwellers, establishing Gram Sabhas as key decision-makers in forest governance.
- Constitution of the Gadgil Panel (WGEEP)
- 2010
- The Ministry of Environment, Forest and Climate Change (MoEF&CC) appoints the Western Ghats Ecology Expert Panel, led by Dr. Madhav Gadgil, to assess the region's environmental health and propose protection measures.
- Gadgil Report Submission & UNESCO Tagging
- 2011–2012
- The WGEEP recommends designating 100% of the Western Ghats as an ESA, stratified into three Ecologically Sensitive Zones (ESZ-1, ESZ-2, ESZ-3), with strong local governance. In 2012, UNESCO designates 39 clusters in the Western Ghats as World Heritage Sites.
- Kasturirangan Panel (HLWG) Recalibration
- 2012–2013
- Faced with opposition from state governments, the Centre forms a High-Level Working Group under Dr. K. Kasturirangan. The panel reduces the proposed ESA coverage to 37% (~56,825 sq km) by separating "Natural Landscapes" from "Cultural Landscapes."
- First Draft ESA Notification Issued
- 2014
- MoEF&CC issues its inaugural draft notification based on the Kasturirangan recommendations, kicking off formal consultation with state governments.
- Draft Expiries and State Resistance
- 2015–2021
- Multiple draft notifications are reissued as consensus remains elusive. States raise concerns over economic disruption, loss of agrarian land, and methodology.
- Constitution of the Sanjay Kumar Panel
- 2022
- The MoEF&CC forms an expert committee under former Director General of Forests Sanjay Kumar to review ground-level concerns raised by states like Karnataka, Maharashtra, and Kerala.
- Introduction of 'Phased Rollout' Provision
- 2024
- The 2024 draft notification introduces a clause allowing state-wise finalization of ESAs, enabling willing states (e.g., Gujarat, Goa) to notify boundaries while others continue reviews.
- Panel Tenure Extension
- 2026
- Following the expiry of the 2024 draft notification, the Union Government extends the Sanjay Kumar Expert Panel's mandate by another year to negotiate consensus with resisting states.

WESTERN GHATS ECOLOGICALLY SENSITIVE AREAS (ESA): A CONPREHENSIVE ANALYSIS

THE SIGNIFICANCE & ESA JOURNEY

WESTERN GHATS (SAHYADRI)

Mistern Ghats (SAHYADRI)

Key Rivers
- Kaveri
- Godavari
- Krishna

Hottest Biodiversity Hotspot

Endemic Species

Rare flora and fauna
- Rarece Biodiversity
- Hoatspot
- Lion-tailed Macaque
- Nilgiri Tahr

ESA RECOMMENDATIONS COMPARED

WGEEP (GADGIL, 2011)
- Total Area ESA (100%)
- Community-Led Governance
- Top-down Protection
- Community-Governance
- Community-Euonce
- Prohibitions bans

HLWG (KASTURIRANGAN, 2013)
- Pragmatic Balance
- Cultural Landscapes
- Natural Areas Only (37%)
- Cultural Excluded
- Natural Areas Only (37%)
- Graded Regulation

ESA POLICY CHRONOLOGY

- 1986 EPA
- 2006 FRA
- 2011 Gadgil
- 2013 Kasturirangan
- 2014–2026 Multiple Drafts
- 2024 Phased Rollout

STAKEHOLDER CONFLICTS & CONCERNS

Kerala
Tamil Nadu
N

- Karnataka & Tarri Nadu
- Main centers of opposition

6 States
States
Main centers of opposition

LIVELIHOOD FEARS

- Agriculture
- Coffee
- Arecanut plantations

Fears of bans and criscors
Land-use restrictions

ECONOMIC PRESSURE

- Quarrying
- Mining
- Infrastructure
- Infrastructure

VS

Development goals

METHODOLOGY ISSUES

Take images In tonse images our canopy → Taking images of canopy → Mistaken for Forest → Fear of ESA restricting Arecanut/Coffee farming

LEGAL, ETHICAL & THE WAY FORWARD

KEY ENVIRONMENTAL DOCTRINES

PUBLIC TRUST DOCTRINE
State as Nature's Trustee and nonsstor live

PRECAUTIONARY PRINCIPLE
Restrict if damage possible, without absolute science

INTERGENERATIONAL EQUITY
Protecting resources for future generations

FOREST RIGHTS ACT (FRA)
Sacred groves → Community Forest Rights

THE WAY FORWARD

1 PARTICIPATORY MAPPING

Local communities

2 GRADED REGULATIONS

✓ Permissive	✗ Prohibited
✓ Heavy industry	✓ Eco-tourism
✓ Heavy industry	✗ Activity
✓ Prohibited	✗ Eco-tomhited

3 PAYMENT FOR ECOSYSTEM SERVICES (PES)

Direct payment to local keepers ⇄ Clean water to local water

4 STATE-WISE FINALIZATION (PHASED ROLLOUT)

States 1 notifications
States 11 notifications
India: 5 notification:
Completes completing notifications at Tilme

- **Logical and Philosophical Base**
- **Ecocentrism vs. Weak Anthropocentrism**
  - **The Gadgil Perspective (Ecocentrism):** Rooted in deep ecology, this model holds that nature possesses intrinsic value independent of human utility. The WGEEP framework treats the entire Western Ghats as a single, living ecological unit where human systems must adapt to ecological limits.
  - **The Kasturirangan Perspective (Weak Anthropocentrism):** Adopts a utilitarian, pragmatic approach. It balances ecological health with human socio-economic developmental needs, arguing that complete protection of populated areas is politically unviable and economically disruptive.
- **Social Ecology and Eco-Development**
- Social ecology, framed by thinkers like Murray Bookchin, argues that human destruction of nature often stems from imbalances and structural inequalities within human societies. Viewing rural and tribal inhabitants as environmental antagonists creates conflict. True conservation works best when local populations are recognized as primary guardians whose economic security is directly tied to healthy ecosystems.
- **Principle of Subsidiarity and Grassroots Democracy**
- The principle of subsidiarity dictates that political decisions should be made at the most local level capable of addressing them effectively. In environmental governance, this means granting Gram Sabhas and local Panchayati Raj institutions direct agency over land-use choices, natural resource extraction, and eco-tourism development, fulfilling the constitutional intent of the 73rd Amendment and the PESA Act, 1996.
- **The Precautionary Principle and Public Trust Doctrine**
- Under international environmental law and Article 21 of the Indian Constitution (Right to a Healthy Environment), the state acts as a trustee of natural resources under the **Public Trust Doctrine**. When an activity poses risks of serious or irreversible environmental damage—such as landslides, deforestation, or severe biodiversity loss—the **Precautionary Principle** requires proactive protective measures, even if full scientific consensus is still developing.

- **Multidimensional Analysis**
- **Social Dimension**
  - **Livelihood Security & Agrarian Vulnerability:** Smallholders in regions like Chikkamagaluru, Kodagu, and Shivamogga fear that environmental restrictions could limit traditional agricultural practices, prevent farm expansion, or restrict access to minor forest produce.
  - **Displacement and Social Disruption:** Unclear resettlement and rehabilitation packages create lingering social stress. Resettling populations out of protected areas can erode traditional community networks, cultural identities, and local support systems.
- **Political Dimension**
  - **Federal Friction (Center-State Dynamics):** Environmental governance under the Concurrent List requires smooth coordination. Top-down central notifications can trigger friction when state governments view environmental restrictions as threats to their fiscal health and regional infrastructure plans.
  - **Electoral Pressures:** Political representatives in hill districts face pressure from local constituencies who worry about restrictions on land transactions, quarrying, and tourism developments.
- **Legal Dimension**
  - **Statutory Conflicts:** A critical legal friction exists between the **Environment (Protection) Act, 1986** (used to declare ESAs) and the **Forest Rights Act (FRA), 2006**. Blanket ESA notifications can undermine Gram Sabha authority if land-use restrictions are imposed without securing Community Forest Rights (CFR) titles first.
  - **Constitutional Rights:** Balances the fundamental right to a clean environment (**Article 21**) and Directive Principles (**Article 48A**) against the freedom to practice any trade or occupation (**Article 19(1)(g)**).
- **Ethical Dimension**
  - **Environmental Justice:** Asymmetrical burdens occur when indigenous and rural communities bear the costs of conservation (loss of land access, restricted infrastructure) while urban centers enjoy the ecological benefits (water security, carbon sequestration, climate regulation).
  - **Intergenerational Equity:** Safeguarding biodiversity ensures that future generations inherit functional, resilient ecosystems capable of mitigating climate change impacts.
- **International Dimension**
  - **Global Commitments:** Supports India's pledges under the **Kunming-Montreal Global Biodiversity Framework** (Target 3: Protecting 30% of global land and seas by 2030) and the **Convention on Biological Diversity (CBD)**.
  - **UNESCO World Heritage Obligations:** As a signatory to the 1972 World Heritage Convention, India is obligated to preserve the Outstanding Universal Value (OUV) of the 39 designated Western Ghats sites.
- **Economic Dimension**
  - **Plantation Economy Vulnerabilities:** The region produces key commercial crops like coffee, spices, tea, and rubber. Heavy-handed restrictions could disrupt supply chains, export earnings, and farm incomes.
  - **Unregulated Tourism vs. Sustainable Livelihoods:** Unregulated construction of resorts, highways, and ropeways causes ecological damage, whereas sustainable, community-led eco-tourism can generate stable local revenue while protecting natural habitat.

Linkages with NCERT Textbooks

NCERT Book / Class	Relevant Chapter	Key Concepts & Analytical Linkage
Class 11 Geography *(India: Physical Environment)*	**Chapter 5:** Natural Vegetation **Chapter 7:** Natural Hazards and Disasters	* Links Western Ghats endemic species to tropical evergreen forest conservation. * Connects deforestation, quarrying, and slope modification to increasing landslide risks in Wayanad, Kodagu, and Konkan regions.
Class 11 Political Theory	**Chapter 8:** Rights **Chapter 10:** Development	* Explores the conflict between economic growth and environmental preservation. * Highlights how top-down development projects can infringe upon tribal livelihood rights and indigenous land claims.
Class 12 Sociology *(Indian Society)*	**Chapter 3:** Social Institutions: Continuity and Change **Chapter 8:** Social Movements	* Analyzes indigenous social structures, sacred groves, and traditional ecological knowledge. * Connects modern Western Ghats preservation efforts to historic environmental movements like Chipko and Appiko.
Class 12 Biology	**Chapter 15:** Biodiversity and Conservation	* Introduces global biodiversity hotspots, endemic species, and *in-situ* vs. *ex-situ* conservation. * Provides scientific context for why the Western Ghats require specialized ESA protections under international frameworks.

- **Linkages with UPSC CSE Syllabus**
- **GS Paper 1: Indian Geography & Society**
  - **Salient Features of World's Physical Geography:** The role of the Western Ghats as an orographic barrier shaping the Indian monsoon, river drainage networks, and localized microclimates.
  - **Developmental & Social Issues:** Urbanization pressures, displacement of indigenous groups, tribal rights preservation, and the loss of traditional biocultural landscapes.
- **GS Paper 2: Governance, Polity, & Federalism**
  - **Federal Structure and Center-State Relations:** Executive tensions between Union environmental directives under the EPA, 1986 and State authority over land, agriculture, and local infrastructure.
  - **Statutory/Regulatory Bodies & Legislation:** Implementation of the Forest Rights Act (FRA), 2006, PESA Act, 1996, and the constitutional duties of local Panchayati Raj Institutions.
- **GS Paper 3: Environment, Ecology, & Disaster Management**
  - **Conservation and Environmental Impact Assessment:** Evaluating WGEEP (Gadgil) vs. HLWG (Kasturirangan) methodologies for identifying vulnerable ecological zones.
  - **Disaster Resilience:** Understanding how habitat fragmentation and hillside quarrying trigger catastrophic landslides, soil erosion, and severe flash flooding.
- **GS Paper 4: Ethics & Human Values**
  - **Environmental Ethics:** Balancing anthropocentric resource extraction against ecocentric conservation principles.
  - **Justice & Equity:** Evaluating procedural justice in decision-making and ensuring fair outcomes for marginalized forest dwellers facing potential displacement.

- **Way Forward and Policy Recommendations**
- **Participatory Ground-Truthing and High-Resolution Mapping**
- The Union and State governments should step away from relying solely on satellite remote sensing. Spatial identification of ESAs must combine satellite data with on-the-ground participatory GIS mapping conducted alongside local Gram Sabhas, Biodiversity Management Committees (BMCs), and local forestry officials. This approach ensures clear distinction between natural forest cover and long-standing cash-crop plantations, helping relieve agrarian anxiety.
- **Full Settlement of Rights Under the Forest Rights Act (FRA), 2006**
- Before notifying any final ESA boundary, the government should ensure the full recognition and settlement of Individual Forest Rights (IFR) and Community Forest Rights (CFR) claims. Empowering indigenous and local communities with formal land titles transforms them into legal partners in conservation, building trust and reducing opposition to environmental protection.
- **Adopt a Graded Regulation Model**
- Rather than applying blanket prohibitions across entire districts, the government should implement a clear, three-tiered regulatory approach:
  - **Red Category (Prohibited):** Total bans on heavy industrial extraction, major commercial mining, nuclear plants, red-category polluting industries, and large hydroelectric dams in core forest areas.
  - **Orange Category (Regulated):** Regulated development for local infrastructure, organic agricultural processing, small-scale eco-tourism, and essential road connectivity, subject to strict environmental assessments.
  - **Green Category (Promoted):** Proactive incentives for organic farming, traditional shade-grown coffee and spices, sustainable forest product harvesting, and community-led eco-tourism.
- **Institutionalize "Payment for Ecosystem Services" (PES)**
- Local farmers and indigenous communities living in ecologically sensitive areas act as custodians of vital public goods like freshwater, carbon storage, and biodiversity. The central government should set up a dedicated **Payment for Ecosystem Services (PES)** mechanism—funded through green cesses or carbon offsets—to directly compensate local landholders for maintaining sustainable, eco-friendly land use practices.
- **Strengthen Grassroots Environmental Governance**
- State governments should strengthen local Biodiversity Management Committees (BMCs) under the Biological Diversity Act, 2002. Granting local communities a direct voice in resource management, biodiversity documentation (People’s Biodiversity Registers), and eco-tourism revenue-sharing builds local ownership and ensures long-term ecological protection.

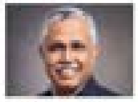
- **UPSC CSE Mains Questions**
  - **GS Paper 3 (2023):** *"Discuss the ecological significance of the Western Ghats. Analyze the administrative and socio-economic impediments in implementing the recommendations of the Gadgil and Kasturirangan reports."*
  - **GS Paper 3 (2020):** *"How does industrial development impact fragile ecological zones in India? Examine with special reference to recent landslide disasters in the Western Ghats."*
  - **GS Paper 2 (2019):** *"The implementation of the Forest Rights Act, 2006 remains inadequate despite its transformative potential for tribal empowerment and forest conservation. Critically evaluate."*
  - **GS Paper 4 (2021):** *"Environmental ethics demands that human economic growth must not come at the cost of ecological destruction or the marginalization of indigenous populations. Discuss the ethical dilemmas involved in top-down conservation models versus community-led governance."*
- **APSC CCE Mains Questions**
  - **GS Paper 5 / State & Environmental Issues (2022):** *"Examine the concept of Ecologically Sensitive Zones (ESZs). How can lessons from the Western Ghats ESA implementation deadlock guide sustainable management of fragile hill ecosystems in North-East India?"*
  - **GS Paper 3 (2021):** *"Analyze the balance between tribal rights under FRA 2006 and state-led biodiversity conservation policies in ecologically sensitive forest areas."*

Gen Z's voice must lead to a humane education system

With the successful demonstration by the Cockroach Janta Party, a point has been made. A light has been shown in our national darkness. We can use that light, or we can continue to curse the darkness. The choice is always there. Gen Z has pronounced a fiat. It will be wise on our part to take heed. The education system needs not just an overhaul but also a complete change. A change in policy itself. We must now sit down and work out a system in which examinations are seen as fair, conducted professionally, and taken happily and voluntarily. Competitive examinations should no longer be associated with student suicides.

India's education system has produced extraordinary professional talent, yet its admission culture has also created a dangerous emotional environment in which marks, ranks, and single-shot competitive examinations are often treated as the sole measures of intelligence, worth, and future possibility. This must change.

Examinations need to become more inclusive, projecting students' worth and abilities even as they assess a candidate's competence for the chosen field of higher education. Gen Z is very aware of the competitive world it has inherited and is quite capable of making prudent choices for its future. It is up to us – parents, teachers, and policymakers – to consult with them and evolve a system that is fair, robust, and respected.



John Varghese

Former Principal of St. Stephen's College

Assessing competence

A fair system of admission must adopt a multi-dimensional assessment of competence. Admissions should combine moderated school performance, discipline-specific aptitude, analytical writing, structured interviews where appropriate, practical or scenario-based tasks, and verifiable portfolios, projects, internships, community work and co-curricular achievement.

Such an approach would test not only memory and speed but also reasoning, persistence, communication, judgment, ethical orientation and suitability for a chosen field. Entry-level institutions themselves, with the involvement of competent schoolteachers, should design and administer these assessments with transparent criteria and proper safeguards. Examinations should be redesigned to assess application, interpretation and higher-order thinking rather than predictable patterns that feed the coaching industry. This would preserve standards while aligning admissions more closely with real ability, educational purpose and student potential.

Industry, parents, and students must together broaden the meaning of educational success beyond a few high-pressure professional courses. Regular industry interaction through career fairs, internships, mentorship programmes, workplace visits, and alumni engagement can make students aware, even at the school level, of emerging opportunities in newer sectors and reduce blind dependence on competitive examinations for traditional career paths. Parents, especially those with limited access to reliable information and who often resort to unaffordable loans, need structured counselling in local languages on courses, careers, costs, scholarships, aptitude, mental-health risks, and the difference between a child's interests and parental ambitions. Students must be helped to assess their abilities, dispositions, and aspirations realistically through guidance and aptitude-based conversations rather than prestige-driven choices. When informed industry exposure, responsible parental support, and self-aware student decision-making come together, educational choices become more rational, humane, and less fear-driven. This is the groundwork on which a fair and effective entry-level assessment system can be built.

The time has come to rethink merit, reform admissions, and restore dignity to every student's academic journey

Role of elected representatives

The Constitution treats education as a public good, not a commercial race, and places a clear duty on the state to protect equality, dignity, and the right to education, especially for children and weaker sections. When the coaching ecosystem becomes exploitative – creating inequality, displacing formal schooling, and harming student well-being – Parliament and State legislatures must respond through law, regulation, and oversight. Members of Parliament and Members of the Legislative Assemblies may not be individually liable for a persistent social problem, but they remain institutionally responsible for creating and enforcing safeguards on fees, advertising, mental-health support, hostel standards, and fraudulent practices. In the face of evidence of student suicides and commercialisation, persistent inaction invites democratic and legal scrutiny, making urgent action a constitutional responsibility.

Does one size fit all? No. A centralised agency such as the National Testing Agency rests on the assumption that one examination model can fairly judge all students across disciplines, regions and social contexts; this assumption is flawed – especially in a country such as India, which is varied in every possible way. Institutions and professional bodies are better placed to define what they seek in candidates because they understand the intellectual and academic demands, skills, aptitude and ethical orientation required for specific courses leading to careers. A single national test also creates logistical overload and demographic unfairness: language, geography, school background, digital access, and local educational disadvantages all affect performance, making a "one-test-fits-all" model neither educationally sound nor socially just.

A decentralised system, with universities or clusters of institutions designing and conducting their own assessments within broad University Grant Commission norms, would allow for more relevant and balanced evaluation. Students, too, may be consulted through structured representation in identifying appropriate modes of assessment, though access to live question papers or confidential content should be strictly avoided. To preserve sanctity and prevent paper leaks, these safeguards are essential: encrypted digital paper transmission; multi-layered question banks with algorithmic randomisation; strict vetting and rotation of paper setters; secure printing and sealed distribution protocols; independent audit and surveillance of examination centres. And severe penal consequences for any breach. Additional safeguards may include biometric candidate verification, time-staggered papers, and post-examination forensic review of anomalies.

Properly scheduled, decentralised examinations spread across the academic calendar would reduce stress, avoid nationwide disruption from a single failure, and permit institutions to test genuine competence and readiness rather than coaching-driven examination technique alone.

Entrance exams should help our students assess themselves for their abilities and competency in a chosen field. Students should undertake the exams willingly, with the clear understanding that it is indeed a competitive world, and that they have a self-worth even beyond the particular exam that they are sitting for. When alternate career choices are there, the pressure on the students is much less; and if they are passionate about a profession, then they will learn to work hard for it.

A humane direction for reform

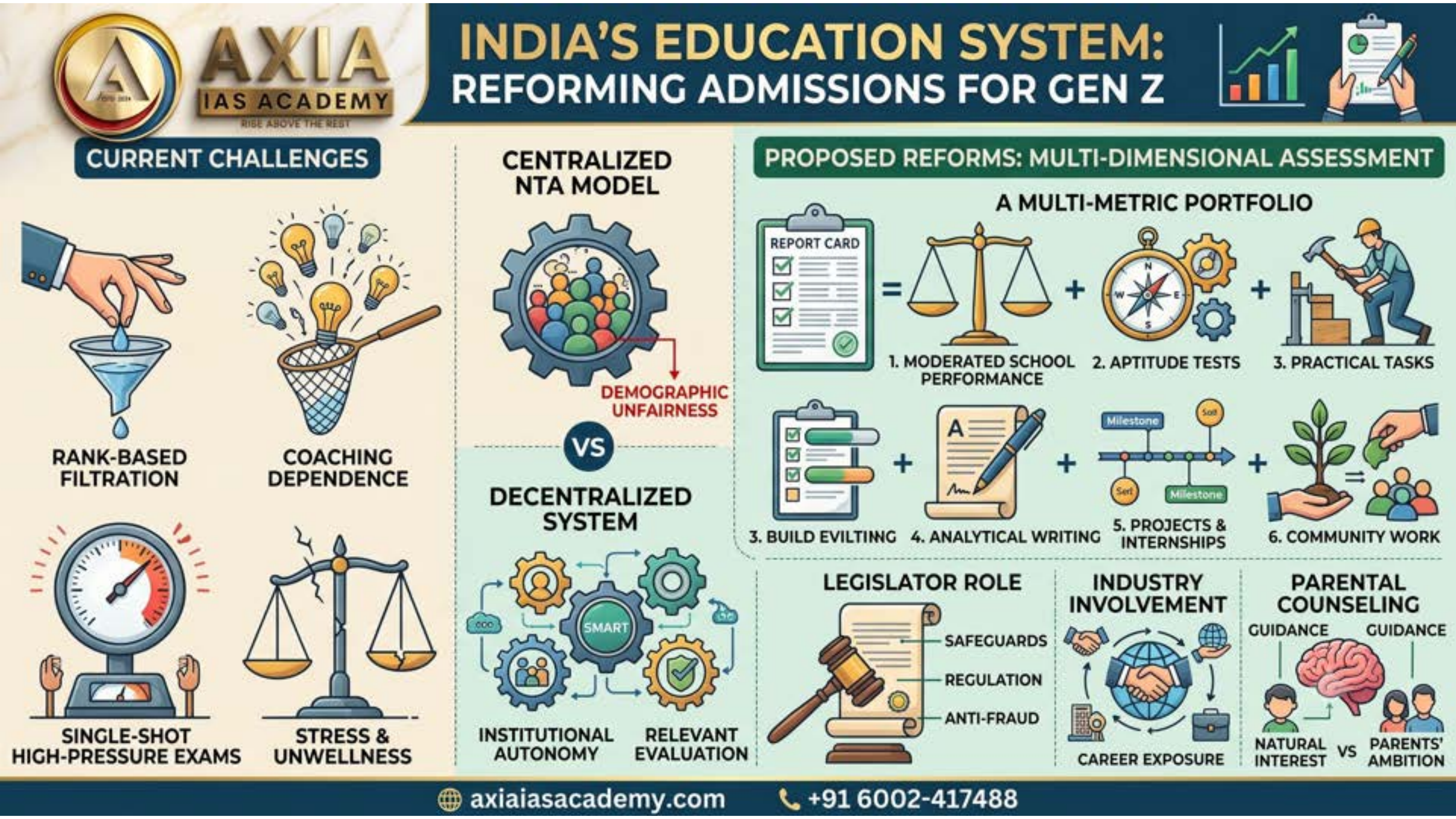
India requires a shift from rank-based filtration to capacity-based recognition. A just admissions system should ask not only who scored highest under exam pressure, but who has the aptitude, motivation, ethical seriousness, resilience, and capacity to grow in a chosen field. Such a system would still value excellence, but it would define excellence more intelligently and more humanely. Over the past few days, Gen Z has brought us face-to-face with a dark secret we have long lived with: the overemphasis on certain professions. This generation has choices, and we must allow them to choose responsibly while understanding the consequences.

The constitutional promise of education cannot be fulfilled by a structure that rewards fear, debt, and psychological distress while calling the result merit. The alternative lies in holistic assessment, regulation of coaching commercialisation, institutionalised mental-health support, industry involvement, and sustained counselling for parents and students, keeping interests, abilities, and dignity at the centre of educational choices. This will help create happier and more confident young people who choose careers deliberately, not out of compulsion, paving the way for a better India and a better world. If these changes begin now, the suicides caused by entrance examination stress can come to an end.

- **Key Terms and Explanations**
  - **Rank-Based Filtration vs. Capacity-Based Recognition**: Rank-based filtration is a elimination-centric model where high-stakes examinations act as mere sieves to reject the vast majority of applicants based on raw scores. In contrast, capacity-based recognition evaluates an applicant's holistic potential, aptitude, alignment of interests, and non-cognitive skills alongside academic competency.
  - **National Testing Agency (NTA)**: An autonomous, self-sustained central testing organization established in 2017 under the Societies Registration Act, 1860, tasked with conducting standardized, entrance examinations across India (e.g., NEET, CUET, JEE Main).
  - **Decentralized Assessment Architecture**: A structural model where authority, design, and execution of educational evaluation are delegated to individual universities or regional clusters rather than a single monolithic central agency.
  - **Commercialized Coaching Ecosystem**: A parallel education industry operating outside the formal schooling system, relying on rote-learning strategies, test-taking tricks, and aggressive marketing. It often displaces regular school attendance (dummy schools) and exacerbates socioeconomic divides.
  - **Multi-Dimensional Assessment**: A comprehensive evaluation framework combining multiple qualitative and quantitative metrics—such as moderated school board marks, discipline-specific aptitude tests, analytical writing samples, structured interviews, and verified co-curricular achievements.
  - **Shadow Education System**: Private supplementary tutoring that operates alongside mainstream schooling. While meant to reinforce learning, it frequently overrides formal pedagogy, converting education into a high-stress preparation exercise.
  - **Algorithmic Randomization and Encryption Protocols**: Technological safeguards used during exam paper generation and transmission to ensure paper integrity. Multi-layered question banks dynamically select questions via algorithms, and encrypted papers are transmitted digitally shortly before the exam commences to prevent leaks.

- **Main Arguments and Substantive Parts**
- **Core Thesis**
- India's current entrance examination regime has reduced education to a high-stress, elimination-focused race that compromises student well-being, favors commercial coaching, and misidentifies genuine talent. A transition toward a decentralized, multi-dimensional, and humane assessment framework is vital to align educational evaluation with constitutional principles of equity, dignity, and personal growth.
- **Key Arguments and Supporting Structural Realities**
- **1. The Crisis of Centralized "One-Size-Fits-All" Testing**
- Centralized agencies operate on the premise that a single standardized test can equitably evaluate students from vastly different linguistic, regional, and socioeconomic backgrounds.
  - **Demographic Unfairness**: A uniform paper inherently advantages urban, English-proficient, or higher-income candidates who can afford specialized preparation, widening regional and social disparities.
  - **Logistical Vulnerability**: Single-day, nationwide examinations create immense administrative pressure, rendering the system vulnerable to systemic failures, widespread paper leaks, and mass disruptions.
- **2. The Pathologies of the Coaching Industry**
- The hyper-fixation on single-shot competitive exams has nurtured a hyper-commercialized coaching market that displaces formal school education.
  - **Creation of "Dummy Schools"**: High-school attendance is frequently bypassed in favor of coaching centers, eroding the broad-based social, emotional, and civic learning provided by traditional school environments.
  - **Financial Disempowerment**: Families, particularly from lower-middle-class backgrounds, often incur heavy debt to pay coaching fees, converting entry into higher education into an unequal financial gamble.
- **3. Redefining Merit Through Multi-Dimensional Assessment**
- True merit cannot be captured by speed and short-term memory tested under extreme time constraints.
  - **Diversified Metrics**: Incorporating moderated school performance, scenario-based problem-solving, analytical writing, portfolios, and community engagement evaluates resilience, ethics, and critical thinking.
  - **Alignment with Real-World Demands**: Professional careers require adaptability, emotional intelligence, and communication—traits that traditional multiple-choice questions fail to measure.
- **4. Legislative and Constitutional Accountability**
- Education is a public good safeguarded under Article 21 (Right to Life and Dignity) and Article 21A of the Indian Constitution.
  - **State Responsibility**: Legislatures cannot treat coaching abuses or student mental health crises as mere private misfortunes. They carry a constitutional mandate to regulate predatory fees, false advertising, and unsafe hostel conditions.
  - **Institutional Safeguards**: Autonomy must be restored to universities and professional bodies, backed by stringent oversight, secure digital paper transmission, and algorithmic security to protect exam integrity.

- **Historical Evolution of the Issue**
- The tension between merit, access, and assessment methods in Indian education has evolved across distinct historical phases:
  - **Pre-Independence Era (1854 – 1947)**:
    - *Wood's Despatch (1854)* established formal university structures in Calcutta, Bombay, and Madras. Assessment relied heavily on written, essay-type examinations modeled on British universities, prioritizing administrative utility over creative thinking.
    - The system produced a bureaucratic workforce, embedding an early culture of exam-centric qualification over practical aptitude.
  - **Post-Independence Autonomy and Standard Building (1947 – 1980s)**:
    - *The University Education Commission (1948–49)*, chaired by Dr. S. Radhakrishnan, highlighted the distorting effects of university examinations and recommended continuous evaluation and decentralized testing.
    - *The Kothari Commission (1964–66)* emphasized a Common School System and warned against rising disparities in educational access, advocating for holistic assessment methods.
  - **Rise of Mass Entrance Exams and Expansion (1980s – 2000s)**:
    - The National Policy on Education (NPE, 1986) pushed for standardized testing to maintain national standards amid rapid institutional expansion.
    - As professional seats (IITs, medical colleges) remained scarce while applicant numbers surged, competitive exams shifted from testing mastery to acting as screening mechanisms designed primarily to reject candidates.
  - **The Commercialization Era and Centralization Peak (2000s – 2010s)**:
    - Coaching hubs like Kota emerged as parallel educational centers, detaching exam preparation from regular schooling.
    - In 2017, the Union Government established the National Testing Agency (NTA) to centralize entrance tests across the country, aiming to reduce exam burdens on students through unified testing.
  - **Current Reform Phase (NEP 2020 – Present)**:
    - The National Education Policy (NEP) 2020 acknowledged the harms of high-stakes testing, calling for formative assessments, reduction of coaching reliance, and a shift toward testing conceptual understanding through platforms like the Common University Entrance Test (CUET).
    - Despite these policy goals, logistical challenges, administrative centralization, and paper-leak controversies have triggered renewed calls for decentralization and broader assessment reforms.


AXIA
IAS ACADEMY
RISE ABOVE THE REST
INDIA'S EDUCATION SYSTEM:
REFORMING ADMISSIONS FOR GEN Z
CURRENT CHALLENGES
RANK-BASED FILTRATION
COACHING DEPENDENCE
SINGLE-SHOT HIGH-PRESSURE EXAMS
STRESS & UNWELLNESS
CENTRALIZED NTA MODEL
DEMOGRAPHIC UNFAIRNESS
VS
DECENTRALIZED SYSTEM
SMART
INSTITUTIONAL AUTONOMY
RELEVANT EVALUATION
PROPOSED REFORMS: MULTI-DIMENSIONAL ASSESSMENT
A MULTI-METRIC PORTFOLIO
REPORT CARD
=
1. MODERATED SCHOOL PERFORMANCE
+
2. APTITUDE TESTS
+
3. PRACTICAL TASKS
3. BUILD EVILTING
+
4. ANALYTICAL WRITING
+
Milestone
Milestone
5. PROJECTS & INTERNSHIPS
+
6. COMMUNITY WORK
LEGISLATOR ROLE
SAFEGUARDS
REGULATION
ANTI-FRAUD
INDUSTRY INVOLVEMENT
CAREER EXPOSURE
PARENTAL COUNSELING
GUIDANCE
GUIDANCE
NATURAL INTEREST
VS
PARENTS' AMBITION
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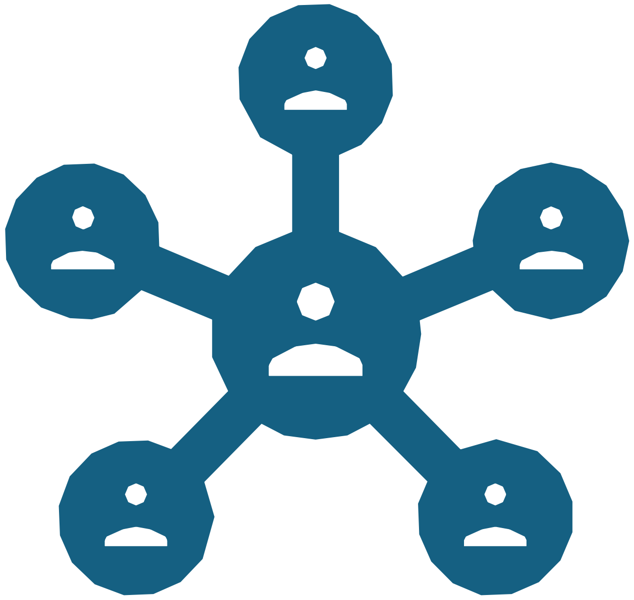
- **Logical and Philosophical Base**
- The philosophical debate over entrance examinations touches on the meaning of merit, the duties of the state, and the psychological impact of educational structures:
- **The Critique of "Meritocracy"**
  - **Michael Sandel's "Tyranny of Merit"**: Sandel argues that hyper-meritocratic systems create hubris among winners and demoralization among others. When exam ranks are treated as the sole proxy for individual worth, failure turns into a personal moral deficit rather than a reflection of structural flaws.
  - **Re-defining Merit**: Traditional exams measure test-taking speed, financial access to coaching, and short-term memory. True merit is multi-dimensional—encompassing creativity, ethical grounding, resilience, and practical problem-solving.
- **Distributive Justice and Social Fairness**
  - **John Rawls' Theory of Justice**: Rawls argues that genuine equality of opportunity requires mitigating the luck of social background. A single standardized test favors those with capital, digital access, and urban resources, violating the principle of fair equality of opportunity.
  - **Amartya Sen's Capability Approach**: Education should expand a person's "substantive freedoms"—their real opportunities to lead a fulfilling life. A system that limits potential to performance in a single exam restricts student capability and choices.
- **Human Dignity vs. Systemic Utility**
  - **Kantian Ethics**: Immanuel Kant's Categorical Imperative asserts that individuals must be treated as ends in themselves, never merely as means. Treating young students as data points to be filtered out through intense exam pressure undermines human dignity.
  - **Constitutional Humanism**: Under Article 21, the right to life encompasses psychological well-being and bodily integrity. An exam system that induces severe anxiety and mental health crises clashes directly with this constitutional promise.

- **Multidimensional Analysis**
- **Social Dimension**
  - **Widening Socioeconomic Divide**: The requirement for specialized coaching creates an uneven playing field. Students from marginalized communities, rural spaces, or low-income households face structural barriers compared to urban peers.
  - **Erosion of Schooling Culture**: The growth of "dummy schools" weakens the socialization function of secondary education, depriving students of peer diversity, sports, ethics, and interpersonal skills.
  - **Mental Health Fallout**: Chronic academic stress, isolation, and fear of failure have contributed to an alarming rise in youth anxiety and student suicides in major coaching hubs.
- **Political Dimension**
  - **Federalism Concerns**: Centralized testing models limit state governments from tailoring higher education admissions to regional needs and social dynamics.
  - **Democratic Accountability**: Public pressure surrounding exam delays and paper leaks places political responsibility on elected representatives, turning exam governance into a major electoral issue.
  - **Policy Capture**: The influence of private coaching lobbies can stall structural reforms, making regulation a tough political task.
- **Legal Dimension**
  - **Constitutional Mandate**: Education is on the Concurrent List (Entry 25), requiring federal cooperation between the Center and States rather than unilateral central management.
  - **Right to Life and Dignity (Article 21)**: State inaction regarding unchecked coaching practices or insecure exam systems threatens student safety and mental health.
  - **Regulatory Frameworks**: Recent legislative measures, such as the *Public Examinations (Prevention of Unfair Means) Act, 2024*, aim to punish paper leaks and fraud through strict penalties.
- **Ethical Dimension**
  - **Instrumentalization of Youth**: Viewing students purely as candidates for high-earning professions reduces education to economic utility, ignoring character building and personal growth.
  - **Commodification of Education**: Transforming learning into a commercial product privileges financial power over genuine academic curiosity and motivation.
- **International Dimension**
  - **Global Academic Competitiveness**: Comparative international studies (such as PISA) emphasize critical thinking and application over rote memory. Indian systems that reward mechanical test-taking struggle to produce world-class researchers.
  - **Brain Drain**: High stress and limited seats in local institutions drive many young students to seek higher education abroad, leading to capital outflow and a loss of talent.
- **Economic Dimension**
  - **Resource Misallocation**: Billions of rupees flow into non-productive coaching centers instead of strengthening school infrastructure, teacher training, and university research.
  - **Household Debt**: Lower-middle-class families frequently take out high-interest loans to fund coaching, creating financial vulnerability if the student fails to gain admission.
  - **Skill Mismatch**: Screening exams often fail to test real-world readiness, leading to graduates who hold top marks but lack entry-level workplace skills.

- **Linkages with NCERTs**
- **1. Class 11 Sociology: *Understanding Society* (Chapter 2: Terms, Concepts and Their Use in Sociology)**
  - **Core Linkage**: Examines social stratification, institutional inequality, and how social capital shapes life chances.
  - **Context**: Shows how high-stakes exams reproduce class advantages rather than acting as neutral measures of ability.
- **2. Class 11 Political Science: *Political Theory* (Chapter 6: Social Justice)**
  - **Core Linkage**: Explores Rawlsian justice, proportional equality, and special needs considerations.
  - **Context**: Highlights why a rigid "one-size-fits-all" test fails distributive justice by ignoring unequal starting positions.
- **3. Class 12 Indian Economic Development: *Human Capital Formation in India* (Chapter 5)**
  - **Core Linkage**: Analyzes investment in education, health, and skill-building as drivers of economic development.
  - **Context**: Explains how expenditure on commercial coaching yields low economic returns compared to institutional investment in formal schooling.
- **4. Class 12 Psychology: *Psychology and Life* (Chapter 3: Meeting Life Challenges)**
  - **Core Linkage**: Details stress management, psychological distress, coping mechanisms, and mental health.
  - **Context**: Connects the pressure of single-day entrance exams to youth anxiety, burnout, and mental health challenges.



- **Linkages with UPSC CSE Syllabus**
- **GS Paper 1: Indian Society & Social Issues**
  - **Social Empowerment & Demographic Dividend**: Structural flaws in education convert India's demographic dividend into a social strain marked by youth distress and regional inequality.
  - **Urbanization & Social Distress**: The concentration of hyper-competitive coaching institutes in specific urban hubs creates isolated environments detached from traditional family support systems.
- **GS Paper 2: Governance, Polity & Social Justice**
  - **Issues Relating to Development and Management of Social Sector/Services relating to Education and Human Resources**: Evaluates NTA performance, regulatory frameworks for private coaching, and NEP 2020 implementation.
  - **Structure, Duties, and Responsibilities of the Union and the States (Federalism)**: Balancing centralized quality control with state autonomy in university admissions.
- **GS Paper 3: Economic Development**
  - **Employment, Growth, and Skill Development**: Moving beyond a narrow focus on medicine and engineering to encourage diverse career paths aligned with modern industry needs.
- **GS Paper 4: Ethics, Integrity, and Aptitude**
  - **Human Values & Ethical Orientation**: The ethical cost of treating youth as purely economic tools; building integrity, empathy, and resilience beyond exam ranks.
- **Optional Subjects**
  - **Sociology (Paper II)**: Education as an instrument of social change, reproduction of inequality, and social mobility dynamics.
  - **Public Administration (Paper II)**: Institutional design, policy execution failures in national testing agencies, and regulatory oversight of private industries.

- **Way Forward**
- **1. Restoring Institutional Autonomy and Decentralization**
  - **Cluster-Based Admissions**: Allow universities or regional institutional clusters to design and run their own admission processes within broad UGC standards, reducing administrative single-point failures.
  - **Flexible Exam Schedules**: Move away from high-stakes single-day exams toward multiple testing windows per year, letting students submit their best score and easing single-day anxiety.
- **2. Transitioning to Multi-Metric Selection Architecture**
  - **Holistic Evaluation Profiles**: Balance entrance test scores with normalized board marks, analytical writing samples, interviews, discipline-specific portfolios, and verified extra-curricular contributions.
  - **Application over Rote Memory**: Reframe test questions to assess critical thinking, data interpretation, and real-world problem solving, reducing the utility of coaching-style shortcuts.
- **3. Enforcing Strict Regulation of the Coaching Ecosystem**
  - **Implementation of Ministry Guidelines (2024)**: Enforce the *Guidelines for Regulation of Coaching Centers*, including age limits (no enrollment under 16), fair fee structures, clear refund rules, and bans on misleading success claims.
  - **Elimination of "Dummy Schools"**: Require mandatory attendance audits and tie school affiliations directly to physical classroom presence to protect broad-based high school education.
- **4. Technical Safeguards and Operational Security**
  - **Digital Encryption Protocols**: Transmit question papers using multi-layered end-to-end encryption, unlocking them via secure tokens at test sites shortly before exam start times.
  - **Algorithmic Paper Generation**: Deploy randomized question banks to ensure adjacent candidates receive varied question sequences without compromising overall difficulty parity.
- **5. Expanding Career Horizons and Parental Counseling**
  - **Early Industry and Vocational Exposure**: Introduce career fairs, vocational tracks under NEP 2020, and alumni interactions in secondary school to show viable paths beyond engineering and medicine.
  - **Institutionalized Counseling**: Provide regional-language counseling for parents and students to align choices with natural student aptitudes rather than peer pressure or social prestige.

- **UPSC CSE Mains Questions**
- **2020 (GS Paper 2)**
- **Q.** "National Education Policy 2020 is in conformity with the Sustainable Development Goal-4 (SDG-4). It intends to restructure and re-orient the education system in India." Critically examine the statement. *(15 Marks, 250 Words)*
- **2021 (GS Paper 2)**
- **Q.** Has the Commission for Higher Education in India played its expected role in maintaining standards of higher education? Discuss the challenges faced by higher education in India in light of recent reforms. *(15 Marks, 250 Words)*
- **2023 (GS Paper 2)**
- **Q.** The quality of higher education in India requires structural changes rather than incremental fixes. In light of the growing reliance on private coaching and centralized competitive tests, examine the reforms needed to make admissions inclusive and equitable. *(15 Marks, 250 Words)*
- **2022 (GS Paper 4 - Ethics)**
- **Q.** The rising incidence of suicides among young students in educational hubs highlights a growing crisis in our society. What are the ethical responsibilities of educational institutions, parents, and the state in preventing such tragedies? How can we balance the pursuit of excellence with student well-being? *(20 Marks, 250 Words)*
- **APSC CCE Mains Questions**
- **2020 (GS Paper 2)**
- **Q.** Discuss the main challenges facing the higher education sector in Assam and the North-Eastern region, particularly regarding student retention, equitable access, and competitive entrance examinations. *(10 Marks, 150 Words)*
- **2022 (GS Paper 2)**
- **Q.** Analyze the National Education Policy 2020 with special focus on its proposals for reforming the examination system and reducing student dependence on private coaching institutes. *(15 Marks, 250 Words)*

Turn the scalpel towards foreign policy

India's presidency of BRICS may not signify that it is on board an alternative view of the global order

THE GREAT GAME

JYOTI MALHOTRA

BRICS SUMMIT: It will be interesting to see whether both Xi Jinping and Vladimir Putin will show up. REUTERS

PRIME Minister Modi is readying to receive some of the world's most powerful leaders at the BRICS summit on September 12-13 — not just by personally pushing to reduce the temperature at home over the GenZ protests with Instagram selfies that directly speak to his young audience, passing anti-paper leak legislation in record time in Parliament or by having cases dropped against protesters — but by willing to stand up against the tide and invite folks to New Delhi, including those being shunned by Washington DC.

One of those men is Russian President Vladimir Putin, against whose country the US Senate has this week passed the Lindsey O Graham Sanctioning Russia Act of 2026, by an overwhelming 86-12 vote, permitting the slapping of 100% tariff against nations who buy Russian energy or its military equipment.

The Russia Act also invokes new sanctions against Putin and 28 other top people who work in the Russian defence industry.

First, some bald facts. China, India and Türkiye are among the top five buyers of Russian energy. And despite a defence framework agreement with the US that promises to strengthen "interoperability across all domains, including land, sea, air, space and cyberspace," India remains a key customer of Russian arms. According to the US Congress, since 2008, 59% of India's defence imports have come from Russia, 12% from France, 10% from the US and 9.5% from Israel.

Just two of those Russian pieces of equipment, the S-400 missile system and the BrahMos missile, were singularly helpful in tilting the balance against Pakistan during Op Sindoor. (It's another matter that Donald Trump insists he brokered the end of the conflict between India-Pakistan, a fact that India strenuously denies.)

As for the purchase of Russian energy, Kpler, the real-time global data and analytics provider, says that the Indian purchase of Russian crude crossed 2 million barrels per day over March-June 2026 and is well on its way to touching 3 million barrels per day. (In this time, India bought 244.89 million barrels from Russia, 38.57 million barrels from the UAE and 37.62 million barrels from Saudi Arabia.) This means that Russian energy imports account for as much as an incredible 50% of India's energy needs today.

Clearly, with the Strait of Hormuz still shut and tension in the Red Sea not abating in the wake of the prolonged standoff between the US and Iran, India has been forced to return to buying cheaper Russian oil, despite its earlier pleadings and promises that it will wean itself off this addiction in the face of looming US tariffs.

> Two Russian pieces of equipment, the S-400 and the BrahMos missile, helped tilt the balance against Pakistan during Op Sindoor.

Question is, whether India is going to throw all this goodness away in order to evade US sanctions in the light of the recent passage of the Russia Act. Clearly, the answer is no. India needs Russian crude to keep the wheels of the economy churning so as to keep the evil forces of poverty and unemployment at bay. You don't need to be a rocket scientist to understand that the GenZ protests were triggered not just by NEET paper leaks but also by a rapidly growing despair about rising prices and lack of jobs.

The problem with the current debate on foreign policy and national interest is that actually there's no debate. Delhi's policy elite is arrogantly dismissive of criticism on two counts — first, the view from the provinces is seen as being, well, too provincial — clearly, we don't understand the big picture well enough.

So whether it's Punjab and Gujarat's trauma of deported illegals, bound hand and foot in chains; or the Centre's refusal to open the Kartarpur Sahib corridor; or Myanmar's army personnel crossing the border to take refuge in Mizoram; or Sikkim's need to open up border trade with China; or Bihar's angst over the denial of roti-beti relationships with the Nepal Terai — all these issues of India's states and their neighbourhood are seen as important, but not significant enough to influence foreign policy.

The second count may be dubbed the 'Jurassic Age' view — this means that if you don't agree with the Delhi elite version of India's national interest, or believe that India must be non-aligned, or that India must have the freedom to align itself depending on the issue at hand, then you are condemned to be a diplomatic dinosaur.

This is where the BRICS summit comes in. On the face of it, India's presidency of this forum signifies that it is on board an alternative view of the existing US-led world order; in fact, India is nervous about China's rise as a global power on a par with the US, remains transactional about the tie with Russia (on both energy and defence), and is more or less indifferent about both Brazil and South Africa.

Truth is, India is so concerned about the potential impact of the Russia Act on its relationship with the US, because it doesn't want the all-important tie between Delhi and DC to be damaged in any way. Nor can it deny, however, that Russia has been bailing out New Delhi, especially on the energy front. That's why the recent meeting between External Affairs Minister S Jaishankar and US Secretary of State Marco Rubio in Manila was crucial — we don't know what came of it, except a bland comment that both discussed everything, including the T-word, tariffs.

That's also why the next six weeks in the run-up to the BRICS summit will be critical — first, it will be interesting to see whether the big leaders, both Xi Jinping and Vladimir Putin, will show up; certainly Xi is not confirmed and it's not clear whether he thinks it's worth his while. Second, even if Putin lands up, as he and PM Modi clearly have a personal equation, the question remains whether the PM can reorient India's ship in favour of true multi-alignment – where India picks its friends and partners framed only by its national interest, one which is also defined by its citizens who live in the provinces and not just by the *Naya* Delhi elite.

In the last few days, the PM has cut through the whirlpool of the BJP's own making by directly reaching out to India's despairing youth brigade. Perhaps it's time to turn the scalpel towards foreign policy and run an honest appraisal of what's what. What does India really want? And who are its trustworthy friends?

- **Key Terms and Explanations**
- **Strategic Autonomy and Multi-Alignment**
- Strategic autonomy refers to a nation's foreign policy stance where it reserves the freedom to make independent choices based on national interest, without being bound by military alliances or regional blocs. Multi-alignment is the operationalization of this posture—actively engaging with competing global powers simultaneously.
  - **Contextual Example:** Purchasing crude oil and air defence systems ($S-400$) from Russia while concurrently expanding defence interoperability, technology transfers, and strategic partnerships with the United States.
- **Secondary Sanctions**
- Economic penalties imposed by a nation (such as the United States) on foreign individuals, companies, or sovereign states to prevent them from conducting business with a primary sanctioned entity (e.g., Russia). Unlike primary sanctions, which restrict direct trade between two nations, secondary sanctions target third-party trade.
  - **Contextual Example:** A legislative proposal targeting non-US nations with punitive tariffs or financial exclusion if they purchase Russian energy or military hardware.
- **Interoperability**
- The technical, operational, and structural capability of the military forces, hardware, and communication systems of different nations to work seamlessly together during joint operations, exercises, or coalition warfare.
  - **Contextual Example:** Bilateral defence frameworks designed to align communication protocols, maritime domain awareness, and joint air combat drills between Indian and Western armed forces across land, sea, air, space, and cyberspace.
- **Paradiplomacy (Provincial Foreign Policy)**
- The active involvement of sub-national or state governments in international relations, where localized socio-economic, cultural, or security issues directly influence national foreign policy decisions.
  - **Contextual Example:** Border state dynamics—such as Mizoram handling refugee entries from Myanmar or Bihar maintaining cross-border socio-cultural relations with the Nepal Terai—shaping regional bilateral diplomatic stances.
- **De-dollarization and Alternative Financial Architecture**
- A concerted global effort by emerging economies to reduce dependency on the United States Dollar (USD) as the primary reserve currency for international trade and settlement, replacing it with local currencies or alternative clearing mechanisms.
  - **Contextual Example:** Intra-group trade mechanism discussions within groupings like BRICS to bypass Western financial clearing networks like SWIFT.

- **Main Arguments and Substantive Parts**
- **The Delicate Trilemma: US Interoperability vs. Russian Reliance**
- India’s national security matrix relies heavily on legacy defence technology and crucial hardware acquired from Russia, which accounts for a dominant share of total defence imports over recent decades. Systems such as the $S{-}400$air defence network and joint missile development programs have proven pivotal in maintaining regional strategic balance. However, as India expands high-technology defence agreements with the West to enhance military interoperability across multidomain operational spaces, maintaining this Russian reliance creates significant diplomatic tension and triggers potential secondary sanctions.
- **Energy Pragmatism as an Imperative for Domestic Stability**
- Energy diplomacy is inextricably linked to domestic economic survival. Importing discounted Russian crude oil—reaching millions of barrels per day—is not merely an opportunistic trade decision; it serves as a macro-economic cushion against inflation, elevated fuel costs, and widespread unemployment. Bypassing cheaper energy sources would exacerbate domestic economic distress, directly linking external procurement strategies to domestic social stability.
- **The Disconnect Between Elite Foreign Policy and Provincial Realities**
- A central flaw in current foreign policy debates is the tendency of national strategic elites to dismiss regional state concerns as narrow or provincial. State-level challenges directly impact national stability:
- Treating regional border anxieties as secondary to global geopolitical maneuvering risks decoupling grand strategy from ground realities.
- **The Paradox of Multilateral Engagements (BRICS)**
- Presiding over platforms like BRICS signals a commitment to a multipolar world order and offers a counterweight to Western-led financial structures. However, this posture carries inherent complexities. India remains wary of China utilizing multilateral institutions to assert regional dominance or convert them into anti-Western platforms. Consequently, India must continuously reorient its diplomatic posture to ensure its strategic partnerships reflect true national interest rather than bloc confrontation.

- **Historical Evolution of the Issue**
- **1. The Post-Independence Era (1947–1960s): Non-Alignment and Idealist Sovereignty**
  - Under Prime Minister Jawaharlal Nehru, India pioneered the Non-Aligned Movement (NAM) to avoid being drawn into Cold War bloc rivalries.
  - Foreign policy was characterized by anti-colonial solidarity, dynamic diplomacy in international forums, and a strong emphasis on territorial sovereignty.
  - *Limitation:* The 1962 Sino-Indian War highlighted the vulnerabilities of relying solely on diplomatic goodwill, forcing a structural shift toward hard-power realism.
- **2. The Indo-Soviet Strategic Consolidation (1971–1990)**
  - Driven by regional security dynamics and Western backing of rival powers, India signed the 1971 *Treaty of Peace, Friendship, and Cooperation* with the Soviet Union.
  - This period established deep, long-term defence integration, with India adopting Soviet platforms for its army, navy, and air force through specialized Rupee-Rouble trade mechanisms.
  - *Legacy:* Created a long-term technological and logistical reliance on Soviet/Russian equipment that continues to influence military procurement today.
- **3. Post-Cold War Realignment and Globalization (1991–2008)**
  - The dissolution of the Soviet Union, combined with India's 1991 Balance of Payments crisis, necessitated a structural revamp of diplomatic strategy.
  - India launched the *Look East Policy* to engage Southeast Asia, normalized diplomatic relations with Israel, and systematically repaired ties with the United States.
  - The landmark 2008 *Indo-US Civil Nuclear Agreement* signaled India's integration into the global nuclear order and set the foundation for a modern strategic partnership with Washington.
- **4. Modern Era of Multi-Alignment (2009–Present)**
  - India shifted from passive non-alignment to active multi-alignment, co-founding pluralistic groups such as BRICS and IBSA while simultaneously joining security frameworks like the Quad.
  - The escalation of global conflict, shifting sanctions regimes, and renewed US-China tension have tested this posture, forcing India to continuously balance cheap energy and critical defence hardware against expanding economic ties with the West.

INDIA'S MODERN FOREIGN POLICY: A CRITICAL ANALYSIS OF STRATEGIC AUTONOMY & MULTI-ALIGNMENT

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KEY CONCEPTS & DEFINITIONS

Strategic Autonomy & Multi-Alignment
- Strategic choosing independent paths
- **Examples:** purchasing S-400 from Russia, tech transfers from US
- **Examples:** purchasing S-400 from Russia, from pracs and tech transfers from US

Secondary Sanctions
- An economic wall blocking trades
- Penalties on non-US nations trading from sanctioned trading with sanctioned entities such as Russia

Interoperability
- Different military icons communicating seamlessly in communtiny litecs and data links
- **Data links** with our economicability

Paradiplomacy (Provincial Foreign Policy)
Border states

India

Border states

- **Mizoram handling Myanmar refugees, reundling tami contries**
- **Bihar's** ties with **Nepal Terai**, buch Mizodar statees and burdled ties, and Nepal lihars

De-dollarization & Alternative Financial Architecture
- New currency symbols in snmtiasses; nechanism for oulth friacs and econnoies
- **BRICS intra-trade mechanism** bypasses SWIFT intra-trade mechanism bypassing SWIFT

CORE TRILEMMA OF MODERN INDIAN FOREIGN POLICY

SECURITY & DEFENCE DEPENDENCE
- Legacy hardware, S-400, BrahMos joint dev
- US interoperability push

ECONOMIC & ENERGY REALITIES
- ~85% crude reliance
- Buffer against inflation
- Secondary sanction risks

PROVINCIAL & DOMESTIC DYNAMICS
- Border state socio-econ ties
- Mizoram, Bihar

US Interoperability push

Elite vs. Regional concerns

India's National Interests

LOGICAL & PHILOSOPHICAL BASE; MULTIDIMENSIONAL ANALYSIS

Realpolitik & Structural Realism

Logic

Philosophical Autonomy (rejection of secondary sanctions)

Utilitarian Calculus in Public Policy

Democratic Federalism

Social
- Public perception
- Community kinship

Political
- Federal-Central friction
- Domestic messaging

Legal
- UNSC vs unilateral sanctions
- Extraterritorial laws

International
- navigating multipolarity
- Global South leadership

Economic
- Energy import dependency
- defence supply diversification

NCERT LINKAGES & PREVIOUS YEARS' QUESTIONS (PYQs)

NCERT TEXTBOOKS
- **Class 12** Contemporary World Politics (Ch 2, 3)
- **Class 12** Politics in India Since Independence (Ch 4)
- **Class 11** Indian Constitution at Work (Ch 7)

2014–PRESENT PR RAGNATIC PRAGMATIC STRATEGIC AUTONOMY
- Ilyedging between US, Russia, China
- BRICS & Quad

UPSC GS SYLLABUS MAPPING
society | int'l relations | economy/ security | ethics

Prelims: 2020-2023:
- Brics: BRICS, CAATSA
- Secondary Sanctions, S-400

Mains: 2020-2023:
- Strategic Autonomy vs power dynamics, BRICS reform
- Paradiplomacy, Ethical Dilemmas

Examples from APSC CCE Prelims:
- Mains: Act East, energy security

WAY FORWARD: STRATEGIC ROADMAP FOR REFORM

Institutionalize Paradiplomacy
- dedicated MEA desk
- consult border states

Accelerate Defence Self-Reliance
- boost domestic R&D
- Make in India defence

Preserve BRICS defece

Diversify Energy Matrix

Balanced Multipolar Diplomacy

Accelerate Defence Self-Reliance
- boost nndisı R&D

Integrate Economic & Diplomatic Goals
- align trade with

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- **Logical and Philosophical Base**
- **Realpolitik and Structural Realism**
- The core underlying framework rests on Structural Realism (Mearsheimer, Morgenthau). In an anarchic international system, sovereign states act primarily to ensure their survival, territorial integrity, and economic stability. Ideological alignments remain secondary to strategic survival.
  - *Application:* Procuring discounted energy or acquiring military hardware like the $S\text{–}400$system from Russia, despite external diplomatic pressure, reflects a rational calculation to safeguard domestic economic security and maintain military deterrence against regional adversaries.
- **Philosophical Autonomy and Anti-Hegemonic Sovereignty**
- India's foreign policy logic is rooted in the post-colonial principle that national sovereignty cannot be subordinated to foreign sanction regimes or extraterritorial laws.
  - *Application:* Rejection of unilateral secondary sanctions imposed outside the United Nations Security Council ($UNSC$) framework is a matter of constitutional sovereignty. India asserts that its external trade policies must be determined by domestic consensus rather than global power demands.
- **Utilitarian Calculus in Public Policy**
- From a public choice and ethical standpoint, government actions are judged by their outcome for citizens—maximizing social welfare while minimizing systemic vulnerability.
  - *Application:* Acquiring high-cost energy imports to appease foreign partners would trigger domestic inflation, increase transportation costs, and disproportionately impact lower-income populations. The logic dictates that shielding domestic consumers from global price volatility takes precedence over aligning with external sanctions.
- **Democratic Federalism in External Relations**
- Foreign policy cannot exist as an abstract exercise managed exclusively by centralized elites. The philosophical foundation of federalism requires that state-level realities—such as border security, trade disruptions, and refugee management—must directly inform national diplomatic posture.

- **Multidimensional Analysis**
- **1. Social Dimension**
  - **Public Perception & Youth Expectations:** Domestic economic stability directly influences public sentiment. High inflation and limited job growth increase public sensitivity to foreign policy decisions that affect daily living costs.
  - **Border Community Kinship:** Border populations share socio-cultural and economic ties across national boundaries (e.g., Mizoram-Myanmar ethnic links or Bihar-Nepal ties). Federal foreign policy choices directly impact community stability in these state borderlands.
- **2. Political Dimension**
  - **Federal-Central Friction:** Foreign policy formulation remains heavily centralized in national capitals. When decisions ignore regional trade routes or local refugee dynamics, it creates political tension between state governments and central authorities.
  - **Domestic Political Messaging:** Modern foreign diplomacy is frequently communicated to domestic audiences as a symbol of national strength and rising global standing, making foreign policy an integral component of domestic political discourse.
- **3. Legal Dimension**
  - **Unilateral vs. Multilateral Sanctions:** A core legal distinction exists between binding sanctions mandated by the United Nations Security Council ($UNSC$) and unilateral sanctions passed by foreign legislatures.
  - **Extraterritorial Jurisdiction:** Enforcing secondary sanctions on foreign entities operating outside the sanctioning country's territory raises complex questions under international trade law and World Trade Organization (WTO) norms regarding state sovereignty.
- **4. Ethical Dimension**
  - **Moral Realism vs. Idealist Commitments:** Policymakers face a trade-off between strict adherence to international normative pressures and their primary moral obligation: protecting vulnerable domestic populations from inflation, fuel shortages, and economic instability.
  - **Humanitarian Pragmatism:** Managing refugee influxes along border states requires balancing humanitarian support for displaced communities against national security requirements.
- **5. International Dimension**
  - **Navigating Multipolarity:** Active participation in groups like BRICS alongside Western security frameworks (e.g., Quad) requires careful balance to prevent multilateral institutions from shifting into confrontational anti-Western platforms.
  - **Global South Leadership:** Maintaining strategic autonomy allows India to serve as a credible bridge between developing nations and established Western economies.
- **6. Economic Dimension**
  - **Energy Import Dependency:** India imports roughly $85\%$of its crude oil requirements. Securing discounted energy sources directly stabilizes the current account deficit, manages foreign exchange reserves, and contains domestic production costs.
  - **Defence Supply Chain Diversification:** Heavily relying on foreign military hardware creates strategic vulnerabilities during global crises. Accelerating local production and diversifying supply lines are necessary to reduce long-term exposure to external sanctions.

Linkages with NCERTs

1. Class 12 Contemporary World Politics — Chapter 2: "Contemporary Centres of Power"

- **Core Linkage:** Analyzes how emerging platforms like BRICS, alongside nations like India, China, and Russia, reshape global governance away from a unipolar structure toward a multipolar system.
- **UPSC Context:** Helps students understand the institutional mechanics, trade potential, and internal power dynamics within non-Western multilateral platforms.

2. Class 12 Contemporary World Politics — Chapter 3: "US Hegemony in World Politics"

- **Core Linkage:** Covers the mechanisms of structural, economic, and military power exercised by dominant economies, including the application of economic sanctions.
- **UPSC Context:** Explains the structural constraints India faces when navigating unilateral secondary sanctions while pursuing strategic self-reliance.

3. Class 12 Politics in India Since Independence — Chapter 4: "India's External Relations"

- **Core Linkage:** Traces the evolution of Indian diplomacy from post-independence Non-Alignment, through the 1971 Indo-Soviet Treaty, to modern multi-alignment strategies.
- **UPSC Context:** Establishes the historical continuity of India's strategic autonomy, demonstrating that pragmatic resource acquisition is rooted in decades of diplomatic tradition.

4. Class 11 Indian Constitution at Work — Chapter 7: "Federalism"

- **Core Linkage:** Examines the distribution of powers between the Union and States, highlighting how Seventh Schedule subject divisions manage external affairs alongside local state impacts.
- **UPSC Context:** Supports analysis of paradiplomacy, showing why central diplomatic decisions must incorporate the socio-economic requirements of border states.

- **Linkages with UPSC CSE Syllabus**
- **General Studies Paper 2 (Primary Linkage)**
  - **Bilateral, Regional, and Global Groupings:** Strategic mechanics of BRICS summits, balancing relationships with major global powers (US, Russia, China), and managing multi-aligned engagements.
  - **Effect of Policies of Developed and Developing Nations:** The impact of unilateral secondary sanction frameworks, trade tariffs, and extraterritorial laws on India's domestic sovereign policy.
  - **Federal Issues:** Institutional interaction between central foreign policy decisions and regional state concerns (paradiplomacy and border trade considerations).
- **General Studies Paper 3**
  - **Energy Security and Economic Stability:** The macroeconomic necessity of securing affordable crude oil imports to control domestic inflation and maintain structural economic stability.
  - **Indigenization of Defence:** Transitioning from long-term import reliance ($S{-}400$, foreign components) toward domestic manufacturing under *Atmanirbhar Bharat* initiatives.
- **General Studies Paper 4 (Ethics)**
  - **Ethical Dilemmas in Diplomacy:** Balancing national interest (ensuring economic survival and low-cost resources for citizens) against compliance with international normative pressures during conflict situations.
- **Optional Subject Linkages (PSIR & Public Administration)**
  - **Political Science & International Relations (PSIR Paper 2):** Applying Realist and Neorealist frameworks to analyze strategic autonomy, power balancing in a multipolar system, and non-Western international relations theories.
  - **Public Administration (Paper 2):** Administrative co-ordination between the Ministry of External Affairs (MEA), Ministry of Defence, and state-level administrative bodies along international borders.

- **Way Forward**
- **1. Institutionalize Paradiplomacy within the Foreign Policy Machinery**
- Establish a dedicated regional state consultation framework within the Ministry of External Affairs (MEA).
  - *Mechanism:* Consult border state governments (e.g., Mizoram, Punjab, Sikkim, Bihar) before finalizing regional trade corridors, border security policies, or cross-border transit routes.
  - *Outcome:* Aligns central foreign policy strategy with ground-level socio-economic realities in border states.
- **2. Accelerate Indigenization in Defence Manufacturing**
- Reduce long-term strategic vulnerabilities stemming from foreign procurement dependency.
  - *Mechanism:* Expand joint ventures, domestic technology transfers, and private sector participation under the *Make in India* defence framework.
  - *Outcome:* Minimizes exposure to secondary sanction threats while building an export-capable domestic defence industrial base.
- **3. Strategic Energy Diversification and Infrastructure Expansion**
- Strengthen national energy resilience against global supply shocks and diplomatic pressures.
  - *Mechanism:* Expand Strategic Petroleum Reserves (SPR), scale up renewable energy integration, and diversify long-term crude supply contracts across geographic regions.
  - *Outcome:* Protects domestic consumers from sudden geopolitical disruptions and price spikes.
- **4. Maintain Balanced Pragmatism in Multilateral Formats**
- Engage actively in multipolar groupings without turning them into anti-Western blocs.
  - *Mechanism:* Use platforms like BRICS to advocate for financial architecture reform and Global South representation, while leveraging security forums like the Quad to ensure maritime stability.
  - *Outcome:* Preserves strategic autonomy while avoiding rigid alignment with any single global power bloc.
- **5. Align External Diplomacy directly with Domestic Economic Development**
- Ensure diplomatic engagements directly support domestic economic requirements.
  - *Mechanism:* Focus trade negotiations, technological partnerships, and foreign investment drives on domestic job creation, industrial upgrading, and inflation management.
  - *Outcome:* Grounds foreign strategy in tangible socio-economic benefits for the public.

- **UPSC CSE Mains Questions**
- **2023 (GS Paper 2)**
  - *"India’s policy of strategic autonomy has faced unprecedented challenges in the wake of shifting global power dynamics and economic sanctions regimes."* Critically analyze how India can balance its traditional defence and energy ties with Russia against its growing strategic partnership with the West. *(250 words, 15 marks)*
- **2022 (GS Paper 2)**
  - *"BRICS has evolved from an economic concept into a key multilateral platform demanding reform in global governance."* Discuss the internal contradictions within BRICS and how India can navigate them to secure its national interest. *(150 words, 10 marks)*
- **2021 (GS Paper 2)**
  - *"Foreign policy cannot remain isolated from domestic federal imperatives."* Examine the concept of 'Paradiplomacy' in the Indian context, highlighting how border states influence regional diplomatic outcomes. *(250 words, 15 marks)*
- **2020 (GS Paper 4 - Ethics)**
  - *"In international relations, national interest is often placed above universal moral principles."* Evaluate the ethical dilemmas faced by developing nations when balancing affordable energy procurement for domestic poverty alleviation against compliance with international sanction regimes. *(150 words, 10 marks)*

TC SUSEEL KUMAR
R SUDHAKAR

The vanishing deposit base

GRADUAL NEGLECT. India's celebrated migration from fixed deposits to equity mutual funds carries systemic risks that neither policymakers nor investors have fully reckoned with

Walk into any bank branch today and notice what the relationship manager is selling. Where once the conversation turned on fixed deposit tenures and interest payout options, it now turns to systematic investment plans, balanced advantage funds, and equity-linked products. The customer is often the same: a retired professional, a government servant's widow, a small trader parking a lump-sum. The instrument has changed, the risk has changed; whether the customer has changed is the question this column asks.

Something quiet and consequential is happening to India's savings. For decades, the fixed deposit was the household's instrument of choice, offering certainty in a country where certainty was scarce: a known rate, a known maturity, principal that stayed where it was placed. The deposit base it built was the foundation on which credit flowed to farms, factories, and homes , some of the key priority sectors of the economy. That narrative is now shifting.

The RBI's data for the year ending 2025 is unmistakable: household bank deposits fell nearly 9 per cent to ₹12.54 lakh crore, small savings (excluding provident and pension funds) fell by nearly a quarter, and life insurance fund investments dropped 17 per cent. Mutual fund AUM has grown at a CAGR of 21.9 per cent over five years, crossing ₹81 trillion by May 2026, while annual SIP inflows crossed ₹3 trillion for the first time in 2025, across nearly 10 crore active accounts, most opened after 2020.

This shift is presented as the democratisation of Indian capital markets, and the claim has merit. The equity culture of the past decade has created real household wealth, deepened capital markets, and cushioned India against foreign portfolio swings, as in 2024-25, when domestic SIP flows offset large FPI outflows as earlier generations of investors could not. These are genuine gains. But they do not constitute the full picture, and the parts left out deserve serious attention.

A bank's credit-deposit ratio measures the proportion of deposits deployed as loans. The RBI's historically comfortable range is 75 to 80 per cent. As of February 2026, the system-wide ratio stands at 82.4 per cent, above that ceiling, and the incremental credit-deposit ratio crossed 100 per cent in mid-March 2026, meaning every new rupee deposited was immediately deployed as credit.

The mechanism is straightforward: when banks cannot grow deposits in line with credit demand, they compete for funds at higher cost, which passes through to lending rates for home loans, MSME credit, agriculture, and infrastructure. A household that shifts savings from an FD into a balanced advantage fund has made credit marginally costlier for another household borrowing for a home; private decisions aggregate into system-level consequences invisible at the point of choice.

THE INEXPERIENCE PROBLEM

The more immediate concern is behavioural. The Indian equity bull run has been, with brief interruptions, a 20-year phenomenon. The cohort now holding those 10 crore SIP accounts entered largely after 2016, and in very large numbers after 2020. They have been told, accurately for their own experience, that staying invested through volatility is the correct response. That advice has never been tested against a sustained, multi-year bear market.

India's own market history offers a domestic warning: the Nifty 50, adjusted for inflation, delivered negligible real returns between 2000 and 2013, thirteen years in which a retiree's gratuity invested at the peak would barely have kept pace with prices. Similar episodes have occurred elsewhere.

The evidence from India's shorter stress events confirms the pattern. In July 2020, as the Nifty recovered from its Covid lows, equity mutual funds saw their first net outflows in four years, a five-month run totalling nearly ₹23,000 crore: investors had bought the dip and exited at breakeven. SIP discontinuations rose 30 per cent year-on-year in 2022, one cancellation for every two new registrations. The Israel-Iran conflict of May 2025 pushed inflows to a 13-month low while redemptions surged to ₹37,391 crore; the US-Iran tensions of May 2026 repeated the pattern, with SIP fatigue becoming visible.

When banks cannot grow deposits in line with credit demand, they compete for funds at higher cost, which passes through to lending rates

These are corrections of 5 to 15 per cent over weeks or months, not prolonged bear markets. The question that does not get asked clearly enough is what this behaviour looks like when the drawdown is higher and persists for months rather than weeks.

Among the investors most exposed are retirees and those approaching retirement. The fixed deposit suited this group because it matched their condition: no replacement income, fixed expenses, and principal preservation as the only priority. Inflation eroded real returns, but the principal was safe and the income was predictable. As FDs became less attractive, through low rates, tax treatment favouring equity, and active branch distribution, this group was redirected towards instruments carrying equity risk. Business Standard has documented aggressive hybrid funds, with equity allocations above 65 per cent, sold to retirees on promises of monthly dividends of 11 to 12 per cent; when dividends were cut after corrections, outflows were sharp. The retiree who exits at breakeven does not return to equity, nor does the money return to bank deposits; it sits idle in liquid funds, building neither the deposit base nor equity compounding. The loss is not merely financial. It is the permanent displacement of a saver from every productive instrument.

The argument is not that equity markets are dangerous or participation misguided; over 15-year horizons, equity has compounded wealth in India as no other instrument has. The argument is narrower: equity without a foundation of safe, liquid, predictable instruments is a structure without load-bearing walls.

The fixed deposit, the PPF, the Senior Citizens Savings Scheme, the post office monthly income scheme: these are not relics. They are shock absorbers. A portfolio that treats them as inferior because their nominal returns trail five years of equity performance has confused a favourable cycle with a permanent condition. Markets are cyclical; expenses are not. An investor who cannot hold through a 40 per cent drawdown should not be 70 per cent in equity, whatever a SIP calculator suggests for a 20-year horizon.

India's regulators have, to their credit, flagged valuation concerns in small and midcap funds and ordered liquidity stress tests. These are necessary, but the larger question, whether savings migration from deposits to equity has outpaced investor preparedness, warrants wider policy attention: deposit taxation parity, incentives facing bank relationship managers who distribute mutual funds, and suitability norms for those entering market-linked products late in their earning lives.

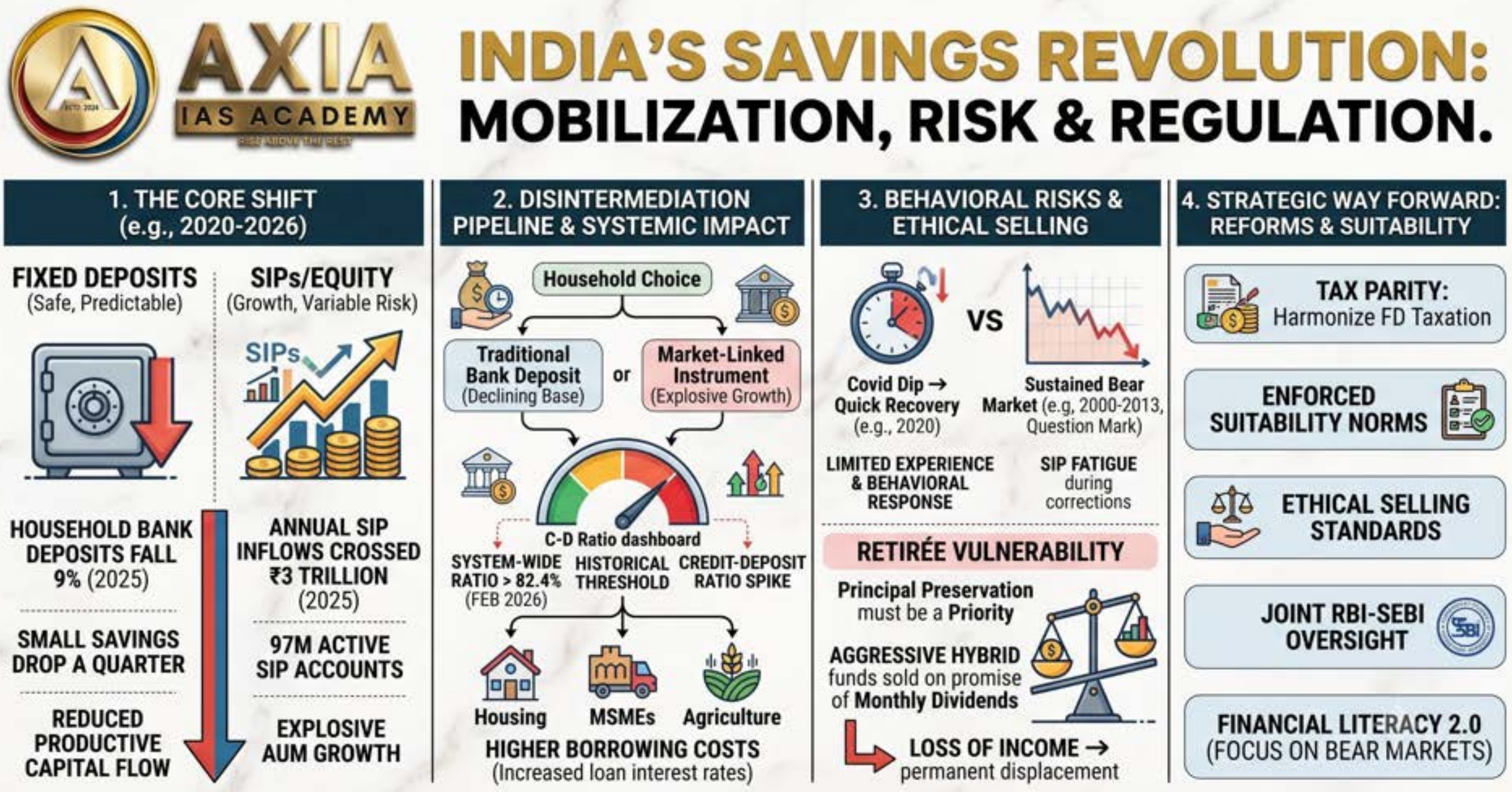
The fixed deposit did not die a natural death. It was made progressively less competitive by policy and distribution incentives alike. What replaces it carries risks the system has not prepared its newest participants to absorb. That gap, between financial inclusion and financial literacy, is where the next crisis, if it comes, will find its opening.

Kumar is former Managing Director, and Sudhakar is former Executive Director, LIC. Views are personal. All data are drawn from publicly available sources

- **Key Terms and Concepts**
- **Credit-Deposit (C-D) Ratio**
  - **Definition:** The proportion of a bank’s total deposit base that is extended as loans and advances. It indicates how effectively a bank utilizes its deposit resources to generate credit.
  - **Mechanics & Thresholds:** Central banks historically consider a system-wide range of **75% to 80%** as optimal for maintaining liquidity buffers while facilitating economic growth.
  - **Incremental C-D Ratio:** Measures the proportion of *new* deposits deployed as *new* loans over a specific timeframe. When this ratio exceeds **100%**, every fresh rupee deposited in the banking system—plus additional borrowed funds—is deployed as credit, exposing banks to liquidity friction.
- **Systematic Investment Plan (SIP) & Assets Under Management (AUM)**
  - **Systematic Investment Plan (SIP):** An investment vehicle provided by mutual funds that allows retail investors to invest a fixed sum periodically (monthly or quarterly) into a chosen portfolio rather than making a lump-sum payment.
  - **Rupee-Cost Averaging:** The underlying mathematical principle of SIPs. By purchasing more units when prices fall and fewer when prices rise, the investor lowers the average cost per unit over time.
  - **Assets Under Management (AUM):** The total market value of all financial assets that a mutual fund or asset management company (AMC) manages on behalf of its clients.
- **Balanced Advantage Funds (BAFs) & Hybrid Instruments**
  - **Definition:** Open-ended dynamic asset allocation funds that automatically shift their asset allocation between equity and debt based on prevailing market valuations and quantitative indicators.
  - **Risk Architecture:** While marketed as "safe equity" or "all-weather funds," BAFs frequently maintain equity exposure exceeding **65%** to retain equity taxation benefits. This exposes conservative capital to downside market volatility.
- **Domestic Institutional Investors (DIIs) vs. Foreign Portfolio Investors (FPIs)**
  - **FPIs:** Non-resident entities investing in Indian capital markets. Historically, foreign capital movements dictated Indian equity volatility due to sudden risk-off exits during global geopolitical or monetary shifts.
  - **DIIs:** Local financial entities, including domestic mutual funds, insurance companies, and pension funds. The surge in retail SIP flows has empowered DIIs to act as a structural counterweight, absorbing foreign sell-offs and insulating domestic equity markets.
- **Real vs. Nominal Returns**
  - **Nominal Return:** The unadjusted percentage yield on an investment before accounting for inflation or taxes (e.g., an FD yielding 7% per annum).
  - **Real Return:** The actual purchasing power gain after deducting inflation and tax liabilities. Calculated using the relation:
  - Real Return ≈ Nominal Interest Rate − Inflation Rate − Tax Drag
  - **Context:** If a bank FD offers 7% interest, but retail inflation runs at 6% and the investor falls in a 30% tax bracket, the post-tax real return becomes negative, prompting savers to look for higher-yielding equity products.
- **Financial Disintermediation**
  - **Definition:** The process wherein capital bypasses traditional banking intermediaries (commercial bank deposits) and flows directly into capital market instruments like stocks, bonds, and mutual funds.
  - **Impact:** Reduces the low-cost pool of capital available to banks for long-term project and priority-sector lending.

- **Core Arguments and Structural Realities**
- The transformation of India's household savings landscape represents a structural evolution in capital allocation. Analyzing this shift requires evaluating both its positive impacts and systemic risks.
- **The Democratization of Capital and Systemic Resilience**
  - **Household Wealth Accumulation:** Moving away from negative real-return bank deposits allows households to capture corporate earnings growth, hedging their long-term savings against persistent inflation.
  - **Macroeconomic Buffer Against External Shocks:** Domestic SIP inflows—crossing ₹3 trillion annually across nearly 10 crore active accounts—have transformed Indian equity markets. In periods of global trade or geopolitical stress, continuous retail buying via DIIs absorbs foreign portfolio capital flight, preserving domestic currency and valuation stability.
  - **Financial Inclusion Beyond Banking:** Equity participation has expanded beyond Tier-1 metropolitan hubs into Tier-2 and Tier-3 cities, spreading equity wealth creation across broader economic demographics.
- **The Banking Sector Squeeze and Macro-Credit Transmission**
  - **Deposit Growth Deficit:** Household bank deposit growth dropped nearly 9% to ₹12.54 lakh crore in recent years, alongside significant declines in small savings and life insurance investments.
  - **Breaching Risk Thresholds:** System-wide Credit-Deposit ratios have climbed past **82%**, with incremental C-D ratios exceeding **100%**. This indicates that banks are extending more credit than they are collecting in fresh deposits.
  - **Elevated Borrowing Costs for the Real Economy:** To retain capital, banks are forced to raise deposit rates or rely on costlier bulk wholesale funding. This cost is passed directly onto end-borrowers, increasing lending rates for home buyers, MSMEs, agriculture, and infrastructure projects.
- **Investor Inexperience and Behavioral Vulnerability**
  - **Lack of Bear Market Experience:** A significant proportion of current retail mutual fund account holders entered capital markets after 2016 or during the post-2020 liquidity expansion. Their experience is anchored in rapid market recoveries rather than multi-year bear markets, such as the 2000–2013 period when inflation-adjusted benchmark returns were largely flat.
  - **Behavioral Panic During Drawdowns:** Short-term market corrections regularly trigger sharp increases in SIP cancellations and net equity redemptions. During sharp geopolitical or economic disruptions, retail investors frequently sell at breakeven points rather than maintaining long-term horizons, converting paper losses into permanent capital erosion.
- **Product Mis-Selling and Vulnerability of Retirees**
  - **Misalignment of Financial Products:** Bank distribution networks frequently market aggressive hybrid or equity-linked products to retirees and risk-averse savers seeking regular income.
  - **Disruption of Income Stability:** Retirees require capital preservation, guaranteed liquidity, and predictable income stream assets. Market-linked instruments advertised with variable dividend payouts risk severe income cuts during market downswings.
  - **Permanent Saver Displacement:** When first-time retail retirees exit volatile market products at a loss, their capital rarely returns to formal bank deposits or long-term equity compounding. Instead, it moves into low-yielding liquid funds or physical cash, removing capital from productive investment channels.

- **Historical Evolution of Savings Architecture**
- **1969–1991: State-Directed Banking and Financial Repression**
  - **Bank Nationalization (1969 & 1980):** Directed household capital into formal channels to fund state priorities, agriculture, and heavy industry.
  - **Dominance of Guaranteed Instruments:** Fixed Deposits, Post Office Savings, and Provident Funds were central to household finance, offering government-backed principal security in a volatile developing economy.
  - **Limited Capital Markets:** Equity markets remained thin, speculative, and localized, lacking retail participation due to high transaction costs and minimal regulatory oversight.
- **1991–2002: Financial Sector Reforms and Market Infrastructure**
  - **Narasimham Committee Recommendations (1991 & 1998):** Began interest rate deregulation, reduced Statutory Liquidity Ratio (SLR) mandates, and encouraged market-determined capital allocation.
  - **Establishment of SEBI (1992):** Statutory powers were granted to regulate stock exchanges, protect retail investors, and modernize capital market infrastructure.
  - **Breakup of Mutual Fund Monopoly:** Ended UTI's monopoly by opening the asset management sector to private and foreign entities, establishing early mutual fund regulations.
- **2002–2013: Prolonged Equity Stagnation and Physical Asset Pivot**
  - **Post-Dot-Com Crash & 2008 GFC:** Extreme market volatility eroded confidence in equity instruments.
  - **The "Lost Horizon" for Retail Equities:** Between 2000 and 2013, Indian equity benchmarks delivered low inflation-adjusted returns, driving household savings back into physical assets, primarily real estate and gold.
- **2014–2020: Digital Onboarding and Structural Liquidity Shifts**
  - **Pradhan Mantri Jan Dhan Yojana (PMJDY) & Jan Dhan-Aadhaar-Mobile (JAM) Trinity:** Brought hundreds of millions of unbanked citizens into the formal financial framework, establishing a digital foundation for financial services.
  - **Demonetization (2016):** Forced cash holdings into formal bank deposits, creating a liquidity surge that flowed into mutual funds, insurance, and capital markets.
  - **Fintech & 'Mutual Funds Sahi Hai' Campaigns:** Low-cost discount brokerages and simplified digital KYC removed onboarding friction, driving retail adoption of SIPs.
- **2020–2026: The Retail Financialization Era and Banking Squeeze**
  - **Post-Pandemic Retail Participation:** Low interest rates, combined with remote account opening, led to an unprecedented increase in retail demat and SIP accounts.
  - **Emergence of Banking Mismatches:** Rapid growth in equity funds alongside declining bank deposit growth created an imbalance, pushing Credit-Deposit ratios to historical highs and triggering regulatory warnings regarding liquidity management.



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- **Logical and Philosophical Foundations**
- **Neoliberal Capital Market Efficiency vs. Keynesian Financial Intermediation**
  - **Capital Market Allocative Efficiency:** Classical financial theory holds that capital markets allocate resources more efficiently than traditional bank intermediaries. Disintermediation directs capital directly to high-return corporate equity, driving broader economic productivity.
  - **The Keynesian Credit-Creation Paradigm:** Traditional economic models emphasize that bank deposits serve as the foundational liquidity required for real-economy lending. Unlike stock markets, which redistribute existing ownership, bank loans create new credit for productive investments like housing, infrastructure, and small enterprise growth.

- **Bounded Rationality and Behavioral Economics**
  - **Efficient Market Hypothesis vs. Human Psychology:** Classical financial models assume investors are rational actors who process all available market information objectively. Behavioral economics demonstrates that retail choices are driven by heuristics, social proof, and recency bias.
  - **Loss Aversion and Recency Bias:** Tversky and Kahneman's Prospect Theory shows that the pain of a financial loss is psychologically twice as intense as the pleasure of an equivalent gain. First-time retail investors entering during bull markets often mistake cyclical market surges for permanent trends, making them vulnerable to panic selling when drawdowns occur.
- **Micro-Rationality vs. Macro-Systemic Externalities**
  - **Individual Optimization:** For a single household, shifting excess capital from a taxed, sub-inflation bank FD into an equity mutual fund is a logical financial decision aimed at preserving purchasing power.
  - **Systemic Externalities:** When millions of households execute this move simultaneously, aggregate bank deposit bases contract relative to loan demand. This raises borrowing costs across the economy, slowing down housing, MSME, and infrastructure investment.

- **Multidimensional Analysis**
- **Social and Demographic Dimensions**
  - **Erosion of Retirement Safety Nets:** India lacks a universal state-funded pension system. A large majority of senior citizens rely on fixed deposits, SCSS, and monthly income schemes for retirement stability. Pushing these cohorts into volatile, market-linked products creates risk to household security.
  - **Aggravation of Wealth Inequality:** Households with financial literacy and risk capacity accumulate market-backed wealth, while uninformed savers face capital erosion from poor market timing or mis-sold products.
- **Economic and Credit Transmission Dimensions**
  - **Impairment of Monetary Policy Transmission:** High C-D ratios force commercial banks to keep deposit rates elevated to retain funding, delaying the transmission of central bank rate cuts to retail and corporate borrowers.
  - **Bottlenecks in Priority Sector Lending:** Small enterprises, rural borrowers, and low-cost housing projects rely almost exclusively on traditional bank credit rather than corporate bond markets. Depleted bank deposit growth restricts credit availability to these key employment-generating sectors.
- **Legal, Regulatory, and Governance Dimensions**
  - **Regulatory Arbitrage (RBI vs. SEBI):** Banks operate under strict capital adequacy, SLR, and Cash Reserve Ratio (CRR) mandates set by the RBI. Mutual funds operate under market-conduct regulations overseen by SEBI. This creates regulatory friction when bank distribution channels market capital market products to traditional deposit clients.
  - **Gaps in Product Suitability Mandates:** Current regulations focus heavily on disclosure requirements rather than enforcing strict product suitability matching investor risk profiles.
- **Ethical and Fiduciary Dimensions**
  - **Conflict of Interest in Bancassurance and Distribution:** Bank relationship managers are often incentivized through fee commissions to push high-commission equity funds over low-cost bank deposits, creating an agency problem that conflicts with client interests.
  - **Asymmetric Information:** The knowledge gap between financial intermediaries and retail savers allows high-risk products to be sold as stable, income-generating alternatives.
- **International and Macro-Strategic Dimensions**
  - **Capital Account Stability and Sovereignty:** Strong domestic retail investment flows insulate domestic equity markets from external shocks, reducing vulnerability to foreign capital flight during global financial downturns.

- **NCERT Pedagogical Linkages**
- **Class 12 Macroeconomics: Chapter 3 – Money and Banking**
  - **Core Concept Linkage:** The credit creation process by commercial banks based on primary household deposits.
  - **Analytical Application:** Illustrates how a fall in primary bank deposits contracts the ultimate credit creation capacity of commercial banks through the money multiplier ($M = \frac{1}{\text{LRR}}$), directly explaining high Credit-Deposit ratios.
- **Class 11 Indian Economic Development: Chapter 8 – Financial Sector Reforms**
  - **Core Concept Linkage:** Evolution of the Indian financial system post-1991, detailing the transition from state-controlled financial repression to market-determined asset pricing.
  - **Analytical Application:** Contextualizes current savings migration as a continuation of post-1991 financial sector reforms, balancing allocative efficiency against financial sector stability.
- **Class 12 Business Studies: Chapter 10 – Financial Markets**
  - **Core Concept Linkage:** Distinction between money markets (short-term bank debt) and capital markets (equity, long-term corporate debt), along with SEBI's regulatory mandates.
  - **Analytical Application:** Provides foundational framework to evaluate how capital market growth shifts household savings from fixed-income banking assets to variable equity market assets.

- **Mapping to the UPSC CSE Syllabus**
- **GS Paper 3: Indian Economy and Mobilization of Resources**
  - **Mobilization of Resources:** Shift of household savings from physical and banking assets into capital markets, and its impact on gross domestic capital formation.
  - **Banking Sector Challenges:** High Credit-Deposit ratios, deposit disintermediation, structural liquidity constraints, and monetary policy transmission lag.
  - **Capital Markets:** Growth of domestic institutional investors, SIP penetration, and equity market stability against foreign portfolio volatility.
- **GS Paper 2: Governance, Regulatory Bodies, and Citizen Welfare**
  - **Regulatory Architecture:** Comparative roles and coordination challenges between the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI).
  - **Protection of Vulnerable Groups:** Safeguarding senior citizens and low-income households from predatory financial product distribution.
- **GS Paper 4: Ethics and Human Interface**
  - **Fiduciary Responsibility:** Ethical duties owed by financial institutions and relationship managers to retail clients.
  - **Conflicts of Interest:** Incentive structures in bank distribution networks that prioritize sales commission fees over investor suitability.

- **Strategic Policy Framework (Way Forward)**
- **Tax Realignment and Deposit Modernization**
  - **Tax Parity for Fixed Deposits:** Rationalize income tax treatment of bank deposit interest, particularly for long-term deposits, bringing them closer to capital gains tax frameworks to ensure bank FDs remain competitive real-return instruments.
  - **Flexible Bank Deposit Products:** Encourage banks to launch innovative deposit instruments featuring inflation-indexed returns, dynamic interest adjustments, or hybrid features to retain retail liquidity without forcing investors into full equity risk.
- **Enforcing Strict Product Suitability and Fiduciary Standards**
  - **Fiduciary Duty Mandates:** Transition relationship management models from commission-based sales models to fee-only advisory standards for senior citizens and low-literacy demographics.
  - **Mandatory Age-Based Risk Guardrails:** Establish regulatory limits on the marketing of volatile hybrid or equity-linked products to retirees, requiring formal documentation for high-equity allocations sold to vulnerable age groups.
- **Regulatory Coordination and Systemic Risk Monitoring**
  - **Joint RBI-SEBI Financial Stability Council:** Establish a dedicated joint working group within the Financial Stability and Development Council (FSDC) to track savings migration, C-D ratios, and systemic liquidity risks in real time.
  - **Macroprudential Buffers:** Implement dynamic liquidity reserve requirements that adjust based on system-wide Credit-Deposit ratios to insulate banks during periods of rapid deposit disintermediation.
- **Behavioral Financial Literacy 2.0**
  - **Focusing on Downside Risk:** Shift public financial education campaigns from promoting long-term SIP returns to educating investors on market cycles, risk capacity, drawdown survival, and the role of asset allocation.
  - **Promoting Core-Satellite Asset Frameworks:** Educate retail households on building a foundational core of safe, guaranteed fixed-income assets (FDs, SCSS, PPF) before allocating satellite capital to market-linked equity instruments.

- **UPSC CSE Mains Questions**
- **Question 1 (GS Paper 3, Mains 2023)**
- *"High credit growth alongside lagging deposit growth creates structural liquidity constraints for the Indian banking sector."* Discuss how financial disintermediation and the migration of household savings to equity mutual funds affect the credit creation capacity of commercial banks and economic growth. *(15 Marks, 250 Words)*
- **Question 2 (GS Paper 3, Mains 2020)**
- Discuss the key reforms undertaken in the Indian capital markets over the last three decades. How far have domestic institutional investors (DIIs) and retail Systematic Investment Plans (SIPs) succeeded in insulating Indian financial markets from foreign portfolio capital volatility? *(15 Marks, 250 Words)*
- **Question 3 (GS Paper 4, Mains 2022)**
- You are the Regional Manager of a public sector bank. You observe that branch relationship managers are aggressively pushing high-risk market-linked financial products to elderly fixed-deposit holders to meet annual distribution targets, leading to complaints of capital loss during market drawdowns.
  - Identify the ethical issues and agency conflicts involved in this scenario.
  - What structural steps will you take to balance bank revenue targets with fiduciary responsibility toward vulnerable customers? *(20 Marks, 250 Words)*