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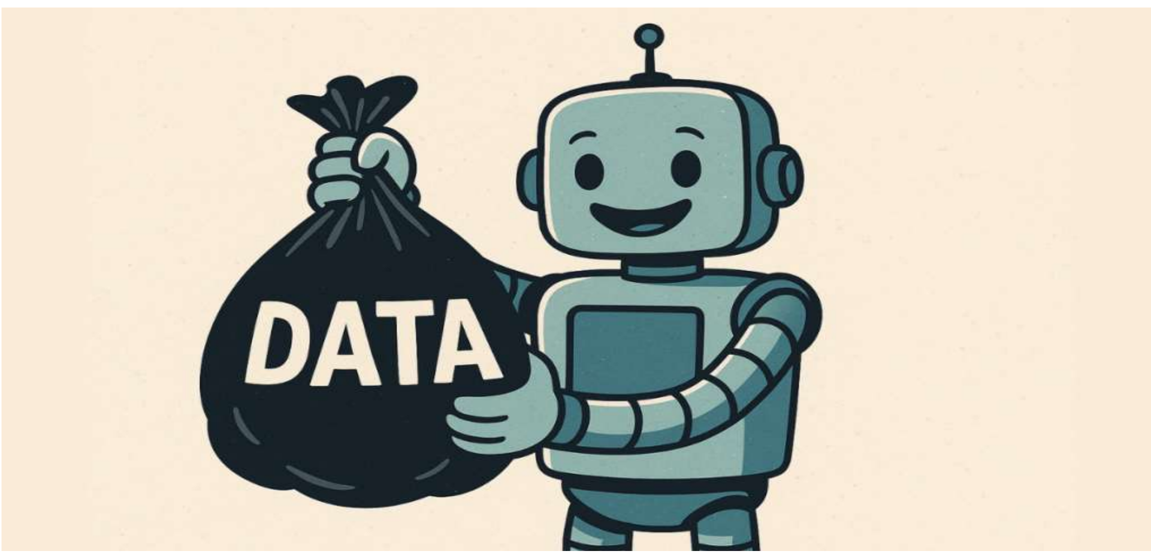
ARTIFICIAL INTELLIGENCE

What happens to the data you share with your AI companion?

“AI companion platforms often collect extensive personal data, including users’ emotional expressions and behaviours,” Lalit Kalra, Partner – Cybersecurity Consulting, EY India told financialexpress.com.

By Gopika Nair



In a recent edition of Brand wagon, I wrote about AI companions. I shared how, from offering late-night conversations to simulating emotional support, AI companions are carving out a niche in the digital intimacy economy. Today, I dig deeper and ask a very pertinent question. What actually happens to the data that users feed into them?

These platforms are powered by large language models (LLMs) trained on user interactions. That includes everything from a casual hello to intimate disclosures about relationships, trauma, or identity. While marketed as private, judgment-free spaces, AI companions are also data-hungry systems that often operate in legally grey areas when it comes to ownership, consent, and use of personal information.

Data as currency

"AI companion platforms often collect extensive personal data, including users' emotional expressions and behaviours," Lalit Kalra, Partner – Cybersecurity Consulting, EY India told financialexpress.com. "While these interactions may feel intimate, they are governed by platform policies that may lack transparency. The data is frequently used for user profiling, targeted advertising, or model training, sometimes without clear user consent."

Kalra warns that while some platforms claim to anonymise data, "emotional data is inherently identifiable. Users must understand that their disclosures could be stored indefinitely, repurposed, and monetised often beyond the scope of the original interaction."

"The user is essentially feeding the system with their most personal, and at times, intimate moments. Data is the oil that moves that avatar," Sanjay Trehan, digital media advisor, said. "There is a real possibility of misuse, and consumers must exercise as much caution as they would in the real world."

Replika, for instance, captures user messages, photos, videos, and sensitive details such as sexual orientation, religious beliefs, and health information. Although it claims not to use this data for advertising, it does license user content broadly, allowing it to be stored, modified, and reused within its services. Character.ai also collects detailed usage data, IP addresses, browsing habits, and device IDs, which can be shared with advertisers.

Legal safeguards fall short

While global data protection frameworks such as the EU's GDPR, California's CCPA, and India's DPDPA provide guardrails, they struggle to keep pace with the complexity of AI systems.

"These laws provide a strong foundation, around consent, minimisation, and user rights, but AI companions operate in grey zones," Dikshant Dave, CEO of Zigment AI, commented. "Emotional data, conversational nuance, and inferred mental states aren't always explicitly covered. These are areas where regulation hasn't caught up with technological complexity."

"Users rarely know if their emotional disclosures are being used to train future models, create targeted psychological profiles, or fuel recommendation engines. Clearer disclosures and user-controlled data deletion mechanisms are urgently needed," he added

Trust at risk

The reputational and regulatory risks for companies in this space are significant. "If users feel betrayed, because their data is leaked, misused or commercialized without clarity, trust collapses," Dave highlighted. "This is especially critical for platforms dealing with emotionally vulnerable users."

Kalra notes that current laws struggle with the traceability of AI data flows. "The nature of AI makes it challenging to trace how personal data is processed, raising concerns about consent and data minimisation. Companies face significant risks if they mishandle sensitive data, including legal penalties and public backlash."

A recent lawsuit in the US, Garcia v. Character Technologies, has even raised questions about whether AI companions should be treated as "products" under liability law. A California judge's preliminary ruling opened the door for platforms, and even AI model developers, to be held accountable for harm caused by outputs from such apps.

India's cautious adoption curve

In India, adoption is growing, especially in wellness and entertainment. "Indian users are rapidly adopting AI-driven engagement tools," Dave notes. "But culturally, emotional expression in digital spaces is still evolving, and trust remains a significant barrier. Brands that enter this space will need to demonstrate deep sensitivity to privacy, localisation, and psychological safety."

"3(a), of the DPDP Act applies to all processing of digital personal data (within India, and to foreign entities) processing data in connection with offering goods/services to Indian data principals (legal entities)," Siddarth Chandrashekhar, advocate, Bombay High Court, highlighted. Furthermore, under Indian law, any company or organisation that creates or runs an AI companion becomes a "Data Fiduciary," meaning it is legally responsible for protecting users' data, this includes ensuring accuracy, applying security safeguards, respecting user rights, and reporting any data breaches to both the authorities and affected users, he added.

AI companions today offer more than conversation; they offer companionship, memory, and even affection. But these interactions are also quietly fuelling product development pipelines and machine learning datasets. "There's a risk that AI-generated empathy may lead to long-term emotional dependence," Trehan warned. "While AI may offer short-term succour, it could reinforce isolation in the long term." And beyond the psychological implications, Kalra pointed out that "platforms own the data, not the user. It may be accessed by internal teams, used to improve AI models, or shared with third-party advertisers."

AI companions simulate empathy, which can ultimately lead to the betterment of society; however, these systems are built to learn and monetise upon it. (FE18062025)

Why every business leader now needs to speak the language of AI

What will distinguish leaders of tomorrow is not their awareness of Artificial Intelligence (AI) but a foundational knowledge to ask questions of AI systems, deploy them strategically, and weigh in on the ethical ramifications. An online Leadership with AI programme, which integrates GenAI and Agentic AI, could be a step forward in the AI-led leadership race.

By Carolyn Said

Gone are the days when Artificial Intelligence (AI) was a mere buzzword confined to labs or IT departments—it's now either defining the core capabilities of a company or driving its growth as a strategic business lever. No longer relegated as a support function, AI is the new business imperative, rapidly informing process optimisation, value creation, and decision-making. As per the World Economic Forum's Future of Jobs Report 2023, over 75% of companies globally expect to adopt AI within the next three years, signaling a seismic shift in how leadership must evolve to stay relevant1.

It's no longer enough to delegate AI to tech teams. Today's executives are expected not only to understand the potential of AI but also to apply it strategically.

For instance, this goes far beyond knowing what ChatGPT, Llama or DeepSeek can do—it's about being able to evaluate when and where to use an AI assistant, how to mitigate its risks, and how to direct the best of machine-human collaborations. As McKinsey's 2023 research on the economic potential of GenAI highlights, GenAI alone could contribute up to $4.4 trillion annually to global productivity2.

Thus, business leaders who can speak the language of AI will be uniquely positioned to unlock that value and advance their careers to rise to leadership positions. According to Gartner's Future of Work Trends 2024, companies that train leaders to work alongside AI will outperform competitors in agility, innovation, and employee engagement3.

However, despite the boundless promise of AI, what remains to be seen is how leaders formulate their AI-led vision to leverage, monitor, and co-create with AI systems, and how well they do so will define their core leadership competencies. Leaders must command AI fluency—an understanding of what AI can do, what it should do, and how it aligns with business strategy to adapt to the needs of an evolving business ecosystem.

Preparing the next generation of AI-literate leaders

Recognising this shift, the ISB Online, #1 B-school in India (FT Global MBA Ranking 2025), and #5 in Asia, has launched the Leadership with AI programme. Designed for senior professionals, spanning 20 weeks in an executive-friendly online format, the programme begins on 30 June 2025. The curriculum combines strategic frameworks with hands-on learning across more than 140 pre-recorded video lessons by the globally renowned ISB faculty, over 20 case studies, over 40 assignments, tools and live masterclasses with industry experts. The programme has a deep focus on AI, GenAI and Agentic AI, as well as the practical integration of AI into organisational functions through a capstone project that challenges learners to devise and pitch an AI leadership strategy.

Participants gain access to curated asynchronous learning content—articles, podcasts, and masterclasses—along with 18 live interactive doubt clearing sessions with programme leaders. Graduates receive a certificate from ISB Online and become part of the institution's expansive alumni network and continuous learning opportunities. The programme is priced at ₹2,09,900 + GST, with financing and flexible payment options available.

What to expect

The ISB Online Leadership with AI programme delivers practical, strategic value for professionals navigating leadership in a technology-driven world. By the end of the 20-week learning journey, participants gain a strong foundational understanding of AI, GenAI, and the emerging domain of Agentic AI—along with the ability to apply these technologies across various business functions. The programme aims to empower leaders to identify and evaluate AI opportunities in areas such as marketing, finance, operations, and strategic planning. It also aims to equip them with essential AI and GenAI tools to navigate the ethical, regulatory, and governance dimensions of AI deployment responsibly.

Through real world case studies and interactive peer discussions, learners build decision-making skills grounded in real-world scenarios. A culminating capstone project allows them to apply their learning to practical leadership challenges, ensuring they graduate with not just knowledge but implementation readiness.

Who is this programme for?

This programme is designed specifically for senior and functional leaders, those in technology, marketing, finance, operations, consulting, and general management—who are looking to lead AI-driven transformation in their organisations. With a minimum work experience requirement of 10 years, the course is ideal for professionals seeking to drive innovation, make data-informed decisions, and build a competitive advantage in an increasingly AI-led economy.

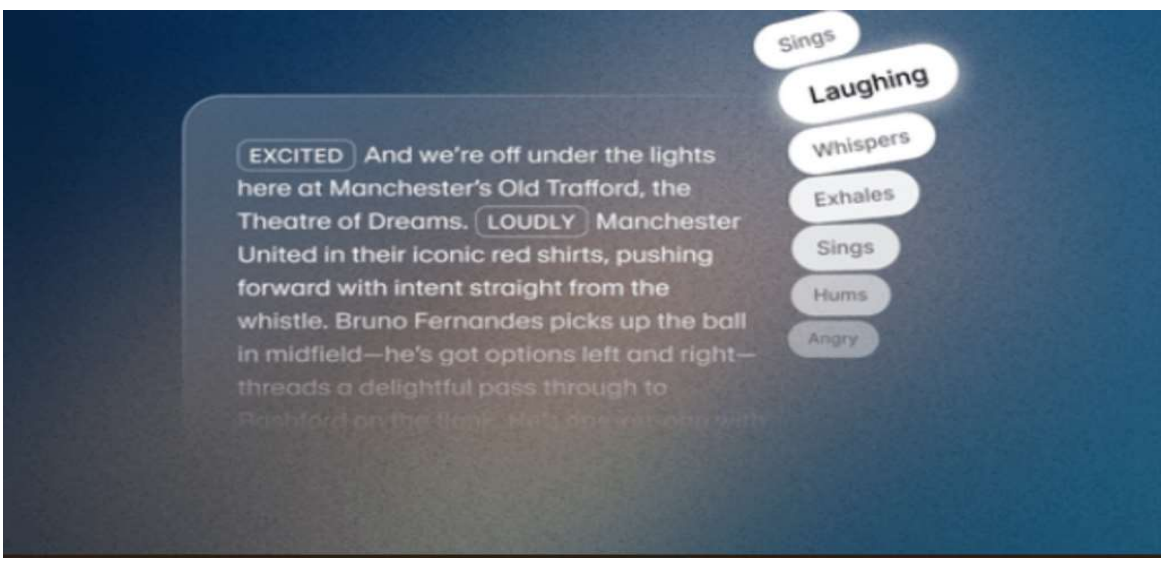
Why AI literacy now belongs in the boardroom

Given its horizontal use case, AI is now a force multiplier across diverse sectors of banking, healthcare, manufacturing, and consumer tech. If in retail, it's used to hyper-personalise experiences in real time, then in financial services, AI models are replacing manual compliance workflows. On the other hand, diagnostic models are supporting clinicians to prioritise patients and introduce interventions, signaling big shifts in healthcare. In every case, the discretion and directional force of leadership, and not the technology alone, is what determines the success or failure of AI adoption. (ET25062025)

ElevenLabs' new AI voice can speak like a human in 70+ languages

Unlike earlier iterations of robotic-sounding voice synthesis tools, Eleven v3 has been designed to perform like a trained voice actor.

By Brand Wagon Online



Eleven Labs, a player in AI voice technology, has announced the launch of Eleven v3 (alpha), a major upgrade to its text-to-speech platform. This latest version introduces a level of realism and expressiveness in synthetic speech that brings it remarkably close to human-like voice acting. The company claims that the new model can interpret text not only with clarity, but also with a full range of emotions, tones, and even dramatic cues.

Unlike earlier iterations of robotic-sounding voice synthesis tools, Eleven v3 has been designed to perform like a trained voice actor. It can adapt mid-sentence to changes in tone, convey complex emotional shifts such as excitement or sadness, and even include non-verbal cues like laughter or sighs. For creators working on video content, podcasts, audiobooks, or interactive applications, the new tool offers the ability to deliver spoken text with personality and nuance. One of the most significant updates is its expanded language support. While earlier versions were limited to around 30 languages, Eleven v3 now supports over 70, including several widely spoken Indian languages such as Hindi, Tamil, and Bengali. This makes it particularly relevant for the Indian market, where regional language content consumption is on the rise.

"Our goal was to build the most expressive text-to-speech model ever created," said Mati Staniszewski, Co-Founder and CEO of ElevenLabs. "With full control over delivery, pacing, and emotion, users can now tailor AI voices to match any script. We're especially proud to include Indian languages as part of this global rollout." The model enables users to insert specific instructions into the text, such as [whisper], [laugh], or [sing], to control non-verbal and stylistic elements. It can also shift accents, emulate multiple characters in a single recording, and adjust speech dynamics for dramatic or storytelling purposes.

This new capability opens doors for a wide range of Indian users. Content creators on platforms like YouTube can produce voiceovers that sound natural and emotionally engaging. Educators and edtech platforms can use the tool to create immersive, audio-rich learning materials. Game developers and app builders can generate realistic character voices or virtual assistants. Even businesses can benefit, using the AI to build smarter voice bots and more human-like customer service systems. Authors and publishers can also convert books into lifelike audiobooks, reducing dependence on human narrators while preserving the emotive quality of the original text.

Currently, Eleven v3 is best suited for pre-recorded content. However, the company plans to expand into real-time applications soon, potentially powering live virtual assistants, AI call centre agents, and interactive chatbots. A public API is also in development, allowing developers to integrate the technology directly into their platforms and services. The alpha version of Eleven v3 is available for early access at elevenlabs.io. (FE10062025)

AI can help make our roads safer

The road ahead demands careful calibration — designing artificial intelligence that supports, not supplants, human judgement.

By Mamidala Jagadesh Kumar

We have a full-blown road safety emergency in India. In 2023, nearly 1.73 lakh lives were lost in road accidents. That’s 474 people a day, or roughly one in every three minutes. Total accidents crossed 4.8 lakh last year, 4.2% more than in 2023. Two-wheeler riders, especially those without helmets, made up around 44% of the victims, while pedestrians accounted for nearly one-fifth. And the biggest killer was speed. Overspeeding led to over two-thirds of all fatalities. It is a wake-up call. Emerging technologies can help arrest this trend.

Artificial intelligence (AI) is quietly slipping into the passenger seat with an eye on the road. In cities like Pune, public transport systems have begun using smart cameras that track whether drivers are drowsy, distracted, or speeding through signals. They gather data from cameras, steering patterns, brake pressure, and even how often the driver blinks, and then connect the dots to flag risky behaviour. Is the car drifting too frequently? Has the driver been nodding at red lights? That's when alerts kick in, sometimes a gentle beep and at other times a vibrating steering wheel.

Studies across the world point to one encouraging trend: AI is helping cut down road accidents. In countries like the US and Germany, data from commercial fleets using AI-based monitoring systems show a sharp drop in collision rates, sometimes by over 30%. Even in India, pilot plans using AI-assisted driver fatigue alerts in buses have reported fewer late-night mishaps. Of course, the human factor — how drivers respond to alerts or coaching — makes all the difference. Still, the evidence is stacking up. Roads seem slightly safer when AI tools are thoughtfully integrated into transport systems.

AI is changing how fleet operators think about road safety, not by replacing drivers but by helping them drive smarter. Modern fleet management systems track patterns in braking, acceleration, lane shifts, and even how often a driver checks mirrors. When something seems off, the system can flag it. AI could become the much-needed co-pilot for India's commercial drivers, many of whom spend gruelling hours on the road. Imagine a system that doesn't just track driving hours but knows when your eyes droop or your reaction time slips — and nudges you to take a break before disaster strikes. For truckers hauling goods across states or gig workers

zipping through traffic to be on time, AI could help reclaim a basic human need: rest.
Over time, this data doesn’t just prevent crashes; it builds a kind of memory for the fleet, helping managers spot risky habits and intervene early. Will technology serve the driver or become another tool to squeeze productivity? That’s the policy crossroads we need to get ahead of.

Current AI systems still wrestle with unpredictability — weather changes, erratic human behaviour, and patchy infrastructure can throw them off balance. Many models work well in controlled settings, but their reliability starts to wobble if they enter a chaotic jam or a poorly lit rural road. AI often struggles to interpret subtle human cues that a seasoned driver would catch instinctively. So, meaningful progress hinges on field research, culturally and geographically grounded data sets, and a nuanced understanding of human-machine interaction on the road.

AI could become India’s watchful guardian of school transport. With simple camera-based systems, overloading can be caught real-time. Of course, whether schools and contractors will invest in such systems is the question policymakers must now confront.

AI-powered dashcams and mobile apps don’t have to be luxury tech reserved for premium cars. What if they were as common as a phone charger in an autorickshaw? Basic AI models can now run smoothly on budget smartphones, flagging unsafe turns or erratic speeds without burning data. It’s technically and economically viable to bring this to two-wheelers and local delivery fleets. For a country where most road casualties involve vehicles that aren’t high-end, making AI affordable isn’t just a tech challenge but a public safety imperative.

AI in vehicles walks a fine line between co-pilot and backseat driver, subtly reshaping how people think behind the wheel. On one hand, features like lanekeeping assist or adaptive cruise control can reduce fatigue and sharpen focus until drivers get too comfortable and tune out. Vital questions arise. Who bears responsibility when an AI driving system fails: the driver or the algorithm? Does increased reliance on automation reduce drivers' situational awareness and instinctive response capacity? The road ahead demands careful calibration — designing AI that supports, not supplants, human judgement.

We may reduce accidents by monitoring driver behaviour, but it raises ethical questions. Where does safety end and surveillance begin? Who owns the data? How far should a vehicle police your behaviour? Under the Digital Personal Data Protection Act 2023, any AI system tracking a driver's gaze, phone usage, or alertness must operate with explicit, informed consent and stick to its stated purpose. That means no data is stored indefinitely or passed on to third parties without a legal basis, and no vague clauses are buried in fine print.

As AI becomes an ever-watchful presence on India's roads, we must ensure it serves the public good without compromising human dignity, agency, or trust. (FE20062025)

Brand management

Rural consumption is moving from essentials towards choice and care

The narrative in this `5-lakh-crore FMCG sector is beginning to shift. Far from being limited by necessity, rural shoppers are increasingly making aspirational purchases. They're experimenting with new formats, displaying loyalty to brands, and even trading up to premium products.

By Geetika Srivastava

In the past decade, floor cleaner penetration in rural India has surged from just 1% to 17%, while toilet cleaners have jumped from 7% to over 40%, according to Kantar.

Kantar data also shows that as rural consumers adopted new categories like toilet cleaners, floor cleaners, bottles soft drinks, etc, their average consumption of mass categories such as salt, hair oils, detergents declined.

Rural India is now outpacing its urban counterparts in consumption growth across several FMCG categories, including personal hygiene, home cleaning, packaged snacks, bottled soft drinks, insecticides, skin creams, and hair colourants. The narrative in this `5-lakh-crore FMCG sector is beginning to shift. Far from being limited by necessity, rural shoppers are increasingly making aspirational purchases. They're experimenting with new formats, displaying loyalty to brands, and even trading up to premium products.

Behind this shift lies a confluence of forces, from improved access to evolving aspirations. "More brands are reaching deeper into Bharat," says Manoj Menon, director, commercial, South Asia, Kantar Worldpanel, noting that smaller towns and villages are now firmly on the radar of both legacy and challenger brands. With improved logistics, distribution networks, and retail access, rural consumers today have visibility and availability of choices that weren't there five years ago. But the change goes beyond access; it's also about mindset. Menon points to the personal and home hygiene categories to illustrate the shift. While affordability remains important, rural shoppers are finding ways to balance budget and aspiration. Small and affordable pack sizes, therefore, remain a critical enabler. Categories like fabric conditioners, skin creams, and hair conditioners are seeing faster growth in smaller packs in rural areas, mirroring urban experimentation and consumption. "Rural consumers are now spending more willingly," he says. "They are paying `4 more per kg for personal hygeine than they were a year ago."

Interestingly, while aspirations are rising across the board, the urban and rural FMCG markets are diverging in brand preference. In urban India, it's the smaller, local brands that are gaining traction, clocking 8.4% growth in FY25, according to Kantar data. But in rural areas, it's the larger, listed FMCG players that are gaining ground, growing 5.1% compared to just 2.3% for small brands. In contrast, big brands grew only 2.1% in urban markets during the same period. The message is clear: as rural consumers get more brand-conscious, trust in well-known names is helping large players deepen their rural presence.

Action, reaction

Companies are responding to this change, revisiting targeting and communication. "Our experience with premium products and brand upgrades in rural markets has been encouraging and insightful," says Ragini Hariharan, marketing director – beauty and personal wellness, Himalaya Wellness Company. "Consumers today are increasingly willing to explore newer and more premium products within categories such as face washes, serums, lip care, and oral care. This shift is supported by rising awareness, improved access to information through digital platforms, and aspirational consumption patterns shaped by urban influence."

She adds that Himalaya is seeing this reflected in product uptake, with newer formats and premium SKUs gaining traction, especially among younger rural consumers.

In the long term, Kantar expects rural growth to not only catch up with urban markets but even marginally surpass them. “We expect all the seven categories that we have talked about earlier to continue leading rural growth for the next few years,” says Menon.

For Mysore Deep Perfumery House and Zed Black, rural India has become more than just a volume driver. The company says even its higher-end offerings like bamboo-less incense sticks and wellness-based aroma products are finding takers in rural pockets. “Today’s rural shopper is brand-aware, digitally connected, and open to premium formats,” adds Ankit Agrawal, director. The company has introduced resealable zipper pouches and monthly packs for convenience. (FE18062025)

Cashfree payments: How right time, right tech built an Indian fintech powerhouse

For Sinha and his co-founder, Reeju Datta, the stars aligned in 2015, when India’s online payments industry was just starting to take off on the back of unprecedented market momentum.

By Ayanti Bera

Born and raised in a small town in Jharkhand, Sinha credits IIIT Hyderabad for acquiring most of the skills he applied at Cashfree — “building front-end, back-end, and understanding how to take an idea from zero to one”. After graduation, Sinha cut his teeth in the fintech space at BankBazaar and later at Amazon.
For Akash Sinha, the story of building Cashfree Payments was more than just about innovation and execution — it was about being in the right place at the right time. Recalling the pivotal early days when he set out to build a full-stack payments company, Sinha says, “You can have the best product or service, but if timing is not in your favour, then it is difficult to be successful.”

For Sinha and his co-founder, Reeju Datta, the stars aligned in 2015, when India’s online payments industry was just starting to take off on the back of unprecedented market momentum. “During these years, the overall industry was growing thanks to UPI, demonetisation and a lot other things”, he says.

Born and raised in a small town in Jharkhand, Sinha credits IIIT Hyderabad for acquiring most of the skills he applied at Cashfree — “building front-end, back-end, and understanding how to take an idea from zero to one”.

After graduation, Sinha cut his teeth in the fintech space at BankBazaar and later at Amazon.

His stint at Amazon helped him interpret metrics, understand user behaviour, and broadly decipher what drives growth at scale. “At Amazon, I learned to read the health of a company through numbers, which is a crucial skill for any entrepreneur,” he explains.

In 2015, with about three years of industry experience, Sinha made the leap to entrepreneurship, but not blindly. “The biggest motivator was learning, not just success.”

Before quitting his job, he and his co-founder Dutta, whom he met through a mutual friend, spent months brainstorming multiple ideas, but fintech, specifically payments, resonated strongly.

The spark came from a long-standing problem faced by restaurants offering home deliveries.

Cash-on-delivery orders were riddled with inefficiencies such as delivery personnel waiting for change and customers lacking exact cash, etc.

This insight led to Cashfree’s initial product, where it sent a digital payment link via SMS to customers placing phone orders with restaurants, enabling instant payment. The first prototype was built and launched within two months of starting the company.

The initial customers were offline restaurants in Bengaluru heavily reliant on phone orders. Within six months, Cashfree had onboarded approximately 300 merchants.

Soon, the firm moved from solving payment issues for offline restaurant deliveries to solving payments issues in online orders for firms such as Faasos, who had their own app for ordering. They, too, were facing high payment failure rates. “This is where we got exposed to online payments industry,” Sinha recalls.

As Cashfree grew, Sinha and his team discovered a broader, systemic gap in India’s payments ecosystem.

Legacy payment companies, many of which were founded in the mid-2000s, were built for bill payments or early e-commerce but were ill-equipped for the rapid rise of internet-first, hyperlocal businesses. For example, event platforms struggled with slow money flows from customers to sellers, hampering ticket issuance.

Existing players handled customer-to-platform payments but failed to enable platform-to-seller disbursals efficiently. “We realised that new business models needed a new kind of payment infrastructure — one that could handle end-to-end payment flows,” Sinha says. This insight led Cashfree to evolve from a simple payment link provider into a full-stack payments company, offering solutions for collections, disbursals, and banking APIs tailored to the needs of digital-first enterprises.

Nearly a decade since its inception, Cashfree Payments is a popular partner for thousands of internet-first firms across India. It now employs more than 750 people and its topline is about to touch ` 1,000 crore.

While the company turned profitable as early as 2018, and maintained profitability for four consecutive years, in the past two years, it paused profit-making to focus heavily on research, development and scaling operations. “Now that the rewards are coming back, I think very soon we’ll be back to profitability,” Sinha adds.

In the last financial year, the firm saw significant business growth, with transaction volumes increasing more than threefold across diverse sectors. For context, Cashfree Payments’ revenue from operations increased only 4.7% to 642.7 crore in FY24, while losses remained largely flat at 135 crore. The sluggish revenue growth was attributed to a year-long RBI ban on online payment aggregators, including Cashfree, on onboarding new merchants.

"The whole idea was to build a product that makes launching internet business much easier," Sinha adds.

In the fast-evolving world of payments, Cashfree's story has just taken off. Earlier this year, it raised $53 million in a funding round led by KRAFTON and existing investor Apis Growth Fund II. This money will be used by the firm to scale new areas such as cross-border payments and prepaid payment instruments such as cards and wallets.

The company now holds three key licences from the RBI: payment aggregator, payment aggregator-cross border, and prepaid payment instrument. (FE23062025)

ADVERTISING MANAGEMENT

WhatsApp ads are coming, but can Meta avoid ad fatigue?

As Meta prepares to build an ad-driven future for WhatsApp, the app's strong record of privacy-focused design is about to meet a familiar marketing problem: the infamous ad fatigue. Can Meta monetise WhatsApp without tiring out its two billion users?

By Gopika Nair

It begins quietly: a colourful card slipping between your friends' holiday photos in WhatsApp's Status feed; a new business channel showing up in the Updates tab. For the world's largest messaging app, these are still small steps, but they hint at something bigger. As Meta prepares to build an ad-driven future for WhatsApp, the app's strong record of privacy-focused design is about to meet a familiar marketing problem: the infamous ad fatigue. Can Meta monetise WhatsApp without tiring out its two billion users?

Ads, ads everywhere — not a moment of peace?

Advertising fatigue is what happens when people see the same kind of ads, the same messages, visuals, or brands, too often. The signs are clear: click-through rates go down, costs per sale go up, and users start muting or hiding promotions. On Facebook and Instagram, users have learned to live with it. But WhatsApp, seen as a more personal and private space, leaves far less room for missteps.

"There will be short-term disruption, especially when it comes to ads in Status," Raahul Seshadri, Director – AI & Tech, Web Engage, told financialexpress.com. "Eventually, there is a possibility of the user engagement patterns with ads matching that of Instagram (especially Story ads of Instagram)." His cautious optimism is shaped by Meta's past experiences, like how Facebook's News Feed ads faced resistance in the early days, which only settled after Meta introduced creative improvements and better control over how often users saw the same ads.

WhatsApp's first ad formats, sponsored Status stories, promoted Channels, and click-to-WhatsApp ads that appear on other Meta platforms, are designed to stay out of private chats. Even so, not everyone is convinced. Abhinay Tiwari, Chief Growth Officer, Admattic, argued that WhatsApp is uniquely sensitive to advertising: "The introduction of ads on WhatsApp risks disrupting its core promise, a private, clutter-free communication space. Users are conditioned to expect intimacy and utility from the platform, not commercial interruption."

Tiwari also believes that ad fatigue could set in more quickly on WhatsApp than on traditional social networks: "Absolutely, WhatsApp is more vulnerable to ad fatigue than traditional social platforms. Its historically ad-free, one-on-one nature means users may find any commercial presence intrusive."

Gopa Menon, Chief Growth Officer – APAC, Successive Technologies, believes the key lies in offering ads that are timely, relevant and under user control. "WhatsApp has a unique opportunity to introduce ads in a way that minimises fatigue, precisely because of its historically private nature. By focusing on high relevance and user control, WhatsApp can mitigate fatigue."

Menon points to click-to-WhatsApp campaigns, which are not subject to Meta's usual limits on how often ads appear. These ads only show up when a user actively taps, making the experience more like a choice than an interruption.

Early findings back this approach. Internal Meta case studies shared with marketing agencies suggest that business messages on WhatsApp are opened nearly 90 per cent of the time, far better than email. But the real risk comes later. As more brands join in, creative quality could drop. If businesses rely on the same messages and formats over and over, users may quickly learn to ignore them, even the more clever or interactive ones.

Brands weigh their moves carefully

At online fashion label Bewakoof, WhatsApp is a key platform, but it’s treated with care. “Yes, but carefully. It’s where our audience is super active, so the potential is big, but it has to feel like a value-add, not just another ad,” Abhimanyu Mishra, Chief Marketing Officer, Bewakoof, noted. His team is looking at loyalty rewards, limited-time drops and small polls, not aggressive sales pitches.

Neha Kulwal, Managing Director, APAC & India, Mitgo, believes Meta is playing it smart. “WhatsApp’s cautious entry into advertising is a natural progression for monetisation, but it’s doing so without compromising its core value, user privacy.” She compares it to Telegram, where ads in public channels haven’t hurt user growth. She expects WhatsApp to move slowly, with fewer data-heavy ads, giving Meta time to fine-tune its tools before the problem of fatigue becomes serious.

Experts who study ad fatigue say there are three ways to avoid it: keep content fresh, expand audience reach, and control how often users see the same message. WhatsApp’s Business API gives marketers several ways to do this. Interactive formats, such as quick-reply buttons, product catalogues, or even AR-based previews, help turn a basic message into a two-way interaction.

Reaching broader audiences inside an encrypted system is more complex. But it’s possible to build lookalike audiences using broad behaviour signals, such as what channels users follow, what they click on, or their preferred language.

How users respond will vary across age groups and regions. Younger people who are used to Snapchat, Reels and Stories adapt quickly. Older users still treat WhatsApp like SMS, less visual, more direct. In countries like India, where

WhatsApp doubles as customer support and a shopping platform, people might be more open to ads. “Users in urban metros might adapt quicker, especially if offers or utility-based prompts are integrated,” Tiwari noted. “But in privacy-sensitive or rural demographics, resistance could be high.”

What comes next

WhatsApp is now at a turning point. If brands start flooding users with recycled Instagram content and generic messages, ad fatigue could become a real problem in just a few months. But if they use the platform to offer helpful, relevant and well-timed messages, WhatsApp could become one of the most effective mobile channels for conversation-driven marketing.

As Mishra puts it, “WhatsApp is still a personal space for most people. Brands that overdo it or push irrelevant stuff will quickly lose trust. The key for us will be to show up in a way that feels like a friend sharing something cool, not just another brand pushing products.” That may be the simplest rule in this complex equation: only ads that feel like they belong in a private conversation are likely to be welcomed back. (FE19062025)

The collateral damage of carpet bombing

Experts call for ad frequency management to avoid overkill

By Christina Moniz

Grabbing the attention of consumers is nothing short of an arms race for brands. You stockpile on compelling pieces of advertising and carpet bomb via broadcast channels. If 70% of the messaging is avoided or ignored by the target audience, you make peace with it.

But consumers are getting increasingly annoyed and opting out through avoidance mechanisms. And when all that fails they are venting their ire through social channels. That’s exactly what happened this 2025 season of the Indian Premier League (IPL). As the ball started rolling, marketers began bombarding audiences with advertisements from every corner of the screen so much so that some brands — such as My11Circle, Parle Marie and Kamla Pasand — had to hit the pause button thanks to audience pushback.

The episode brought to the fore a subject that has plagued advertising for years: How do you get consumer eyeballs but prevent ad fatigue? TAM Sports reports Parle Biscuits and KP Pan foods, the maker of Kamla Pasand, together accounted for 12% of the ad volumes during most of the tournament, which meant their ads appeared more frequently than that of other brands during the league.

According to a 2024 report by Publicis, close to 25% of ad budgets are wasted by advertising that is displayed repeatedly to the same viewer. When TV and connected TV (CTV) campaigns are planned separately, the report says that there is a high likelihood of overlapping audiences and duplication of ad exposures. So how should marketers walk the tightrope between getting maximum eyeballs while also avoiding overkill?

Nikhil Rangnekar, CEO at Media Circle, says one of the ways to manage ad frequency is by creating a single source data model encompassing all audiovisual platforms such as TV, CTV, OTT and YouTube.

"This kind of data helps brands understand cross media audience duplication and optimises plans for reach as well as frequency. In the absence of such data, brands can deconstruct their current plans to identify inflexion points where reach at the desired frequency starts plateauing, and add media vehicles that build incremental reach and frequency," says Rangnekar.

At a time when campaigns run across different consumer touchpoints such as social media or e-commerce, the risk of ad fatigue increases even more and that works against brands, say experts. Prashant Puri, CEO & co-founder of AdLift (Liqvd Asia), emphasises the need for a cross-channel strategy. The message needs to evolve as the consumer moves across touchpoints with better sequencing and a cohesive story across platforms.

Puri adds that top-of-mind recall is not a guarantee of consumer consideration for a brand. "To drive consideration, you need to connect emotionally and contextually. That starts with sharper audience segmentation and more personalised narratives. One-size-fits-all doesn't work anymore. Use behavioural insights to tailor messages that resonate with where your audience is in the funnel—awareness content for some consumers, product benefits for others. Consideration happens when the messaging feels made for me, not for everyone," he points out.

Need for testing

Large ad budgets and purchase of inventory alone will not build brands or drive consideration, the goal of most marketing initiatives. Experts lament that advertising today often lacks compelling narratives. Further, despite its proven ability to drive better outcomes, ad testing remains underused.

Brands tend to waste significant media investment on ads that fail to connect. That's where ad testing comes in. Kantar data shows that a strong creative is over four times more likely to drive ROI. "Untested ads risk underperforming on both sales and brand equity, while poor execution or repetition can lead to fatigue and long-term erosion. With frequency capping across all media channels still a challenge, pre-testing becomes critical to avoid overexposure," notes Soumya Mohanty, MD and CCO, South Asia, insights division, Kantar.

In a country as diverse as India, campaigns that aren't tested for cultural and linguistic nuances risk misalignment and missed impact across regions. According to Siddharth Devnani, co-founder and chief operating officer, SoCheers, brands that use past learnings are able to develop better strategies that deliver results. The problem is, many marketers opt for live testing instead of thorough pre-testing. "While speed is important, it's essential to avoid overlooking optimisation opportunities. Marketers must balance quick execution with solid strategic planning to ensure effectiveness," says Devnani, noting that in most cases, time for testing is not budgeted. Brands expect to go live almost immediately after the creative is approved.

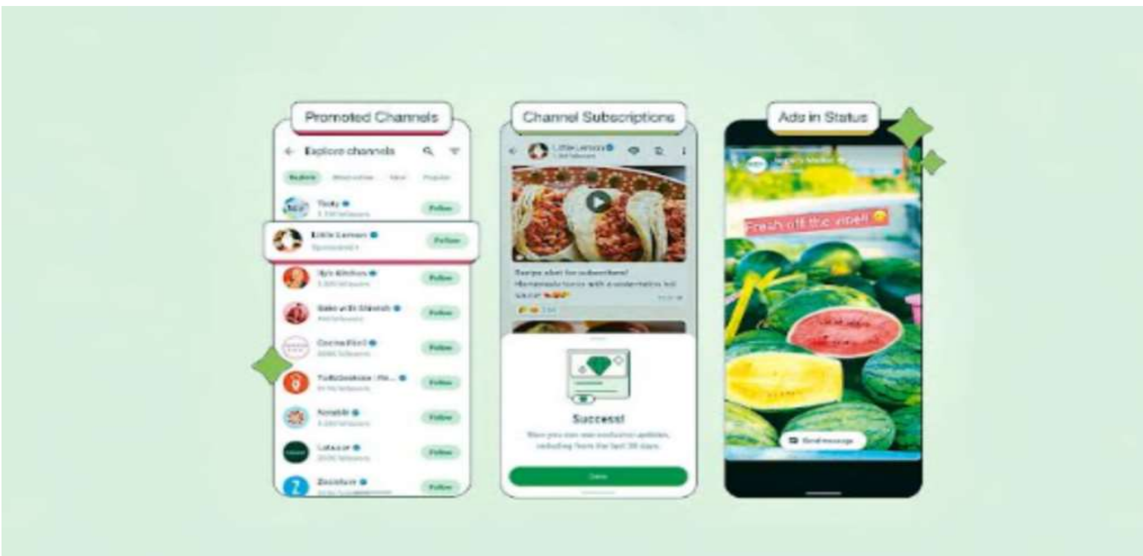
"If we have the luxury of time, testing data will always incrementally improve the performance; else we stick to performance reported from prior similar campaigns as well as competition and platform benchmarks," he adds. Kantar's Mohanty says newer testing solutions like LINK AI and Digital LINK can deliver fast, scalable insights that seamlessly fit today's creative workflows. (FE06062025)

MARKETING MANAGEMENT

As ads hit WhatsApp Updates, marketers weigh reach against risk

The key is not to break the sanctity of the chat experience, say experts, and to stick to the Updates tab. The moment ads enter chats, the backlash will write itself, they say.

By Geetika Srivastava



WhatsApp’s decision to start generating revenue from advertising is a strategic shift. After years of operating ad-free, the world’s most-used messaging app with over 853 million users in India alone is joining Meta’s other platforms – Facebook and Instagram – to display ads. These short-form ads will appear in its Updates tab between user-generated statuses and channel posts.

Think of it as Instagram Stories but with a personal inbox proximity. “Even if WhatsApp captures 5-10% of Meta’s estimated 16,000-crore India ad revenue, they’re looking at800 to 1,600 crore in spends,” says Abhishek Gupta, joint managing director at BEI Confluence. “Much of it will come from D2C brands, edtech and government campaigns.”

For media planners, this means reshuffling budgets towards attention-rich zones, not just impression-rich ones. People don’t open WhatsApp to scroll or discover. It’s not a browsing platform. Therefore, the creative approach must be different. Ads need to feel familiar, not forced. “There’s always a risk when a utility becomes a billboard,” says Amit Dhawan, partner & CEO, ArtE Mediatech. “But if the relevance is high and the intrusion is low, users might not mind — much like we’ve accepted ads in Gmail.” He adds formats that mimic native behaviour will win. These include short-form videos, tappable stories, and visual-first CTAs.

The key is not to break the sanctity of the chat experience, say experts, and to stick to the Updates tab. The moment ads enter chats, the backlash will write itself, they say. Yasin Hamidani, director at Media Care Brand Solutions, echoes the sentiment: “There’s inherent risk. Poorly targeted or interruptive ads could trigger backlash. But if Meta ensures high relevance and caps frequency, user acceptance may mirror that of Instagram Stories.”

The broader question is whether this move changes WhatsApp’s identity, from user-first to brand-first.

Experts say this is a tightrope, as WhatsApp has built its brand on trust and privacy. Turning into another broadcast platform could risk it becoming “just another Meta product”. Ambika Sharma, founder of Pulp Strategy, believes a middle path is possible. “Instead of becoming brand-first, WhatsApp can be value-first — giving users more reasons to stay while allowing businesses to participate meaningfully.”

Despite the presence of big brands, many experts believe WhatsApp’s monetisation offers a level-playing field, especially for small and medium businesses. “Imagine reaching your neighbourhood via a WhatsApp Channel ad instead of burning budget on pan-India Instagram reach," says ArtE Mediatech's Dhawan. Adds BEI's Gupta, " If WhatsApp keeps the entry barrier low, this can level the field."

WhatsApp isn't designed for discovery or immediate action like search or social platforms, so measurement needs a new lens. "Treat it more like a CRM than media," says Dhawan. "Conversations are the conversion." In the short term, marketers should allocate a portion of their budget to pilot campaigns, evaluate ROI, and use those insights to inform longer-term planning, opines Siddhartha Singh, co-founder, Black Cab.

Experts recommend tracking conversation rates, business inquiries, and lead quality over vanity metrics. "Negative consumption metrics will also be especially critical — opt-outs and 'why are you reporting this ad' must also be considered when showing hard numbers for impressions, as they will tell you the users' actual tolerance for your messaging," adds Raghunandan Saraf, founder and CEO, Saraf Furniture.

Experts predict reallocations rather than fresh spends. "Expect a dip in lower-performing Meta placements. If targeting and reporting mature, 8-10% of digital budgets could shift here in 12 months," says Dhawan. (FE23062025)

Influencer marketing set to grow as 92% of brands adopt it in 2024

Nearly 72% of the 52 brands surveyed demonstrate a growing preference for long-term influencer partnerships, while 95% of these showed a clear inclination towards macro influencers (100,000 to 1 million followers).

By Christina Moniz

India’s influencer marketing industry reached an estimated `3,600 crore in 2024, as per a report by WPP’s influencer and content firm, The Goat Agency in collaboration with Kantar. The industry is set to grow at a CAGR of 25% till 2026, as marketers continue to make influencers a core component of their marketing strategy.

Nearly 72% of the 52 brands surveyed demonstrate a growing preference for long-term influencer partnerships, while 95% of these showed a clear inclination towards macro influencers (100,000 to 1 million followers). That said, niche micro-influencers (follower count of 10,000 to 1,00,000) are gaining traction across high-consideration categories such as automotive and consumer durables, with 85% of marketers in these verticals planning increased investments.

From the consumer’s perspective, the report observes that creators continue to influence the purchase funnel significantly with over two-thirds of the 350 social media users surveyed noting that they turn to influencers for product discovery, information and action. 70% of the brands cited factors like trust and credibility as the top reasons to partner with influencers, especially those in categories like banking, finance and FMCG.

The explosive growth in the influencer ecosystem may be seen from the fact that the country's largest FMCG advertiser, Hindustan Unilever (HUL), enlisted over 8,000 influencers to drive its marketing campaigns this fiscal, up from just around 700 in the last fiscal (as per media reports).

Apart from FMCG, brands in categories like banking, finance, beauty and wellness are also ramping up their influencer spending. Some brands say that their influencer marketing spends are now a double-digit share of their ad budgets compared with single digits just 2-3 years ago.

In the recently concluded season of the IPL too, experts estimate that brands spent over`500 crore on influencer marketing. Instagram and YouTube are the key platforms here, although brands also work with influencers on Snapchat, Facebook, X and LinkedIn.

Towards a creator economy

The influencer marketing report explains some of the reasons driving this shift towards creators. In 2024, people spent close to 50% of their time on mobile phones browsing social media. 59% of the users surveyed claimed that they follow between 1 and 5 influencers, 18% follow 6 to 10 and 13% follow over 20 influencers. Furthermore, the Indian government also announced a $1 billion fund to support content creators—boosting innovation, production quality, and reach. In 2020, India had 960,000 influencers, a number that has skyrocketed by 322% to 4.06 million in 2024.

Despite rising optimism, the report highlights persistent challenges around influencer discovery with 83% of marketers struggling to find the right talent.

As Sonam Shah, founder and CEO at Treize Communications points out, there is a clear downside for brands who rely too heavily on influencer marketing. "Often brands are not able to strategise and focus on long-term credibility building. They rely on influencer marketing for short-term gains for quick followers and shoutouts. When they do this, consumers may feel overwhelmed or fatigue from the same brand over and over again and they may mute or flag the content," says Shah. Fake followers or bots are also another concern for brands, since they bring down their campaign's credibility and messaging.

Experts note that while influencer marketing is a great vehicle for consumer engagement and feedback, especially for digital-first brands, it does have limitations compared with mass media. Aman Narula, COO, Mad Influence notes that it faces challenges in scalability, ROI and creative control.

"Broadcast advertising ensures high visibility, strong brand recall, and full creative control. TV commercials provide a mass-market presence with repeated exposure, making them ideal for large-scale brand awareness, while influencer marketing works best for targeted, interactive engagement," says Narula.

Notwithstanding the challenges, the report says influencer marketing will only grow with 92% of the brands adding it to their marketing mix in 2024. (FE13062025)

Marketing Strategy

LinkedIn bets big on video to drive B2B sales

LinkedIn's move is based on research showing that 77% of B2B marketers in India consider the first day of a campaign as critical for maximum impact.

By BrandWagon Online

In a bid to strengthen its appeal to B2B marketers, LinkedIn has announced the expansion of its video advertising capabilities with the introduction of two new ad formats, First Impression Ads and Reserved Ads, along with enhanced features for Connected TV (CTV) advertising. The updates are designed to help marketers increase visibility, engagement, and ultimately drive business results in an increasingly competitive landscape.

LinkedIn’s move is based on research showing that 77% of B2B marketers in India consider the first day of a campaign as critical for maximum impact. The newly launched First Impression Ads will allow brands to deliver full-screen vertical video campaigns that appear as the first ad a LinkedIn user sees in a day, ensuring optimal visibility for time-sensitive campaigns and launches.

To sustain visibility beyond the initial push, Reserved Ads will enable marketers to secure the top spot in users’ feeds over an extended period. This approach, likened to having “front-row seats” at a concert, aims to help brands gain consistent attention and a stronger share of voice.

Meanwhile, the platform has expanded the reach and utility of its CTV Ads, which are now globally available to target B2B audiences in the US and Canada. According to LinkedIn, CTV Ads are over four times more effective in reaching target B2B audiences compared to traditional linear TV, based on data from analytics firm iSpot. New integrations with Innovid and Sprinklr aim to make campaign setup and management more seamless for marketers.

These developments come at a time when video is becoming an increasingly vital tool for B2B marketing. According to LinkedIn's 2025 B2B Marketer Sentiment Research, which surveyed over 3,000 marketers across 13 countries, 62% of Indian B2B marketers believe that investing in video is essential to stay competitive. The same research shows that 90% struggle to capture audience attention, making innovative formats more crucial than ever.

Short-form video and influencer collaborations have emerged as powerful tools in this context. A striking 97% of B2B marketers in India now consider video and influencer marketing among the most effective strategies for driving direct sales. Furthermore, 82% say that short-form video helps build trust and connect with decision-makers, while influencer content is quickly becoming a top investment priority.

The survey also highlights a significant shift in how B2B buying decisions are being made, especially among younger professionals who rely on peer recommendations and online influencers. Reflecting this trend, 84% of marketers expect influencer marketing campaigns to deliver direct sales by year-end, and 72% believe that no strategy is complete without creator partnerships.

Despite the strong case for creative and video-led approaches, many senior marketing leaders report facing pushback from risk-averse management. Around 72% of CMOs and VPs say their leadership prefers traditional strategies, hindering the adoption of more experimental methods.

"With attention spans shrinking and competition intensifying, B2B marketers need more than just creative stories — they need content that grabs eyeballs, earns trust, and drives action. The opportunity lies in pairing high-impact social video with relevant influential voices to turn passive scrolls into meaningful views, and eventually into buying decisions." Sachin Sharma, Director, LinkedIn Marketing Solutions, India, said. The new ad formats, First Impression Ads and Reserved Ads, will be rolled out globally later this year. (FE04062025)

ECONOMICS

Should MPC vote on stance?

Seeking oral approval risks policy credibility and undermines transparency.

By Renu Kohli

The last two monetary policy statements, in April and June, reflect some critical fine-tuning under the new chairperson, Sanjay Malhotra. One, the bullet on monetary policy stance under the sub-head "Monetary Policy Decisions" has been dropped. The words "the decision" make a comeback in the text, replacing its plural "these decisions" as seen in the February statement. The new-look statement places this in the last section, "Rationale for Monetary Policy Decisions", although it isn't part of the "Decisions". Two, there's no mention if the Monetary Policy Committee (MPC) members voted on the stance. The MPC meeting's minutes revealed the stance was no more part of the monetary policy "resolution", and therefore, of the operational framework. Accordingly, members did not vote on "stance" although they continued "extensive discussion" and submitted views in writing.

These changes are substantive and convey the impression that "stance" has been relegated to a lower pedestal as a lever to achieve the medium-term inflation target.

Chairperson's discretion

What is the legal basis for such critical changes? The Reserve Bank of India (RBI) Act, 1934, does not mention "stance" anywhere. Section 45ZI (10) requires MPC members to vote for a proposed "resolution", 45ZI (11) to specify reasons. Though the Act does not specify what "resolution" should include, 45ZB (3) mandates the MPC to determine the policy rate, implying this certainly be a part. It is the rules, Section 5(i)d of the RBI Monetary Policy Committee and Monetary Policy Process Regulations, 2016, that state the resolution shall include the policy repo rate, and at the discretion of chairperson, any other monetary policy measures including those relating to the operating framework of monetary policy.

Evolution

The role and significance of "stance" was not so clear in October 2016 when flexible inflation targeting (FIT) began. In the very first statement, the sentence on "stance" was upfront in para 1, immediately after the bullet on repo rate, stating: "The decision (referring to repo rate) of the MPC is consistent with an accommodative stance…". Para 10 presented voting outcome — all six members voted in favour of the monetary policy "decision", the singularity most likely referring to rate action and not including "stance". However, the meeting's minutes clearly mentioned that "stance" was part of the resolution on which members voted; curiously, none recorded it in their written statement. It was in the December 2016 and February

2017 MPC minutes that we first traced Michael Patra recording his vote for rate and stance, both.

A forensic scan of MPC policy statements and minutes suggests it was rather slow in recognising that transparency required members to clearly state that policy rate and stance were both part of the operating framework with voting rights on each. We found a clear sentence — para 20, MPC minutes, February 2017 (2nd meeting) stating “the committee decided to change the stance from accommodative to neutral”. The subsequent, April 2017 (3rd meeting) MPC statement, para 21, stated the “MPC decided to keep the policy rate unchanged while persevering with a neutral stance”.

Evidently, the MPC had a say in both rate and stance. While sentences about the MPC’s decision on “stance” became a regular feature, ambiguity in language about voting persisted. For instance, the June 2017 disagreement of member Ravindra Dholakia with a consensus view wasn’t clear if he voted against the policy rate decision or stance or both!

Full clarity came in the October 2018 statement which showed separate voting on policy rate and stance. Further refinement in the February 2019 statement transitioned to an independent bullet on “stance” like the repo rate; correspondingly, “the decision” was substituted by plural “these decisions” for both. In October 2024, para 1 featured under “Monetary Policy Decisions”, displaying complete clarity in thinking and communication.

Winning credibility

Thus, it is evident that “stance” was viewed as integral to the “operating framework” from the very beginning and the first chairperson, Urjit Patel, used his discretionary power to make it part of the “resolution” on which all members voted. In fact, voting outcomes on the “stance” from beginning are succinctly documented by the RBI in

Reviewing Monetary Policy Framework, 2020-21 (Table III.2). His successor, Shaktikanta Das, continued that practice.

Unfortunately, we do not know what has triggered the current changes.

Under the IT framework, both short-term policy rate and "forward guidance" combine to deliver the maximum punch. In fact, many central bankers have been increasingly leaning towards "forward guidance" to influence future expectations — the insight is that economic decision-taking depends not only on the current short-term rate but also on future rate expectations. Forward guidance is therefore subjected to extensive market scrutiny; emerging literature makes finer distinctions if it's Delphic or Odyssean! The monetary policy stance embedded in policy statements is the most critical piece of forward guidance. Members take extreme care in crafting the statement on stance, which embodies the committee's views on macroeconomic developments and its policy orientation, viewed as superior to market assessments. Removing that statement from the policy resolution and framing short-term repo rate as the only decision-making tool in the operating framework to achieve the medium-term inflation target may not be a fair understanding of how it operates.

Central banks work hard to gain credibility and win confidence among markets, businesses, and individuals to be able to influence their decisions. The architects of IT framework have formulated this in terms of an independent institution and a multi-member decision-making process with transparency and effective communication. Imagine a situation where more than two members voted in favour of repo rate decision but expressed strong reservations on policy stance. Even though not a majority, their views are critical from a market perspective. Market expectations begin to form immediately following the governor's address; those might change after the minutes are made public. The situation could get more complicated if these two hypothetical members expressed their views publicly in between.

Conclusion

Denying voting rights to members on policy stance and not making it public would be like walking back from a successful, eight-year learning process. It carries the risk of policy credibility and undermining transparency. The chairperson should consider if there is merit in restoring the previous format. More importantly, all stakeholders must debate if RBI rules should be amended to put voting on stance on a firmer footing as the second review of FIT framework is due in a year. (FE25062025)

The end of panic: How markets are rewriting the risk playbook

India's financial calm reflects a global shift in how geopolitical risk is priced.

By Garvita Y

Two military crises, one surprising market reaction

In recent months, the world has seen two major regional conflicts unfold—Israel and Iran exchanging missile strikes in June 2025, and India launching Operation Sindoor against Pakistan in May following a terrorist attack in Kashmir. Both incidents involved military escalation and generated intense media coverage. Yet the market response to each was strikingly different.

Global financial markets reacted with familiar alarm to the Israel-Iran confrontation. The Dow Jones Industrial Average plunged by over 700 points. Oil prices surged past $92 a barrel before falling back, and the Volatility Index (VIX), often called Wall Street's "fear gauge," spiked 18% in a single day. Investors temporarily fled to traditional safe havens like gold and the US dollar. But within days, calm returned. Markets began climbing again as fears of escalation eased, and oil prices normalized.

In contrast, India's Operation Sindoor drew an almost muted reaction from the country's financial markets. The Sensex fell modestly on the day of the announcement but quickly recovered, ending the week 2.3% higher. Bond yields remained largely stable, and the rupee showed no significant movement against the dollar. In fact, foreign institutional investors (FIIs) continued to pour capital into Indian equities, investing over ₹22,000 crore in May 2025 alone.

Markets are learning to price war differently

This contrast is not merely a quirk of timing or geography, it reflects something deeper—a shift in the way modern markets interpret military risk. Investors are no longer reacting uniformly to every geopolitical flare-up. Instead, they are drawing clearer distinctions between limited, localized conflicts and systemic threats to global economic stability.

India’s experience illustrates this evolution. Unlike previous instances when even the threat of border tensions could trigger capital flight and currency depreciation—Indian markets now show signs of resilience. During previous episodes like the 2016 surgical strikes or the 2019 Balakot airstrikes, initial market reactions were sharper, and recovery took longer. This time however, the market’s calm suggested a growing belief that short-term military operations would not derail long-term economic fundamentals.

Domestic structure shields Indian markets

Part of this confidence comes from structural economic strength. India’s GDP is heavily driven by domestic consumption, which accounts for over 60% of total output. This inward-looking demand base shields the economy from external volatility, including regional conflicts. Furthermore, key sectors such as information technology, manufacturing, and financial services continue to operate with minimal disruption during periods of military tension. These sectors, critical to both earnings and employment, offer a form of built-in insulation against geopolitical shocks.

Investors are becoming more selective in their panic

Beyond domestic fundamentals, global investor behavior is also changing. Evidence from recent conflicts suggests that markets are becoming more selective in their panic. The Russia-Ukraine war in 2022 triggered a severe and sustained reaction as stock markets across Europe plunged, the Russian ruble collapsed, and global commodity prices soared. However, smaller or more contained conflicts like the Armenia-Azerbaijan clashes in 2023 elicited little to no movement in global indices. Even the Iran-Israel conflict, while initially disruptive, saw markets bounce back quickly once it became clear that escalation would be limited.

This changing pattern points to a deeper transformation in the logic of global capital. In the past, emerging markets like India were often viewed as fragile as they were usually prone to capital outflows at the first sign of political or military instability.

Today, investors appear more nuanced in their approach. Sophisticated portfolio managers and institutional funds are increasingly assessing the type, scale, and likely economic impact of each conflict, rather than reacting to headlines alone.

Diplomatic balance bolsters investor confidence

India's foreign policy strategy may also be contributing to this perception of stability. By refusing to align with either bloc during recent international conflicts, such as its decision not to join the Shanghai Cooperation Organisation's condemnation of Israel, India has carved out a position of diplomatic balance. This signals to markets that the country is unlikely to become entangled in unpredictable alliances or dragged into broader military confrontations. That, in turn, reduces perceived geopolitical risk.

Bond markets confirm India's financial maturity

Bond markets offer further confirmation. Often considered a more reliable gauge of investor sentiment than equities, sovereign bond yields in India have remained steady throughout the military episode. This stands in contrast to traditional emerging-market behavior, where such conflicts typically result in sharp yield spikes and currency pressure. This reinforces the view that investors no longer see short-term security tensions as a threat to fiscal or macroeconomic stability.

A new global logic for conflict pricing

The broader implication of this in the new global order is that markets are beginning to differentiate between war and warfare. Full-scale invasions that disrupt global trade, energy supplies, or diplomatic alliances will still provoke market panic. Instead short, contained, or strategically calculated military actions—especially by states with robust domestic economies—are now viewed as manageable risks.

For India, this represents a subtle but significant shift in global perception. The country may still be classified as an emerging market, but its financial behavior increasingly resembles that of more mature economies. Its markets absorb shocks with greater composure, its bond yields remain stable, and its currency resists panic-driven volatility. This is not just a matter of size or growth rate, it reflects a deeper shift in how India is positioned in the global investment landscape.

As geopolitical tensions continue to rise around the world, this kind of resilience will only become more valuable. For global investors, India now offers not just a high-growth opportunity, but also a degree of conflict insulation that few other emerging economies can match. This ability to compartmentalize military tensions from market performance may well become a defining feature of successful economies in the years ahead. (FE24062025)