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LATEST HAPPENINGS, DEVELOPMENT AND RESEARCH IN MANAGEMENT

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Finance

How to make India great again?

**India has immense growth potential. Judicious application of coordinated fiscal monetary tools, with a fair level of inves
tment, may do wonders.**

By Surjith Karthikeyan

India has been witnessing arguably the best growth globally over several years. At times there was turbulence, especially during the Covid pandemic coupled with a global financial slump that caused ripples and temporary disturbances across economies. In the current context, the question is how to use macro-economic tools judiciously to unlock India's immense growth potential.

A certain rate of growth ensures smooth and uninterrupted progress for an economy. For India, it could be pegged at 7 to 8%, taking cues from experiences over the last 10 years and nullifying outliers such as Covid-19. Investment had a key role in the success story of economic growth, with its dual effects of (a) creating demand through income generation, and (b) productive capacity of the economy or the supply effect of investment. A balance of these dual effects could also be maintained over those years due to which there was no idle or excess capacity, neither a high inflation nor deflation scenarios due to supply or demand imbalances.

Moreover, India is a consumer economy with huge demand for products created within. This balance was maintained during external disturbances. The Say's law of the market, the core of the classical theory of employment, states, "Supply creates its own demand." This has worked and shall continue to work for India's growth story for a long period of time. For a high-growth economy like India, growth and stability shall complement each other, as empirically proven through its history, in contrast to developed economies.

Advantages for India

India is already in the "takeoff" stage as defined in Rostow's stages of economic growth, and this shall pave the way for the "drive to economic maturity" stage. The takeoff stage shall witness a high level of economic growth compared to developed economies that are already mature. Further, India has carried out an appreciable level of investment, especially in the form of basic infrastructure such as roads, bridges, seaports, airports, etc. These shall have a multiplier effect of 2.5 to 3.5 times on the country's GDP in the coming years. A recent study by the Indian Institute of Management Bangalore stating that every rupee invested in India's highway infrastructure has led to a `3.21 increase in the country's GDP attests to it. The multiplier effects should continue, possibly for the next two decades, taking into account pipeline investments including in areas like bullet trains, rail station renovations, artificial intelligence, Unified Lending Interface, etc.

There are potential diversions from the income stream which tend to weaken multiplier effects — especially savings, strong liquidity preference, taxation, public investment, etc. However, as we are in the "takeoff" stage, the marginal propensity to consume (MPC) is greater than the marginal propensity to save in India. Thus, the higher the MPC, the greater the size of multipliers and lower the amount of leakage from the income stream, and vice versa. Moreover, with the new tax regime the focus is more on income generation than savings in unproductive sectors.

Accessibility to credit coupled with a supportive business environment is another major advantage. At one point of time, one had to depend on local credit offered at high rates of interest, up to 100% per annum. My own experience in this regard, around 15 years ago, running a tiny traditional coir/jute matting manufacturing unit, led to its closure. Today, there are specific and multiple government schemes such as PM Jan Dhan Yojana, PM Mudra Yojana, PM Vishwakarma Yojana, Stand-up India, and PM SVA Nidhi which ensure ease of credit and accessibility for the poor. These sections include India's unutilized entrepreneurial talent, and they have much potential to contribute to India's growth journey. Further, the aforesaid schemes are supported by the central government's credit guarantee schemes, even for start-ups where India ranks as the third largest ecosystem globally. All new businesses generally have high productivity due to the large fixed investment component. Additional units of variable capital, such as labour, shall increase marginal output at a higher rate, and, aggregate output in higher numbers. This will be reflected in India's overall growth.

Way forward

Investment promotion activities even at the district level need to be continued, with awareness of and opportunities from central as well as state government schemes. Investment opportunities should be unlocked with the help of a coordinated fiscal monetary push, as witnessed recently. Supply bottlenecks need to be plugged, wherever required. Technical progress needs to be prescribed especially in key traditional sectors. It could be labour-augmenting tech progress similar to the skilling exercise being undertaken by the Centre. The PM Internship scheme is an important step in this regard, equipping students to get absorbed in various sectors. Last, but not the least, there is a requirement for a coordinated fiscal and monetary boost, at appropriate intervals and supported by empirical data, to take India's growth story forward. (FE15032025)

MFIs need a course correction

Portfolio quality unlikely to improve unless lenders improve risk management capabilities.

By Deep Narayan Mukherjee & Abhinav Bansal

Microfinance institutions (MFIs) are critical for facilitating credit access and thereby income generation for some of the economically weakest sections in India. For two decades, they have been fulfilling their mission while expanding their footprint. Pre-2022, there were periods when delinquency spiked in MFI portfolios, triggered by exogenous shocks. These shocks such as a sharp economic downturn, Covid-19, or local political issues exposed the MFI portfolio to systemic risks. The portfolios bounced back to health once the exogenous shocks subsided.

However, the gradual deterioration of MFI portfolios from 2022 till date is different. There are no external shocks. Arguably, it was specific risks driven by borrowers who ended up having or being given more debt than they can pay back. The current deterioration in MFI portfolio could be primarily attributed to a lapse in risk management practices on the part of at least some entities. As collection efforts by MFIs intensified, sociopolitical interferences crept in over debt collections. But these political moves were not the trigger of the current MFI stress. In the run-up to the current situation, the Reserve Bank of India (RBI) has also raised concerns about the underwriting practices and risk appetite of MFIs. Despite pockets of excellence, if the typical MFI lender does not improve risk management capability, the portfolio quality is unlikely to improve.

Complacency of 99% collection

Historically, the typical MFI lender would collect 99% or more of the amount outstanding with borrowers. This level of collection efficiency may be the envy of large retail lenders. MFIs in normal times exhibited this performance due to the joint liability group (JLG) mechanism. Here, five to 10 borrowers form a group. This group becomes jointly responsible to ensure that the MFI loans to all members of the JLG are paid back. The JLG tended to minimise borrower-specific risks, while the peer support and pressure ensured low delinquency. However, when systemic risk events impacted all members of a JLG, they would default. The success of the business model in the past as well as spikes in MFI defaults only during black swan events possibly created some hubris.

Lessons not learnt

The MFIs have possibly missed the lessons of the retail credit crisis of 2007-08. Back then, few lenders provided small-ticket personal loans (STPLs) with limited background check of the borrowers’ credit history. Further, basic credit scorecards with low predictive power, predominantly judgemental credit policy, and reactive portfolio management aggravated the credit blow-up. Worryingly, a lot of the erstwhile weaknesses of retail lenders are present in MFI lenders. However, after the STPL blow-up in 2007-08, successful retail lenders changed their lending approach. Their decision-making became more date-driven, improved analytical rigour, and raised the standards of credit policy and governance. It has served retail lenders well until of late. MFIs need to travel on that path.

Regulatory guidelines

The RBI has been justifiably worried about some of the lending practices, and thus tightened certain guardrails. This included classifying MFI borrowers as belonging to households with income below `3 lakh per annum. It capped debt service requirement at 50% on monthly income. However, constrained techno-analytical and data infrastructure, at least for a section of MFIs, has prevented comprehensive implementation of such risk guidelines.

It is not uncommon to find MFIs who use judgemental or quasi-analytical rule of thumb to assess household incomes. Discretion has remained in the assessment of debt servicing ability, which made some lending decisions suboptimal, ultimately creating over-leveraged borrowers. Further, certain lenders adopted aggressive loan upsell strategies. These loans were often given outside the JLG structure without rigorous assessment of debt servicing abilities. The JLG-imposed credit discipline was breached. Thus, it is not surprising that MFI default rates spiked even where there was no economic shock. Clearly, the sector needs to reinvent itself in terms of its risk management capabilities.

The MFI sector needs to work on the following dimensions:

More and better data use: For existing customers, the behavioural risk model (B-Score), which is a staple for most retail borrowers, is often missing in MFIs. They need to tap into internal behaviour data better for predicting individual and JLG debt servicing patterns. In India, non-traditional data sources are maturing faster than anticipated. Such sources like locational profiles, payment app behaviours, and satellite data, when used for predicting credit risk, are seen to have predictive power over and above credit bureau data-based models.

Analytics need to leapfrog: Seasoned MFI underwriters have astute knowledge of borrower behaviour and locational dynamics. However, this is not institutionalised. Building credit models which marry this institutional insight with advanced data analytical capabilities will provide powerful and explainable credit score. Such transparent risk models may address questions raised by regulators and stakeholders about underwriting quality and risk-based pricing.

Portfolio monitoring: For a business exposed to macro risks, MFIs typically do not have stress testing models to simulate the loss rates under different scenarios. A stress testing capability can forecast losses at least four to six quarters ahead for alternative macro-economic scenarios. This will enable MFIs to adjust credit policy to minimise losses.

Risk culture and governance: The lack of digitalisation and weak data analytical capability sometimes breeds poor risk culture and governance. In such set-ups, tracking compliance with regulations and governance norms becomes challenging. The problem is aggravated if lending decisions are predominantly judgemental, supported by broadly defined credit policies. Discretion and opportunistic "cutting the corners" creeps in. Digitalisation of the underwriting process will enhance governance and support risk culture.

MFIs must make a course correction quickly. An impaired MFI sector will be detrimental to the credit access of the weakest sectors in India. (FE01032025)

Let demergers drive value for stakeholders

By shedding conglomerate clutter, unlocking growth potential, and sharpening operational focus, they align the interests of companies and shareholders.

By Dhanendra Kumar

Demergers are increasingly becoming tools for large companies to unlock shareholder value. In recent years, large Indian and global companies have used this method to separate or hive off their business units either because the sum of the part valuation is more than the prevailing one or because the individual business units no longer need the support of their parent entity.

To be sure, demergers have long been in vogue as a concept globally. For instance, the mid-90s saw the creation of Lucent Technologies through a spin-off from AT&T. Similarly, Conoco emerged after a split from chemicals major DuPont. The 2000s continued this trend with major corporate restructurings at conglomerates like Tyco and the Altria Group. In India, too, demergers have become a compelling avenue for wealth creation in the last two decades. From the various corporate actions at Reliance Industries to the recent demergers announced/ completed by Raymond, Quess Corp, and Vedanta, India Inc is increasingly embracing this mechanism. But what makes demergers so potent, and why should investors care?

At the heart of its appeal lies the ability to unlock hidden shareholder value. Conglomerates, by their nature, often trade at a "conglomerate discount" — a phenomenon where the market values the sum of a company's parts less than their standalone potential. This discount stems from various reasons — operational aspects, divergent business cycles, and a lack of investor clarity on the conglomerate's sprawling portfolio. A demerger strikes at the core of this discount by allowing each entity to stand on its own merits. For instance, Reliance Industries has been demerging its mature business units as they become capable of standalone performance growth. While the subsequent performance of the demerged entities may vary, the initial unbundling allows shareholders to gain direct exposure to high-growth sectors rather than a diluted stake in a sprawling empire.

More recently, Vedanta Ltd's September 2023 announcement to demerge its aluminum, oil and gas, power, and iron and steel businesses into independent listed companies exemplifies this trend. According to the company, the move allows investors to bet on specific sectors — like aluminum and oil and gas — as per their choices. Investors and creditors have strongly supported this rationale, which is best visible in the 99%-plus approval the demerger proposal received in February. Brokerages like PhillipCapital, Emkay, Nuvama, and Equirus have also issued reports indicating a significant value unlocking in the company once the demerged entities are listed on the stock exchanges.

Beyond shedding the conglomerate discount, demergers empower companies to pursue focused growth strategies. In a conglomerate, a high-growth business can be impacted by the underperformance of other units, limiting the ability to attract capital or management attention. A demerger liberates these entities, allowing them to chase sector-specific opportunities easily. Consider Larsen & Toubro, which demerged its cement business into UltraTech Cement (later acquired by Aditya Birla Group). After the demerger, UltraTech scaled rapidly to become one of India's largest cement producers, capitalising on the country's infrastructure boom. Shareholders of the demerged entity benefitted as UltraTech's market cap has soared over the years.

Another underappreciated benefit of demergers is improved operational efficiency. Standalone entities can attract specialised management teams, tailor capital allocation to their unique needs, and benefit from a sharper corporate identity. This is particularly relevant in India, where conglomerates often juggle diverse sectors — from steel to software — under one roof. For instance, in the case of Vedanta, the resulting companies which operate in diverse sectors can focus on their core business areas and allocate capital according to the business fluctuations, growth cycles, and trends. Demergers also democratise wealth creation for retail investors. When a company spins off a unit, shareholders typically receive proportional shares in the new entity at no additional cost. This "bonus" effect can compound returns over time, especially during strong economic growth and upsides in business cycles.

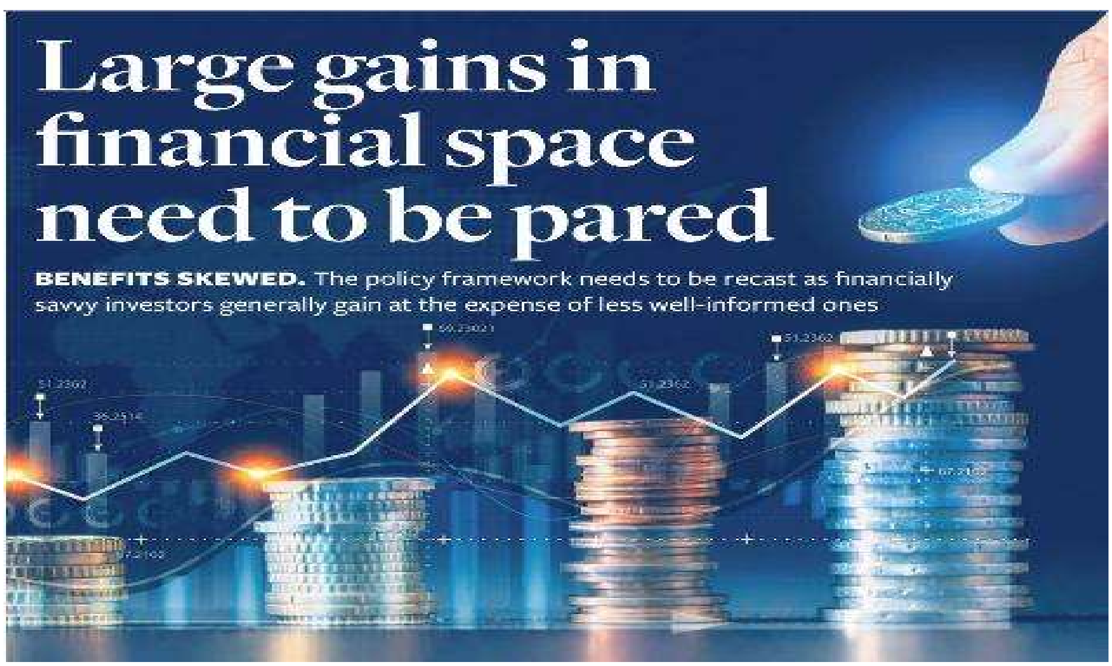
As India's economy matures, demergers will likely gain more traction. Regulatory support such as fast-track demergers, simplifying regulatory processes to the extent possible, and removing redundant procedures can go a long way to support unlocking value. A lack of a supportive legal regime significantly impacts business growth, expansion plans, wealth creation, and, most importantly, job creation, which is a necessity in a fast-growing economy like India.

The message is clear for investors — demergers are more than corporate housekeeping, they are a gateway to wealth appreciation. By shedding conglomerate clutter, unlocking growth potential, and sharpening operational focus, these restructurings align the interests of companies and shareholders. It is now time for the government and other stakeholders to support this. (FE20032025)

Large gains in financial space need to be pared

The policy framework needs to be recast as financially savvy investors generally gain at the expense of less well-informed ones

By Gurbachan Singh



The contribution of banking, finance, and related segments to corporate profits in India is about onethird. On the other hand, the contribution to the gross value added (GVA) is closer to onetenth. Estimates vary depending on the definitions and data sources but it may be said that the contribution of the broad sector to profits is at least three times its contribution to GVA in the economy! There is a stark difference. Why? And, what can be done about this?

The large profits in the broad financial sector are in the absence of any scams. And, the issue is even more serious if we also consider large bonuses, and various direct and indirect perks for the personnel in the industry. All this is not to say that investment in stocks in banks and the finance sector more generally is necessarily a good idea because the high profits tend to be already incorporated in stock prices.

In the primary market, not only do the investment bankers themselves gain substantially, they also facilitate the exit of others when stock prices are high. The others include the domestic and foreign promoters, private equity investors, and "angel" investors in nonbank and nonfinance companies. If we include such gains as well, the disproportionate profits due to banking, finance and related segments are even more extraordinary.

Though there are issues of high profits in various areas like investment banking, insurance sector, credit card industry, nonbank finance companies, stock exchanges, and so on, the main analysis here is about commercial banks and financial markets. If all commercial banks are private, they can compete with each other. Similarly, if all banks are public sector banks (PSBs), again they can compete with each other though at a relatively low level. But if we have some PSBs and some private banks, then the former can find it difficult to compete and the latter can be highly profitable!

Clearly a body like the Competition Commission of India (CCI) can hardly increase competition between the two kinds of banks and thereby reduce the large profits of the private banks. But we can have a different approach. There can be two different ways of having a level playing field — privatise the PSBs, or nationalise the private banks.

There are reasons to believe that privatisation is better though it is, of course, important to ensure that this is carried out appropriately. This can increase the effective competition, and reduce what are very high bank profits at present. It may appear that the proposed policy solution for banks is politically difficult but this apprehension is not consistent with the somewhat smooth experience with the major economic reforms in India in 1991.

THE MAKING OF PROFITS

Let us now come to the financial markets. Large profits are made in various ways. The truly wellinformed investors make good gains by reducing their exposure when the going is good in, say, the stock market. The less wellinformed investors are left holding the bag directly or indirectly. They lose in many other ways as well. The gainers include also wealth managers, financial registrars, auditors, television and online channels, brokers, asset management companies, distributors, and operators of portfolio management schemes, and alternative investment funds.

It is true that in general, the more talented people earn more than the less talented people. However, in financial markets the returns for the "talented" participants are partly due to the participation of the financially less well-informed investors. And, the mistakes can get repeated time and We need a law under which it is mandatory for an investor to seek a consultation with a licensed financial advisor again, though not always by the same people. Again, a body like the CCI cannot ensure greater competition and thereby reduce large profits.

What then is a policy solution for financial markets? The economics is actually simple though there is a need to overcome some vested interests, and, more important, some issues of the mindset. But before we consider the — out of the box — solution here, it will help to consider some analogies from elsewhere in the economy.

In the field of transport, only a licensed person can drive on roads, given the risk for the driver and for others on the road. In another field like medicine, patients usually buy nonroutine medicines after a consultation with a licensed medical practitioner. In legal matters, typically it is a qualified lawyer who represents a client in a court of law. The point is that there are well accepted de-jure or de-facto restrictions in individual or social interest.

SEEK CONSULTATION

We can now come to the policy solution for financial markets. We need a law under which it is mandatory for an investor to seek a consultation with a licensed financial advisor. Advice needs to be mandatory because many ordinary investors are not well aware that their knowledge of finance is actually deficient. Also, there is a need to improve the selection, education and licensing of financial advisors.

Finally, though the financial advice is mandatory under the proposed solution, an investor is free to accept or reject the advice.

Do people accept sound and independent advice? We know from fields like medicine, and even in a field like law that people usually do accept advice from professionals. This suggests, if not implies, that sound advice on a variety of financial matters will be, by and large, accepted by ordinary investors. Then they can gain, and profits for various segments of the financial sector can be relatively less.

It is not just a zero-sum game wherein some lose while others gain though this matters in itself. Think also of the Lost Decade — in economic growth — in Japan after the bubble burst in asset markets in 198990. The implications for the economy are not always extreme but there can be costs in the aggregate.

To conclude, banking and finance are very useful. However, the profits are disproportionately high. This is due to the policy framework that is implicitly and inadvertently permissive of large persistent profits there. That basic policy framework needs to be changed. (BL18032025)

India needs smart deregulation

Regulatory sandboxes, already successful in fintech, should expand across industries to enable innovation without exposing the economy to untested risks.

By Srinath Sridharan

Deregulation, at its core, is about reducing friction and streamlining governance, not removing safeguards. Yet in today's fast-changing world — where digital finance, geopolitical shifts, and disruptive technologies are reshaping industries — the real question is not whether India needs deregulation. It is how to strike the right balance before economic instability sets in.

The Union government is expected to announce a national deregulation commission soon. Its mandate will be to accelerate approvals and remove barriers, particularly for smaller businesses. But as the chief economic advisor recently noted, digitisation alone does not equate to deregulation. Policy changes must extend beyond central directives and take root at the state and local levels. Businesses need real regulatory improvements, not just bureaucratic rebranding.

The ghost of the licence-permit raj still lingers in Indian business. It hides in endless approvals, in the fine print of archaic laws, and in the unchecked power of officials across all levels who see regulation as a means of control rather than economic enablement. Some call it state interference. Others call it institutional inertia. In many cases, it is just corruption by another name. Regardless of what it is called, the result remains the same. Businesses, especially smaller ones, find success not just through merit but by navigating a system where knowing the right people matters as much as operational excellence.

Over the years, careful deregulation has strengthened India's financial sector. Banking, capital markets, and fintech services have expanded, making India a global leader in financial innovation.

History has shown excessive deregulation, when unchecked, can be a catalyst for crisis. The 2008 meltdown was rooted in an unregulated subprime mortgage market. The collapses of various businesses stemmed from excessive risk-taking in poorly supervised financial environments. The FTX crypto debacle served a stark reminder of what happens when innovation outpaces oversight.
Advocates of free markets argue that industries should be opened up with minimal regulation, allowing competition to drive efficiency. While this fosters innovation and consumer benefits, it also carries risks. Many businesses in deregulated sectors operate on borrowed funds, often relying on public money through bank loans. When such entities collapse, the repercussions go beyond shareholders and employees.

Aviation offers a cautionary tale. Private airlines entered the market, competition increased, and fares dropped. But reckless expansion and financial mismanagement made business models unsustainable. Kingfisher Airlines defaulted on nearly Rs 9,000 crore in bank loans, while Jet Airways collapsed under an Rs 8,500-crore debt burden. Deregulation drove competition but lacked the financial safeguards necessary to prevent systemic fallout.

Telecom tells a similar story. Liberalisation in the 1990s and 2000s fuelled India's telecom boom. But unchecked price wars and unsustainable financial strategies led to an industry crisis. Vodafone Idea remains burdened with massive debt, and banks have suffered as a result. Eventually, government intervention became necessary. BSNL is bleeding, and with no strategic focus. Deregulation, when unaccompanied by financial stability mechanisms, merely shifts risks from corporations to the public.

In a world where economic sanctions, trade curbs, and geopolitical tensions drive financial movements, unregulated exposure can be dangerous. Foreign investment is often viewed as a benefit of deregulation, bringing in capital, technology, and expertise. But without strong safeguards, deregulation can make Indian firms vulnerable to foreign buyouts. Walmart's acquisition of Flipkart and the dominance of foreign digital payment platforms highlight this challenge. China, in contrast, has maintained regulatory oversight over key industries, ensuring foreign capital aligns with national economic interests.

Emerging technologies bring additional complexities. Artificial intelligence (AI) is influencing credit decisions, blockchain is redefining transactions, and decentralised finance is challenging traditional banking. While these innovations hold promise, they raise critical questions. Who is accountable when an AI-driven credit system discriminates against a borrower? How do regulators oversee financial transactions that bypass traditional banks? Without proactive oversight, these advancements could introduce systemic risks that become harder to control.

The promise of deregulation in job creation also has trade-offs. Reduced oversight can weaken labour protections, leaving workers vulnerable. The gig economy, powered by platforms like Ola, Uber, Swiggy, and Zomato, grew rapidly due to regulatory flexibility. But this also denied gig workers basic protections of social security. The challenge is to balance business flexibility with fair labour practices.

India needs its own model of strategic deregulation — one that fosters business growth while safeguarding economic stability. Phased deregulation should be the norm, allowing testing of policies before full implementation. Regulatory sandboxes, already successful in fintech, should expand across industries to enable innovation without exposing the economy to untested risks. Financial oversight must evolve with market liberalisation. Deregulation cannot follow a one-size-fits-all approach. Each sector requires tailored safeguards that protect public interest while allowing competition to thrive.

Above all, policymakers must recognise that effective regulation is about resilience. A well-calibrated approach will prioritise financial prudence, consumer protection, and national economic interests. Instead of reacting to crises, India must proactively shape a regulatory framework that ensures businesses grow despite clear rules, not because of their absence. The goal is not just to open markets but to create an ecosystem where deregulation is an enabler, not an experiment — one that accelerates progress without inviting avoidable economic shocks. (FE22032025)

What the GDP data doesn't show

India has not made enough progress in improving living standards. While the country has climbed international rankings, the progress remains slow

By Rajeswari Sengupta

The latest gross domestic product (GDP) data shows India's economy is recovering, with growth rising from 5.6 per cent in July- September to 6.2 per cent in October-December, and an estimated 7.6 per cent in January-March. At this pace, India is set to become the world's fourth-largest economy. However, before we start celebrating, we need to examine the economic situation more carefully.

Upon doing so, we'll find significant weaknesses, indicating that substantial policy work remains. To begin with, investment remains too weak to drive rapid growth. In 2024-25, real investment is expected to rise by a mere 6 per cent, trailing economic expansion. In contrast, investment during the 2004- 2007 boom grew by 15 per cent annually, accounting for 40 per cent of GDP. Now, it stands at just 33 per cent. Even more concerning, the supposed growth acceleration disappears when considering long-term trends.

For 2024-25, growth is expected to be 6.5 per cent, significantly lower than the 8.8 per cent average after Covid.

REAL GDP PER CAPITA RANKING

Year	1980	2000	2022
No. of countries with data available	167	169	169
India	**142**	**124**	**109**
Brazil	67	63	77
China	128	106	64
Mexico	53	55	74
South Africa	73	78	93
South Korea	88	33	23
USA	3	4	8

Source: Maddison Project Database 202 and author's calculations

This is corroborated by high-frequency indicators, including slower retail sales, declining credit growth, weak corporate earnings, poor goods exports, a drop in net foreign direct investment, and a sharp fall in core inflation. To understand the current state of the economy, we must look back a few years. Before Covid, growth had fallen below 4 per cent, with the economy in poor shape. The unorganised sector struggled due to demonetisation and poor implementation of the goods and services tax, while the organised sector was still recovering from excessive borrowing during the boom. Many of these issues remain unresolved. However, after Covid, they were less visible because the economy was boosted by several temporary factors.

One such factor was the normalisation of activity as people returned to work and households resumed spending after the lockdown. The consumption revival was fuelled by a surge in retail credit, which grew at an annual rate of around 20 per cent for several years.

A second factor was the government's infrastructure push, with spending growing at an average rate of 30 per cent between 2021-22 and 2023-24, further boosting the economy.

The most important factor, however, was the rise of a "New Economy". The growth of Global Capability Centres (GCCs) set up by multinational companies led to a remarkable 65 per cent increase in service exports over the three years ending in 2023-24.

The windfall income of nearly 2 million GCC workers was spent on SUVs and luxury real estate, sparking boom in the auto and construction sectors, with the latter growing in double-digits in real terms over the same period.

Over the past year, these temporary factors have faded. The boost from the economy's reopening has disappeared, and as fiscal constraints tightened and diminishing returns set in (e.g., from building airports in smaller cities), the government has reduced infrastructure spending.

Service export growth also slowed to below 10 per cent between April- June 2023 and April-June 2024 as GCC expansion levelled off. In other words, conventional wisdom is mistaken. The post-Covid boom was the anomaly, while the recent slowdown represents a return to normal—a reversion to the economy's long-term growth rate, which has averaged around 6 per cent since 1991. We need to ask: Would a long-term growth rate of 6 per cent be enough to meet the country's needs? It's hard to believe it would. Even recent above-trend growth hasn't created enough jobs.

There are deeper, structural issues that may suppress demand longer than expected. According to the Centre for Monitoring the Indian Economy, only 420-430 million of India's 1.1 billion working-age people are in the labour force, either employed or seeking work. While the workingage population has grown, the labour force has not, causing the participation rate to drop from 46 per cent in 2017-18 to 40 per cent in 2023-24. Only a small portion of those in the labour force have formal sector jobs, highlighting a serious jobs crisis. Middle-class Indians have also faced stagnant nominal wage growth.

With average inflation at 5 per cent, real wages have often declined, weakening demand. India has also not made enough progress in improving living standards. While the country has climbed international rankings, the progress remains slow. In 1980, India ranked 142nd in real GDP per capita out of 167 countries. Twenty years later, it moved up to 124th, and another 20 years later, it reached 109th. However, this still places India far behind most other economies. Ultimately, the size of the economy as given by GDP and its post-Covid growth rate are misleading.

What truly matters is the long-term growth rate as it will determine how quickly per capita incomes reach comfortable levels. The urgent need now is a strategy to accelerate growth—a plan that tackles the country's deep structural issues, enabling the economy to take off sustainably and for good. (BS15032025)

Fiscal subsidies should be easy to monitor at every level

By ANOOP SINGH & RADHA MALANI

Despite fiscal constraints and rising opportunity costs, election campaigns in India remain significantly dominated by promises of freebies, cash transfers and subsidies. This makes transparency in subsidy spending more critical than ever. However, accountability remains elusive, given the country's lack of good quality and timely data on the actual subsidy expenditure of states. This makes it difficult to distinguish between justifiable welfare measures and politically motivated giveaways. The Comptroller and Auditor General has consistently underscored the need for such differentiation, but this requires a fundamental improvement in Indian subsidy reporting practices. India faces three key challenges in this context.

Definitional ambiguity: The absence of a standard, universally accepted definition of ‘subsidy’ allows states significant leeway in determining what to include or exclude under that head, highlighting the urgent need for a uniform framework. Freebies, tax rebates, cash transfers and implicit subsidies are often selectively omitted or included, making comparisons difficult. For instance, Tamil Nadu’s Vidiyal Payanam Scheme, which offers free bus rides for women, is classified as a subsidy, while a similar scheme in Punjab does not feature in its subsidy statement. Such inconsistencies arise across virtually all states. Odisha stands out as the only state that has consistently reported implicit subsidy burdens since 2009-10. Despite discussions on standardizing definitions, no uniform approach has been successfully implemented, leaving room for misclassification and opacity.

Off-budget financing: A second issue arises from the use of off-budget mechanisms to finance subsidy programmes, effectively bypassing scrutiny. For example, Andhra Pradesh reported a subsidy expenditure of just 0.5% of its gross state domestic product (GSDP) in 2022-23. However, like many other states, its extra-budgetary burden was many times higher, primarily driven by liabilities incurred by state public enterprises managing food and power subsidies. This practice conceals potentially significant liabilities, thereby risking financial credibility and debt sustainability.

Deferred payments: India’s cash-based accounting system enables governments to defer subsidy payments and obscure the true cost of subsidy programmes. Deferred payments shift current burdens to future budgets, while present payments may represent settlements of past deferrals.

The power sector is a stark example of this practice. States frequently defer payments to distribution companies for subsidized electricity. Between 2009-10 and 2020-21, unpaid subsidy reimbursements across

Indian states totalled ₹74,000 crore. Of this, ₹27,000 crore was cleared in the subsequent two years, highlighting how deferred payments can skew fiscal data, place additional burdens on future administrations and complicate inter-temporal analyses of states' fiscal health.

These three challenges—definitional ambiguity, off-budget financing and deferred payments—have far-reaching consequences for fiscal governance and transparency. Together, they also hinder India's ability to align itself with international financial reporting standards, a key requirement under the G20 Data Gaps Initiative.

Emerging reforms and the road ahead: Recent central government reforms signal progress towards greater fiscal transparency, serving as a model for states. Since 2019-20, the Centre has published its off-budget borrowings, while 2023-24 saw the release of a consolidated document on statereported borrowings. Notable steps by the Union government include the discontinuance of off-budget financing and the use of bond issuances in place of past cash subsidies.

These national-level reforms must now extend to all Indian states so that the country as a whole can sustain the central government's momentum on improved accountability of fiscal spending.

As India aims to leverage "data for development," it is vital to establish accurate and comparable subsidy reporting systems for evidence-based policymaking and ensuring

Fix problems of definitional ambiguity, off-budget financing and deferred payments that public funds are deployed effectively.

Lessons from Odisha's consistent record of reporting implicit subsidies and the Centre's transparency reforms should serve as templates for state-level action. India should align its statistics with internationally comparable data on government finances. This would enable economic analysts to examine consolidated government data without the worry of state-level input distortions.

India's subsidy framework is at a critical juncture. Without addressing definitional ambiguities, off-budget financing and deferred payment practices, fiscal opacity and inefficiency will persist, limiting the country's ability to fund critical investments in health, education and infrastructure.

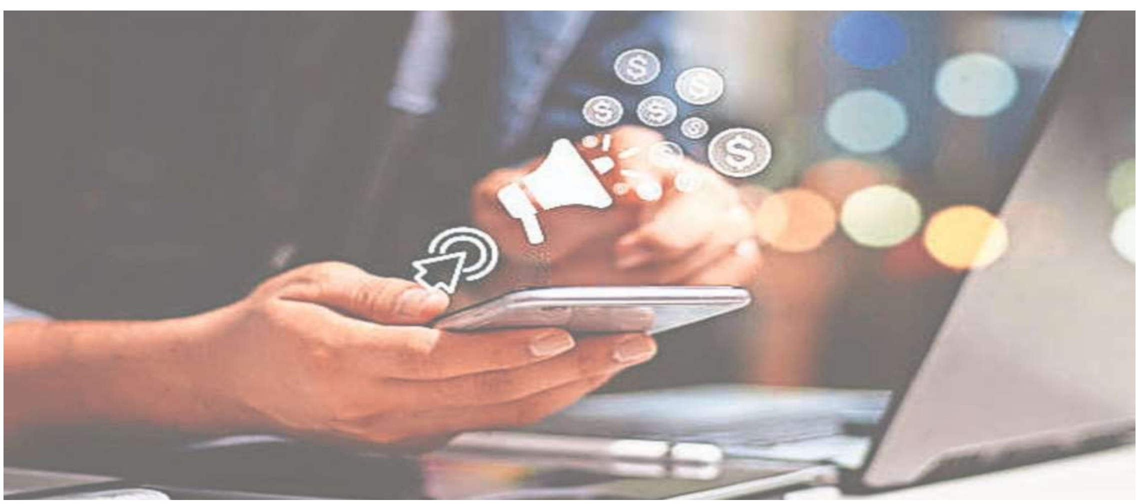
By adopting standardized, tech-enabled and internationally accepted reporting mechanisms, India can build a more transparent subsidy system and strengthen its fiscal governance. Accurate, timely and comparable data across all levels of government will not only enhance fiscal discipline, but also enable the Indian state to maximize the delivery of value for taxpayers' money. As fiscal pressures remain and public scrutiny grows, this shift is now a necessity. (MINT20032025)

Marketing

Stay a step ahead: Critical warning signs affiliate managers shouldn't ignore

As an affiliate manager, vigilance is key. Here are critical warning signs that may indicate fraudulent activities in your campaigns:

By Dhiraj Gupta



Affiliate marketing is undeniably a lucrative channel for brands to connect with their target audience, but it has also become a hotspot for fraudulent activities.

Dishonest affiliates employ deceptive practices to claim their commissions, impacting the trust in affiliate programmes and harming genuine affiliates.

As an affiliate manager, vigilance is key. Here are critical warning signs that may indicate fraudulent activities in your campaigns:

Too-good-to-be-true KPI performance: In digital marketing, perfection is rare—and affiliate campaigns are no exception. If an affiliate consistently meets or exceeds every KPI, such as lead or sales targets, it’s time to investigate. While their performance may appear stellar, it could be a cover for deceptive tactics like cookie stuffing, click spamming and injections. Affiliates hijack organic traffic and share it as their paid traffic. So, brands end up paying for their own sales / leads (which were coming organically) and are under the delusion that the affiliates are giving them a great performance.

Spike in CPC for branded keywords on search ads: An unexplained surge in cost-per-click (CPC) for branded keywords may indicate affiliates are bidding on your brand keywords on search ads. These terms typically drive high-quality, low-cost traffic from loyal customers. Affiliates often mimic these ads, directing users to the brand’s website while attributing conversions to themselves. This tactic inflates your ad spend as affiliates drive up bid prices while pocketing commissions for genuine, high-intent users.

Orders without deliveries: Some affiliates inflate order volumes by placing fake orders to junk addresses. These orders, especially cash-on-delivery (COD), fail delivery attempts and are marked as returns (RTO). Despite no actual fulfillment, the analytics show orders, leading brands to pay undeserved commissions to affiliates.

Resellers exploiting affiliate campaigns: Affiliates may partner with resellers, offering them a portion of their commission to undercut your pricing. For instance, if a brand's product is listed at ₹100 and affiliates receive a 10% commission, resellers could purchase at ₹100, get ₹5 from the affiliate, and sell it at ₹97. This means that affiliates effectively use the brand's commission to offer discounts, making your products cheaper on reseller platforms than your own website.

Fake influencers: Some affiliates masquerade as influencers but fail to drive genuine engagement. Instead of leveraging their audience, they put discount codes given to them by brands on coupon sites or deal-sharing platforms, from where users end up on the brand's website creating an illusion of performance. As a result, they get commission using their discount codes and without bringing any genuine user to the brand's website.

If you spot any of these signs in your affiliate campaigns, act quickly. Fraudulent practices not only waste ad spend but also undermine trust in the affiliate ecosystem. To combat this demand transparency. Ensure complete visibility into campaign data to assess performance objectively. Also, validate traffic quality. Regularly monitor and validate affiliate traffic to detect and mitigate risks. Above all, foster trustworthy partnerships. Work with affiliates who prioritise ethical practices to build sustainable, long-term relationships.

By staying proactive and prioritizing transparency, brands can protect their investments and foster an affiliate ecosystem that benefits all stakeholders. (FE05032025)

A major reset of higher education

As with many other policies, the Trump administration's war on universities may be just a chaotic and inefficient harbinger of long-run structural changes in the world order.

By Nirvikar Singh

The United States, along with being an innovator in democratic government, experimented with higher education in ways that shaped the modern university. The founders of the country were creatures of the European enlightenment, and believers in education as freedom of thought as well as practical experimentation. The US borrowed from various European models, including Germany, which led the world in the 19th century in research, and the creation of new scientific knowledge. By the early 20th century, the US was already developing the precursors of modern research universities, though these differed from the German model in relying less on government support and more on private philanthropy. The Nazis forced some of the brightest minds in Europe to flee to the US, and World War II increased federal government support for its universities. The Cold War, US economic dominance, and the baby boom all came together to make US universities a global force. They have led the way as places where people from all over the world come to be educated.

Eight decades of progress are now being destabilised, and even reversed, by the Trump administration. Many of the people leading this effort are themselves products of elite US universities. But they lack the same attitude to valuing free inquiry and truth-seeking that has been — mostly — a hallmark of US universities (with the usual caveats about the perennial influence of money). President Trump, himself the erstwhile promoter of a fraudulent university, epitomises that lack. But while billionaires like Elon Musk and Peter Thiel (JD Vance's mentor) have been beneficiaries of the US higher education system, they tend to subscribe to a view that glorifies innate talent and risk-taking above systematic knowledge acquisition.

Some of the current attack on US universities is straightforwardly political — a defence of bastions of power and privilege against the bogeyman of "wokeness", which is being made to stand for everything that might challenge inequalities in the status quo, and blamed for everything from wildfires to airplane crashes. But there is also an anti-intellectualism that, at its core, is the polar opposite of the modern ideal of the university. And on top of that is an ideology that private enterprise is always superior to government decision-making and action. Many of these positions are also inherently undemocratic, and universities are targets for that reason as much as the media is. The decimation of federal funding for US universities reflects all these complex factors.

All of this comes just a year after India overtook China as the largest source of foreign students for US universities. US universities have been desperate for students from abroad because of a shrinking domestic college-age population.

China’s demographics have been heading in the same direction, but it has built strong universities of its own, albeit not yet matching the US or Europe: by one ranking, China has nine universities in the top 100 worldwide, while India has none in the top 500. US universities need students from India, and those students need US universities, at least for now.

Even before the change in administration in the US, Indians were finding it harder to get student visas for the US. This seems to have been a trend in other countries as well, where broader concerns about jobs, housing, and immigration dominate the interests of their higher education institutions. Some of these concerns reflect policy imbalances that were heightened after Covid, especially surges in immigration, while others are the first rumblings of fear of large changes in labour markets and the structure of the economy that will be wrought by artificial intelligence. Even without the anti-immigration stance (often tinged with racism) of the Trump administration, it may have been the case that job prospects in the US, as well as immigration pathways for foreign students, would have shrunk. It is difficult to tell whether this would have deterred such students from coming at all. But the immediate deterrent will be reductions in university budgets for supporting graduate students who come to pursue research.

What does it all mean? Technological change is having long-term effects on the nature of jobs, especially those that have recently been associated with having a university education. Domestic demographics will continue to hurt the economic health of US universities. Cuts in federal funding will make that financial pain worse, and damage the research capabilities of many of those universities. Fewer foreign students will be admitted to US universities, increasing the financial stress and reducing the scope of their research. Private sector money is nowhere near enough to compensate for any of these impacts. All of this is good for a rising China, and even for a sclerotic Europe, which still is home to many world-class universities.

Indian students will have to look for new options, as a golden period of globalised but US-dominated education goes through a major reset. American and European universities have been building outposts in places like Singapore and Abu Dhabi. These will become more important, and Indian students may look for such alternatives more assiduously. Perhaps the most obvious positive development would be an expansion of foreign universities in India, possibly with local partners. Ultimately, this would make it easier for Indian universities to upgrade as well.

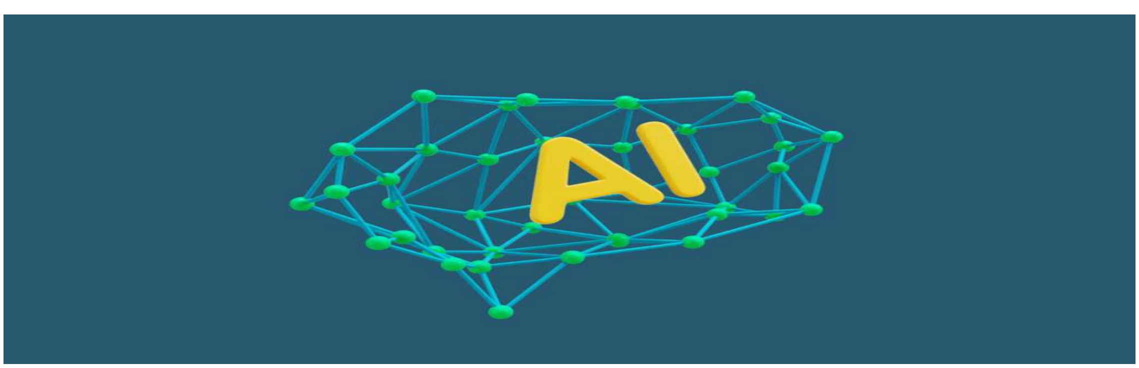
As with many other policies, the Trump administration's war on universities may be just a chaotic and inefficient harbinger of long-run structural changes in the world order, including higher education. (FE25032025)

ARTIFICIAL INTELLIGENCE

Conversational AI is making technology more intuitive – Here's how

AI Agents or Co-Pilots should be driving a proactive engagement strategy and anticipate user needs, provide contextual recommendations, and deliver hyper-personalised support across channels.

By Ankush Sabharwal



In an era of rapid digital transformation, enterprises are redefining how they connect with and serve their consumers, creating a dynamic shift in behaviour and engagement. Conversational AI is an element of artificial intelligence and it has proven beyond any shred of doubt that it is not just refining how customers interact with an interface, rather it is revolutionising how people interact with interfaces as a whole. With the advent of applications such as AI Assistants (chatbots, voicebots, videobots) and advanced AI Agents, it is easier to see a future where interfacing is natural, personalised, and human.

Conversational AI, at its simplest level, implements the machinery's capability to conduct natural language dialogues with the end-users. It works with various algorithms and Large Language Models. This is a revolution in creating more contextual, engaging and real-time user experiences that go beyond most customer service paradigms.

From Reactive to Proactive with AI Agents and Co-Pilots

AI Agents or Co-Pilots should be driving a proactive engagement strategy and anticipate user needs, provide contextual recommendations, and deliver hyper-personalized support across channels. From a VideoBot that helps with human-centric interactive digital-twin to a Voice Bot that allows transactions without hand's touch, to a ChatBot that addresses questions in milliseconds AI Agents are becoming a part of the user life cycle. In their 2024 report, Gartner said that organisations that adopted AI conversational platforms saw customer loyalty up by 25% and sales conversion by 30%.

Security and trust are non-negotiable in any AI-driven interaction. Secure GenAI plays a critical role by embedding robust security measures to protect user data and privacy. Unlike general-purpose models, domain-specific LLMs offer tailored experiences by specialising in verticals like healthcare, finance, and retail. This specialisation ensures better accuracy, contextual understanding, and compliance with sector-specific regulations, fostering trust and confidence among users.

A 2024 study by PwC found that 72% of consumers prefer brands that prioritise data privacy, making Secure GenAI a critical differentiator.

Sovereign AI for Greater Autonomy

As the AI landscape matures, the emergence of Sovereign AI represents a leap forward in autonomy and adaptability. Sovereign AI operates independently within specified boundaries, offering organisations greater control over data sovereignty and custom training. All these innovations help in designing smart conversational interfaces with an additional consideration of context as well as high sensitivity to respond effectively to users.

Conversational AI in Action: Driving Industry Innovations

1. E-commerce and Retail: Conversational AI enhances shopping with personalized recommendations, real-time support, and voice interactivity. McKinsey's 2024 report notes a 35% rise in customer retention for businesses adopting this technology.

2. Banking and Payments: GenAI-powered virtual assistants streamline banking, cutting wait times and enhancing security. PwC's 2024 study shows a 40% reduction in operational costs for banks using conversational AI.

3. Healthcare: AI-driven healthcare tools schedule appointments, access records, and manage follow-ups. Deloitte's 2024 survey reports a 45% increase in patient satisfaction with AI-based solutions.

4. Education: Virtual AI assistants using domain-specific LLMs provide personalized learning, real-time guidance, and inclusive support. Innovative AI empowers diverse learners to thrive in dynamic educational settings.

5. News and Media: AI video bots deliver interactive news updates, boosting audience engagement. Statista (2024) indicates a 30% rise in retention for businesses leveraging this AI-driven content innovation.

6. Travel and Tourism: AI virtual assistants simplify trip planning and speed up query resolutions. Amadeus (2024) reports 25% faster resolutions, enhancing travel experiences with smarter, seamless support.

7. Defence: Conversational AI is enhancing military operations, logistics, and personnel support through language translation, sentiment analysis, and threat detection, while also providing mental health support and immersive training simulations for the personnel.

Voice First: Leading the Shift to Accessible AI

The rise of voice-enabled technologies marks a significant step towards more accessible AI. A voice-first design philosophy prioritises hands-free, intuitive interaction, making technology more inclusive for people with varying levels of literacy and mobility. AI assistants embedded with voice-first capabilities allow users to accomplish tasks effortlessly, from scheduling appointments to managing smart homes, enhancing convenience and ease of living for all demographics.

Human-Centric and Adaptive AI Experiences

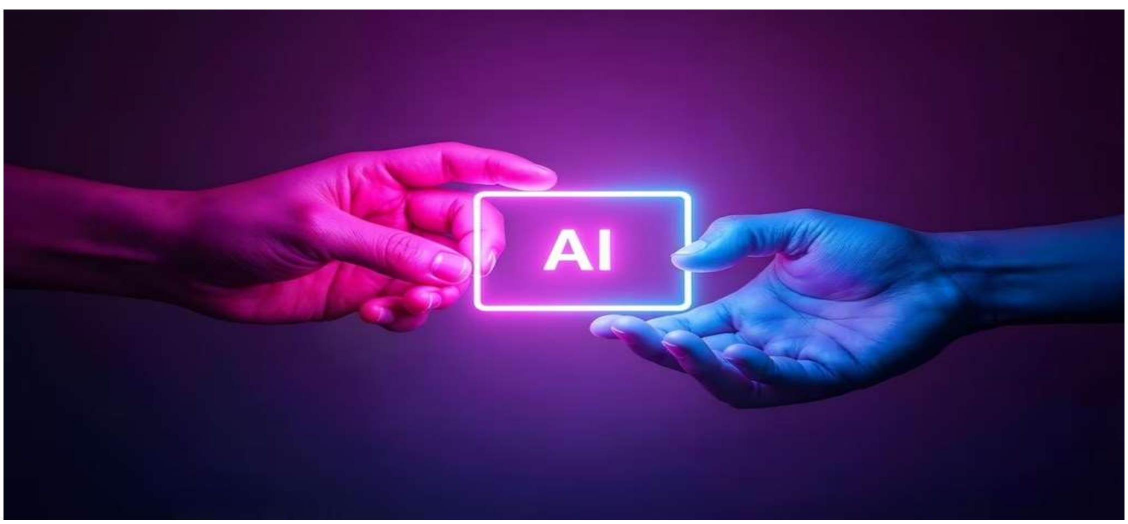
Despite its technological complexity, Conversational AI must remain human-centric, focusing on empathy, personalisation, and user empowerment. AI Assistants capable of contextual learning and emotional intelligence create more meaningful engagements, turning transactions into relationships. By understanding user intent, mood, and preferences, AI-powered assistants offer tailored interactions that feel genuinely helpful rather than robotic.

Conversational AI is no longer a futuristic concept-it is the cornerstone of modern user engagement. With innovations driven by LLMs, Sovereign AI, Composite AI, and Secure GenAI, businesses can create interactions that are not only intelligent but also secure, adaptable, and deeply personalised. By adopting a voice-first, and prioritising human-centric design, organisations can unlock the full potential of Conversational AI, delivering ease of living and fostering a new era of intuitive, accessible, and impactful user experiences. (FE22032025)

Promoting responsible AI standards

AI safety institutes have a vital role to play in bringing together technical, ethical expertise from around the world and develop voluntary, interoperable standards.

By Martin Ebers & Kazim Rizvi



As artificial intelligence (AI) advances, countries worldwide are recognising the need for national and international governance to address its benefits and challenges. One of the key questions in AI governance is how to foster innovation and cross-border trade, while upholding fundamental values and rights. We argue that the International Network of AI Safety Institutes (INASI) is the right forum to bring together technical and ethical expertise from around the world to develop and adopt voluntary, interoperable standards for AI — standards that are both technical and ethical.

Despite growing attention to the need for effective AI governance, there is little consensus on how to achieve it. Recent global agreements, such as UNESCO's AI Recommendation and the Organization for Economic Cooperation and Development's AI Principles, acknowledge fundamental values such as human dignity, autonomy, fairness, and transparency. But the broad and ambiguous language of these frameworks leaves room for varying interpretations, reflecting different political and ethical priorities. Key obstacles to establishing global rules for AI governance include competing national interests, divergent regulatory philosophies, absence of robust accountability mechanisms, militarisation of AI, technological hegemony, and limited political will.

c Standards, such as those developed by the International Organization for Standardization, International Electrotechnical Commission, and Institute of Electrical and Electronics Engineers, define requirements for products, services or processes and thus lay the foundation for technical procurement and product development. They promote the rapid transfer of technologies from research to application and open markets for companies. At the same time, standards ensure interoperability, create transparency and trust in the application of technologies, and support communication between all parties involved by using uniform terms and concepts.

Efforts to standardise AI systems are in full swing. International and national standard developing organisations are developing standards addressing various aspects of AI, including risk management, data quality, algorithmic bias, explainability, human oversight, cybersecurity, and robustness. In the same vein, the European Union's AI Act relies on the idea of co-regulation through standardisation to ensure high-risk AI systems and — in the long term — also large language models and other foundation models comply with the regulation.

All these standards are not purely technical. Developing standards for data quality to mitigate bias requires not only technical expertise but also an understanding of the kinds of discrimination we want to avoid. Similarly, crafting standards for explainability and human oversight involves defining the levels of transparency and oversight that are ethically and legally acceptable. In this scenario, international standardisation efforts profoundly impact not only companies, but also citizens and societies by shaping the ethical and legal boundaries of AI technologies.

INASI was launched in November 2024 to reach an international consensus on AI safety. The initiative brings together AI safety institutes from Australia, Canada, the European Commission, France, Japan, Kenya, the Republic of Korea, Singapore, the United Kingdom, and the United States. Its purpose is to drive AI safety, identify risks and propose solutions to mitigate such risks. It is the leading forum for international cooperation to facilitate a common technical understanding of AI safety, and development of interoperable principles and global best practices. A key missing piece of the puzzle is the absence of India, whose inclusion will be important to have a truly representative international forum for AI standard setting.

India is uniquely positioned to play a transformative role in shaping global AI governance. As the leading voice in the Global South, India combines the strengths of being one of the largest AI-first start-up ecosystems, the fourth-largest economy, and a global hub for AI research and innovation. Its recent leadership in international fora such as the G20 Summit and the Global Partnership on Artificial Intelligence underscores its ability to bridge the perspectives of developing and developed nations. These platforms have highlighted India's commitment to inclusive digital transformation and the development of equitable AI frameworks. The government's recent announcement of the establishment of an AI safety institute will allow India to devote more dedicated resources for addressing societal risks, setting global standards, and enhancing domestic capacity which aligns seamlessly with global best practices.

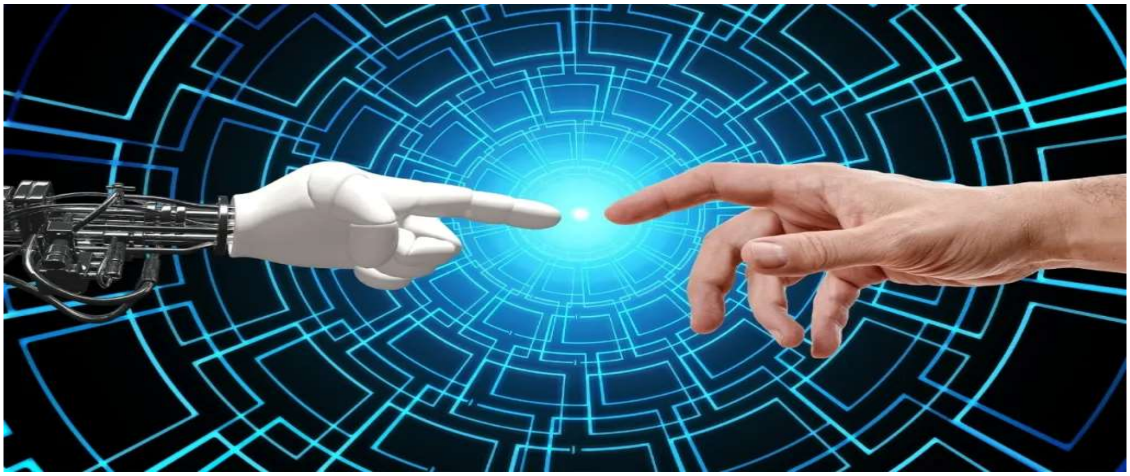
India's participation in initiatives like INASI will be crucial to ensure its voice is central to shaping foundational AI governance principles. By promoting the inclusion of experts from the Global South and emphasising the transformative potential of AI in sectors such as healthcare, education, and agriculture, India can champion an equitable approach to AI development. Its endorsement of global agreements will be pivotal for their adoption, reflecting its unique capacity to lead a dialogue that ensures AI technologies benefit all, particularly underrepresented regions.

AI safety institutes will play a critical role towards international standard setting. Presently, there isn't one single model that has been proposed globally. Our suggestion is that the international model must be inclusive, ensure that regions from both the Global North and Global South find their way into the conversation (much like G20), and that both developing and developed nations operate on an equal footing. This will be important to ensure interoperability of standards and future regulations. (FE19032025)

India's AI revolution: Rapid adoption, high ROI and the push to scale beyond pilots

A recent IBM ROI of AI study found that 87% of IT decision-makers (ITDM) at Indian businesses said that they have made significant progress with their AI initiatives last year, with 76% already seeing positive return on investments (ROI) from their AI projects.

By Viswanath Ramaswamy



India is rapidly accelerating towards its goal of becoming a global leader in AI use and innovation, driven by efforts from the private sector and government initiatives like the IndiaAI mission.

A recent IBM ROI of AI study found that 87% of IT decision-makers (ITDM) at Indian businesses said that they have made significant progress with their AI initiatives last year, with 76% already seeing positive return on investments (ROI) from their AI projects.

However, the time for AI experimentation is over and it's critical that we move beyond pilots to scaling AI that will span the enterprise enhancing productivity, efficiency and customer experience.

To do this, business leaders need to carefully assess the ROI of AI, which is not necessarily limited to monetary gains but covers other dimensions as well. Our study found aspects like faster software development, rapid innovation, and time saved through enhanced productivity ranked as the three most important metrics Indian ITDMs use to calculate ROI from AI investments. Having this nuanced understanding will allow business leaders to fine tune and strategically align their AI deployments that generate the most return.

The most impactful of these are the use of open-source ecosystems, using AI responsibly and the growing significance of AI agents and assistants.

Open source taking center stage

To accelerate ROI from AI investments, Indian organizations are increasingly turning to open-source solutions as a key IT strategy. In fact, we found 70% of ITDMs said that at least half of their AI solutions will be based on open source in 2025, compared to just 48% who said the same for 2024.

An open AI ecosystem recognizes the value of community-built technology and the open exchange of information, ideas, and skills it cultivates. This shift is natural, given these ecosystems provide the collaborative foundation, cost efficiency, and technological flexibility needed to unlock the full potential of AI, which is critical in India's fast-evolving and competitive digital landscape.

Governance isn't an afterthought but the foundation of AI adoption

Scaling AI within enterprises isn't just about speed or efficiency, it's also about trust, transparency, and responsibility – because AI that people trust is AI that people will use. More than half the businesses we surveyed said that lack of AI governance is a key challenge to overcome, emphasizing the need for a robust responsible AI framework integrating principles such as fairness, transparency, and accountability. By embedding responsible AI practices, businesses can confidently progress on their AI journey while engendering trust from their stakeholders and minimising risks.

Being the responsible AI agents in business

The future of work is being rewritten with AI agents and assistants. Unlike traditional AI models that require human guidance and operate within predetermined boundaries, agentic AI can adapt to dynamic situations and taking purposeful action.

This type of AI builds upon generative AI techniques, which involve creating content based on learned patterns, but takes it a step further by using these generated outputs to achieve specific objectives.
A study by the IBM Institute for Business Value found 9 in 10 executives expect their organization's workflows to be digitized with intelligent automation and AI assistants by 2026. As organizations start to pair employees with domain-specific AI agents, workers need to completely rethink how they do their jobs. They will need to manage entire teams of autonomous task completing agents and learn to work with chat-based supervisory AI agents.

As with other forms of AI systems, agents can also hallucinate and confidently choose the wrong tool or take an impractical or unwise action. The effort needed to manage and governing agents would be tremendous and not possible to do in an ad hoc or manual way. Hence, even in this instance responsible AI practices with designing and deploying agentic workflows becomes critical. (FE25032025)