

Daily Editorial Analysis 13 March 2026

March 13, 2026 • vajiramandravi.com



Preparing India for a True Innovation-Led Economy

Context

- India shows strong policy ambition through major funding commitments, regulatory reforms, and improvements in global innovation rankings.
- Yet the core foundations of innovation remain fragile. Indicators such as **low R&D intensity**, limited global technological influence, weak research-to-market translation, and inadequate **private-sector participation** continue to constrain progress.
- The challenge facing India today is not the absence of intent but the gap between **policy ambition** and **effective execution**.

Policy Momentum and Growing Government Commitment

- Recent policy initiatives signal a determined effort to strengthen the national innovation ecosystem.
- The government's ₹1,00,000 crore **Research, Development, and Innovation (RDI) Fund** represents a significant step toward strengthening technological capacity.

- The 2026 Union Budget further reinforced this direction with a ₹20,000 crore corpus supporting **deep-tech startups**, expanded **tax incentives**, and investments in digital infrastructure.
- The expansion of the **Atal Tinkering Labs** programme, from ₹500 crore to ₹3,200 crore, demonstrates a long-term commitment to cultivating young innovators and strengthening STEM education.
- Regulatory reforms have also reduced barriers to innovation; the removal of the three-year existence requirement for startups under the **Industrial R&D Promotion Programme** widened access to research support.
- In addition, the **SHANTI Act, 2025** enabled patents for the peaceful use of **nuclear energy and radiation**, potentially encouraging greater **private-sector participation** in advanced technological fields.

Persistent Structural Weaknesses

- India spends approximately **65 percent of GDP** on research and development, far below advanced economies and several emerging peers.
- In most innovation leaders, industry investment accounts for the largest share of R&D spending.
- In India, however, the public sector continues to shoulder a disproportionate burden, reflecting limited private appetite for long-term, high-risk technological investment.
- Patent statistics further highlight the scale gap between India and global leaders. China records over **8 million patent applications**, while the United States files around 600,000 annually.
- India's numbers remain modest by comparison, indicating the absence of sustained large-scale **technological research**.
- International patent filings offer another indicator of innovation impact. India filed **4,547 Patent Cooperation Treaty (PCT) applications** in 2024, representing a 22 percent increase from the previous year.
- However, the country still trails significantly behind **China**, the **United States**, and **Japan**.

Human Capital and Talent Inclusion Gaps

- Innovation ecosystems depend heavily on **human capital**, yet India faces several gaps in this area.
- The **Global Innovation Index 2025** places India low in indicators such as employment in knowledge-intensive sectors and the number of **full-time researchers**.
- These weaknesses restrict the country's ability to generate consistent scientific breakthroughs.
- Gender inclusion remains another challenge. India ranks poorly in the employment of **women with advanced degrees**, reflecting an underutilisation of a critical talent pool. Strong evidence links **diversity in research teams** with better innovation outcomes.
- Government programmes such as **WIDUSHI** and **WISE-KIRAN** aim to promote women's participation in science and engineering, but their long-term impact is yet to be fully realised.

The Missing Link: From Research to Market

- The most significant weakness in India's innovation system lies in the transition from scientific research to commercialisation.

- Innovation delivers real economic impact only when ideas move successfully from the **laboratory to the market**.
- Universities and public research institutions produce increasing volumes of **scientific output**, yet mechanisms for technology transfer, venture creation, and risk capital alignment remain limited.
- High-technology entrepreneurship requires patient capital, strong intellectual property **protection**, and ecosystems that tolerate **technological risk and failure**.
- Leading innovation economies have built strong connections between **academia, industry, and finance**, enabling discoveries to evolve into globally competitive technologies.

The Crucial Role of the Private Sector

- India's innovation future ultimately depends on the active participation of the **private sector**.
- Government initiatives can provide funding and policy support, but sustainable technological progress requires strong industry-led research investment.
- Businesses must commit to **long-gestation innovation**, particularly in deep technology sectors such as advanced communications, space technology, and artificial intelligence.
- Encouraging developments are already visible. India's **commercial space sector** has produced several promising startups, demonstrating the potential of technology-driven entrepreneurship.
- The **RDI Fund** could further accelerate innovation if industry embraces long-term investment and collaboration with research institutions.
- The emergence of **6G technology standards** in the coming years will serve as a critical benchmark of India's technological contribution.

Conclusion

- India stands at a decisive moment in its innovation journey; Government reforms, funding initiatives, and supportive policies have created a promising environment for technological growth.
- However, structural challenges, including **low R&D spending**, limited **industry participation**, **human capital gaps**, and weak commercialisation mechanisms, continue to limit progress.
- Transforming India into a global innovation leader will require stronger **private-sector engagement**, deeper investment in **scientific research**, and closer collaboration between universities, industry, and venture capital.
- The policy groundwork has been laid; the next phase of India's innovation story will depend on whether **industry-driven R&D** rises to meet the opportunity.

Preparing India for a True Innovation-Led Economy FAQs

Q1. What paradox characterizes India's innovation landscape?

Ans. India shows strong policy ambition in innovation but continues to struggle with weak execution and structural limitations.

Q2. How much does India invest in R&D as a share of its GDP?

Ans. India invests about 0.65 percent of its GDP in research and development.

Q3. What is a major weakness in India's innovation ecosystem?

Ans. A major weakness is the limited translation of scientific research into commercially viable technologies.

Q4. Why is private-sector participation important for innovation?

Ans. Private-sector participation is important because industry-led investment drives large-scale research and technological development.

Q5. What role does human capital play in innovation?

Ans. Human capital contributes to innovation by providing skilled researchers and diverse talent needed for scientific and technological breakthroughs.

Source: **The Hindu**

Economic Survey Promises, Impact of New Labour Codes

Context

- India's new labour codes are projected to boost formalisation, employment, and GDP growth by simplifying compliance for firms.
- However, critics argue that these expectations overlook the reality that over **80%** of India's workforce remains **informal** and outside labour protections.
- Evidence suggests that firms often respond to regulatory flexibility by increasing contract and casual employment rather than creating permanent jobs.
- Between 2011 and 2023, **direct factory employment fell** while contract labour expanded significantly, and even public sector enterprises are increasingly replacing regular workers with contractual staff.
 - Regular employment in central public sector enterprises declined by 30,000 workers in 2024 alone.
- As a result, instead of strengthening stable employment, the new labour codes may accelerate the shift toward precarious work and deepen labour market informality.
- This article highlights the Economic Survey's optimistic projections about India's new labour codes and examines concerns that the reforms may expand contractual work, weaken protections, and deepen labour market informality.

Formalisation Illusion in India's Labour Codes

- India's new labour codes attempt to address informality by raising the thresholds for labour protections, allowing more firms to remain outside regulatory coverage.
- For instance, the **definition of a factory** has been expanded and the threshold for contract labour and prior approval for layoffs has been increased.
- Despite these relaxations, the government expects the reforms to boost formalisation mainly through **fixed-term employment**, which allows firms to hire workers on short-term contracts instead of permanent positions.
- While fixed-term workers may receive some benefits such as appointment letters and gratuity after one year, this system weakens the core element of formal employment—job security—thereby risking the expansion of

precarious work rather than genuine formalisation.

Policy Grey Areas in India's Labour Codes

- The new labour codes introduce several welfare provisions for workers, but many crucial details remain unclear and are left to future schemes or administrative decisions.
- This creates uncertainty about how the benefits will actually function in practice.
- **Unclear Framework for Worker Welfare Schemes**
 - The codes require platform companies to contribute 1–2% of their annual turnover for gig worker welfare.
 - However, the rules regarding contribution mechanisms, coverage, benefit levels, and claim procedures have not yet been specified.
 - Similarly, the reskilling fund for retrenched workers mandates employers to deposit wages equivalent to 15 days' pay per worker, but the system for accessing these funds, training providers, and the skills to be taught remain undefined.
 - As seen with many welfare funds and cesses in India, money may be collected but its utilisation could remain limited or delayed.
- **Ambiguity in Wage Determination**
 - The Code on Wages introduces the concept of a National Floor Wage and a National Minimum Wage, but it does not clearly explain how these wages will be calculated or how the two will differ.
 - This lack of methodology creates scope for greater administrative discretion in wage determination.
- **Debate on Minimum Wages and Employment**
 - Critics of minimum wages often argue that forcing employers to pay higher wages leads to job losses.
 - However, extensive research suggests that these fears rarely materialise. Higher wages can reduce worker turnover and improve productivity.
 - Moreover, when low-income workers receive wage increases, they tend to spend more on essential goods and services, which boosts consumption and aggregate demand.
 - In labour markets where employers possess strong bargaining power, minimum wages can actually improve efficiency and reduce exploitation.
- **Weakening of Labour Law Enforcement**
 - The labour codes rename labour inspectors as “**Inspector-cum-Facilitators**”, which appears progressive but may weaken enforcement.
 - Instead of strictly monitoring compliance, inspectors are now expected to assist employers in meeting regulations.
- **Compounding of Violations**
 - The codes allow employers to compound serious violations, such as wage theft or unpaid overtime, by paying prescribed fines.
 - If these penalties are lower than the cost of compliance, firms may find it economically rational to violate labour laws rather than follow them.
- **Impact on Informal Sector Workers**
 - This shift is particularly harmful for workers in the informal sector, where trade unions, labour courts, and awareness of rights are limited.

- Previously, labour inspectors often served as the only accessible mechanism for workers to seek redress.
- Transforming them into facilitators reduces accountability and further weakens protection for vulnerable workers.

Structural Causes of Informality Overlooked

- The labour codes assume that simplifying regulations will encourage formal employment, but they fail to address the deeper structural drivers of informality.
- Informality persists not because regulations are complex, but because it is economically profitable for firms.
- At the same time, technological changes and platform-based jobs are increasingly bypassing traditional employer-employee relationships, further expanding informal work.

Questionable Assumptions Behind Reform Projections

- The optimistic projections in the Economic Survey rely on assumptions that conflict with labour market realities.
- Making formal jobs more flexible does not guarantee formalisation if informal employment remains cheaper and more attractive for employers.

Formalisation Without Better Jobs

- Lower compliance costs may encourage firms to replace permanent employees with contract workers, rather than create stable jobs.
- As a result, official statistics may show higher formalisation, but this would largely reflect changes in accounting practices rather than genuine improvements in workers' living conditions.

Economic Survey Promises, Impact of New Labour Codes FAQs

Q1. What benefits does the Economic Survey expect from the new labour codes?

Ans. The Economic Survey projects that the labour codes will increase formalisation, generate about 77 lakh jobs, boost female labour participation, reduce unemployment, and contribute around 1.25% to GDP by 2029–30.

Q2. Why do critics argue that labour codes may increase precarious work?

Ans. Critics argue that flexible regulations encourage firms to replace permanent employees with contract or fixed-term workers, which weakens job security and expands precarious employment despite claims of formalisation.

Q3. How do the new labour codes raise thresholds for labour regulation?

Ans. The codes increase thresholds for defining factories, contract labour rules, and lay-off approvals, allowing more firms to remain outside strict labour regulations and reducing the number of workers covered by protections.

Q4. What concerns exist regarding welfare provisions for gig and retrenched workers?

Ans. Although the codes propose welfare funds for gig workers and reskilling schemes for retrenched employees, many details on contributions, coverage, benefits, and implementation remain unspecified.

Q5. Why might labour market statistics improve without improving workers' lives?

Ans. Firms may reclassify workers under flexible arrangements like fixed-term employment, increasing formalisation figures statistically, while actual job security, wages, and working conditions remain largely unchanged.

Source: TH

Motion to Remove the CEC - Constitutional Safeguards and Institutional Concerns

Context

- During the ongoing session of the Indian Parliament, several Opposition parties are reportedly considering moving a removal motion against the Chief Election Commissioner (CEC).
- If such a motion is formally introduced, it would mark an **unprecedented event** in India's democratic history, as no CEC has ever faced a removal motion in Parliament in the last 75 years.
- The debate has revived concerns about the **independence** of the Election Commission of India (**ECI**), the process of appointment of election commissioners, and the broader issue of protecting constitutional institutions.

Constitutional Status and Removal of the CEC

- **Removal procedure:** The Constitution of India [**Article 324 (5)**] provides a stringent process to ensure the independence of the CEC. The procedure mirrors the removal process of a **Supreme Court judge**.
- **Steps involved:**
 - **Initiation of notice:** At least 100 members of the Lok Sabha or 50 members of the Rajya Sabha must submit a removal notice to the Speaker or Chairman.
 - **Admission and inquiry:** If admitted, a three-member committee is constituted to investigate the charges.
 - **Grounds for removal:** Removal can occur only on the grounds of Proved misbehaviour, and incapacity.
 - **Parliamentary approval:** The motion must be passed in both Houses of Parliament with a special majority –
 - Majority of total membership of the House, and
 - Two-thirds of members present and voting.
 - **Meaning of "Proved misbehaviour":** The phrase has been interpreted to include –
 - Deliberate abuse of constitutional authority,
 - Partisan functioning favouring a political formation, and
 - Actions undermining the credibility and impartiality of the Election Commission.

Independence of the Election Commission

- **Constitutional vision:** During the Constituent Assembly debates, B.R. Ambedkar emphasised that the election machinery must remain outside executive control, as free and fair elections form the **foundation of democracy**.
- **SC intervention (2023):**
 - In **Anoop Baranwal Union of India (2023)**, the Supreme Court ruled that the appointment of the CEC and Election Commissioners should be done by a three-member committee consisting of –
 - Prime Minister
 - Leader of the Opposition
 - Chief Justice of India
 - The objective was to reduce executive dominance in appointments and ensure institutional autonomy.

Legislative Response to the SC Verdict - The CEC Act

- Soon after the SC judgment, the Union government enacted a new law governing appointments to the Election Commission.
- **Key change in the appointment process:**
 - The new arrangement replaced the Chief Justice of India with a Union Cabinet Minister nominated by the Prime Minister.
 - Thus, the selection committee now consists of – Prime Minister (Chairperson), Leader of the Opposition, and a Cabinet Minister nominated by the Prime Minister.
- **Implications:** This structure gives the **executive a majority** (2 out of 3 members), raising concerns that the independence of the ECI may be compromised, and the executive may influence appointments.

Legacy of the Election Commission

- Despite current controversies, the Election Commission of India has historically been a strong and respected institution.
- **Foundational leadership:** Sukumar Sen, India's first CEC, successfully conducted the 1951–52 general elections, the largest democratic exercise in the world at the time.
- **Key challenges included:** 170 million eligible voters, around 85% illiteracy, massive logistical operations (16,500 clerks, 56,000 presiding officers, over 2 lakh policemen, infrastructure built to reach remote areas).
- **Institutional reforms by later CECs:**
 - **Y. Quraishi (17th CEC):** Expanded SVEEP (Systematic Voters' Education and Electoral Participation) programme. Took a firm stance against paid news and misleading opinion polls.
 - **Sunil Arora (23rd CEC):** Strengthened technological integration in elections. Created a database of over 930 million voters. Introduced nationwide voter helpline services
 - These initiatives reinforced voter awareness, transparency, and technological efficiency.

Historical Precedents

- Although criticism of CECs has occurred before, no formal removal motion has ever been filed.

- **1991:** Parliament witnessed protests demanding the removal of T.N. Seshan, but no official motion was introduced.
- **2006:** Then the Opposition party (BJP-led NDA) sought removal of Election Commissioner Navin Chawla, but this was limited to a memorandum rather than parliamentary proceedings.
- Thus, a removal motion today would set a historic precedent.

Challenges and Concerns

- **Politicisation of Constitutional offices:** A removal motion could deepen the perception that constitutional authorities are being dragged into political conflicts.
- **Executive dominance in appointments:** Changes in the appointment process may weaken the institutional independence of the ECI.
- **Erosion of public trust:** If electoral authorities are seen as partisan, public confidence in free and fair elections may decline.
- **Institutional instability:** Frequent political challenges to constitutional authorities may undermine the stability of democratic institutions.

Way Forward

- **Strengthen appointment mechanism:** Restore a balanced selection committee including judicial representation.
- **Ensure transparency in decision-making:** Election Commission decisions should be backed by clear reasoning and institutional accountability.
- **Parliamentary responsibility:** Removal motions should be used only in exceptional circumstances to preserve institutional credibility.
- **Institutional reforms:** Introduce clear guidelines defining “misbehaviour” to avoid political misuse.
- **Promote electoral integrity:** Expand programmes like SVEEP to deepen voter awareness and participation.

Conclusion

- The possible removal motion against the CEC represents a **critical moment** for India’s democratic institutions.
- While the Constitution rightly provides a mechanism to hold constitutional authorities accountable, the process must be exercised with great **restraint** and **responsibility**.
- The Election Commission has historically been a pillar of India’s electoral democracy, conducting complex elections with remarkable credibility.
- Safeguarding its independence, impartiality, and public trust is essential to preserving the integrity of the world’s largest democracy.

Motion to Remove the CEC FAQs

Q1. What is the constitutional procedure for the removal of the CEC in India?

Ans. The CEC can be removed by Parliament on the grounds of proved misbehaviour or incapacity, similar to the removal process of a SC judge.

Q2. How did the SC seek to ensure the independence of the Election Commission?

Ans. In the *Anoop Baranwal v. Union of India* (2023) case, the Court constituted a 3-member committee to appoint the CEC and Election Commissioners.

Q3. What change was introduced by the new law after the 2023 SC judgment?

Ans. The law replaced the CJI with a Union Cabinet Minister nominated by the PM, giving the executive a majority in the selection committee.

Q4. Why is the independence of the Election Commission crucial for Indian democracy?

Ans. An independent Election Commission ensures free, fair, and impartial elections.

Q5. What were the major contributions of early Election Commission leadership in strengthening India's electoral democracy?

Ans. Sukumar Sen, India's first CEC, successfully conducted the 1951-52 general elections, establishing the credibility and legitimacy of India's electoral system.

Source: IE

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