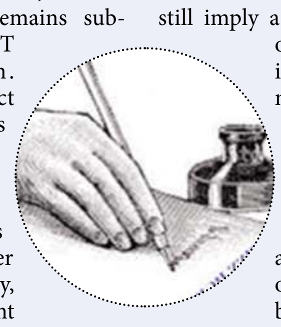
Fiscal deficit hits 62% of full-year target as capex surges

THE Government of India's fiscal deficit widened to Rs 9.8 trillion, or 62 per cent of the year's target, during April-November, amid a 28 per cent surge in capital expenditure, even as the revenue deficit remained in line with the year-ago levels.

While net tax revenues contracted by 3.4 percent during this period, non-tax revenues expanded by 20.8 percent, and revenue expenditure rose by a modest 1.8 percent, keeping the revenue deficit in check.

The GoI's gross tax revenues declined by 3 per cent in November; overall, gross tax revenues rose by just 3.3 per cent during April-November. While the performance of direct taxes improved, that of indirect taxes remains subdued post the GST rationalisation. Within indirect taxes, customs duties contracted by 7.3 per cent while CGST and excise collections rose by 5-9 per cent. Interestingly, IGST settlement between the Centre and the states over the recent months appears to have dampened the gross tax revenues of the GoI so far. ICRA now anticipates a shortfall of Rs1.5 trillion in the GoI's gross tax revenues in the current fiscal relative to the Budget estimate.



The GoI's capex contracted for the second consecutive month in November, thereby declining by 21 per cent in October-November after having expanded by 31 per cent in Q2. Nevertheless, capex recorded a healthy rise of 28 per cent until now, amounting to 59 per cent of the year's Budget estimate as against 49 per cent in the year ago period.

Given the upfronting seen in H1, capex needs to contract by 14 per cent during December-March to remain within the Budget estimate. However, the GoI needs to enhance the allocation for capex somewhat, limiting the contraction in the last four months of the fiscal.

The GoI's non-interest non-subsidy revex has declined by 4.4 per cent during April-November; expenditure under this head needs to expand by a substantial 30 per cent during the last four months of the fiscal to meet the Budget Estimate. This appears unlikely and could lead to sizeable savings, which would offset the shortfall on the receipts side. A Rs1.5 trillion cut in expenditure on this account would still imply a required growth of 11 per cent during the last four months.

The first batch of supplementary demand for grants for FY2026 entailed a modest net cash outgo of Rs414.6 billion, mainly accounting for additional allocations for fertiliser subsidy, compensation to OMCs for under recoveries in domestic LPG, and transfer to J&K. This could be comfortably offset by the expenditure savings on account of the non-interest non-subsidy revenue spending. Overall, analysts expect the GoI's revex to print lower than the Budget Estimate.

Overall, analysts expect the potential miss on the taxes side to be offset by higher-than-budgeted non tax revenues and sizeable expenditure savings on the revenue spending front.

As a result, experts do not anticipate a fiscal slippage at the current juncture.

Indian financial system remains sound despite global headwinds

Banks, NBFCs and insurers show resilience amid global uncertainty

RBI has released the December 2025 edition of the Financial Stability Report (FSR) on December 31st, which is an important study as to the soundness and the strength of the resilience of the Indian financial system and risks to financial stability. This report reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC). The FSR is a half-yearly publication with contributions from all financial sector Regulators. It represents the collective assessment of the sub- Committee of the Financial Stability and development Council on current and emerging risks to the stability of the Indian Financial System. This assessment and stress testing of Banking, NBFC, Fintech, Entire Financial Eco system, along with Macro Economic Risks with Global Macro Economic outlook with domestic outlook followed by Global and domestic financial markets assessment of risks are important and useful study and needs every player in this sector to go through thoroughly and understand the opportunities and challenges and prepare for mitigating the risks and threats.

The Report being prepared by the sub- Committee of FSDC, apart from the financial sector but also covers stress testing of mutual funds, stress testing analysis of Clearing Corporation, financial system network and contagion analysis, lastly Insurance sector from the point of view of Solvency, and emerging areas of stress. This is a vital study and assessment as in the market all these sectors are interlinked and any liquidity and failure, default in any one sector of the financial sector, will have an implications on the system as a whole and it is therefore as a system as a whole, all the factors of stress testing to be carried out and their individual assessment will provide lot of inputs for overall financial resilience and stability.

Dr M Narendra

From the domestic macro economic and financial risks perspective, India in the recent period has registered a strong real GDP growth of 7.8 per cent for Q1 & 8.2 per cent for Q2 2025-26, headline inflation has been on much lower side than the targetted inflation which has led to RBI lowering the repo rate to 5.25 per cent and with the positive reforms like GST rationalisation, earlier Income tax relief etc coupled with massive capex for infrastructure expanding and manufacturing thrust through PLI scheme etc have enhanced economic resilience. It is also gratifying that the Banking, NBFC sector and the domestic financial system remains sound as per the RBI study, supported by strong balance sheets like profitability, return on assets, good capital buffer, enhanced provisions coverage ratios, lowest net NPA levels, along with easy financial conditions and low volatility. However, the current global uncertainties, uncertainties on trade and other policies, could have an impact on the exchange rate volatility, dampen trade, corporate earnings can can be affected, and FDI can be weakened. Global correction in Equity Markets can have a correction in the domestic equity market, which can tighten financial conditions. However, India's macro economic strength has led to enough buffers to withstand adverse shocks.

The Indian Banking Sector continue to show strong capital and liquidity buffers, improved asset quality and steady profitability. From the data furnished in the Report, it is visible that credit growth is higher than the deposit growth, particularly in the current year upto September 2025, credit growth is 11 per cent whereas deposit growth is at 9.8 per cent. The sharp fall in the share of CASA deposits and the rise of time deposits across the bank group continued. This will affect the margin to a certain extent, particularly when interest rates are to be reset for credit in view of the repo rate reduction, whereas existing term deposits will be repriced on maturity, and in the case of long-term deposits, the higher rate at which they were contracted earlier will take a longer period to reprice. Banks are also relying on high market related certificates of deposits, which will add to their cost of deposits as the core deposits growth are not to the extent required in line with the credit growth. Banks have to step up the deposit mobilisation drive to garner CASA deposits.

The Reserve Bank of India's December 2025 Financial Stability Report underscores the resilience of India's financial system despite rising global macroeconomic and financial market risks

On the Asset quality and Provisioning, GNPA ratio is at 2.2 per cent and NNPA ratio is at 0.5 per cent. Slippage ratio has come down to 0.7 per cent and provisions coverage ratios have improved to 76.0 per cent. With global uncertainties and any impact on the domestic economy, Banks have to be aware of the risks arising to export credit, corporate earnings decline, etc, to protect Banks assets becoming stress. The high increase in personal unsecured lending, even though moderated after RBI intervention, needs more monitoring as the likely probability of default in these unsecured loans are higher. With volatility in market risks, interest rates risk, forex risk, equity risks, bond market volatility may have an impact on income and asset quality, which have to be hedged from the capital buffers.

With a stable scenario, banks were able to manage risks well and could register high profitability. As earlier stated, in these periods of uncertainty, there is a likely impact on NIM and profitability. According to Report, NII growth of SCB declined sharply to 2.3 per cent in September 2025 as compared to earlier periods. EBPT growth and PAT growth has also come down in September 25 at the rate of 9.8 per cent and 3.8 per cent respectively as compared to double digits growth in 2023-24 and 2024-25.

Net Interest Margin (NIM) recorded a broad based 20 bps fall in September 2025 over March 2025, which is due to a relatively higher decline in yield on assets than in cost of funds. This is likely in the interest rates decline scenario, as earlier mentioned, as the interest rates on most of lending are based on market-based yield, the outstanding loans will be repriced whenever there is a repo rate cut, which will lead to a decline in yield on assets. With the lesser growth in EBIT and Net Profit, both return on equity (ROE) and return on assets (ROA) have declined in the last two half years according to RBI, but remained at comfortable levels. Notable positive aspects is that the CETI ratio and CRAR are both at a higher level at 14.8 per cent and 17.2 per cent. Liquidity Coverage ratios,(LCR) of All Scheduled Commercial Banks (SCBs) remained at 132.7 per cent as at September 25. Similarly, Net Stable Finding Ratio (NSFR) stood at 124.7 per cent indicating comfortable liquidity buffers. Overall, the health of the SCBs remains sound with strong capital buffers and liquidity buffers, improved asset quality and robust profitability.

Macro stress test assesses the resilience of SCBs to withstand adverse macroeconomic shocks. The test attempts to project the capital ratios of banks over a one-and half years horizon under three scenarios, baseline and two adverse macro scenarios. It is glad to note that the macro stress test results reaffirmed the resilience of SCBs to the assumed macroeconomic shocks. System level CRARwhich is as of September 25 at 17.1 per cent, may fall to 16.8 per cent under the baseline scenario, 14.5 per cent under adverse scenario 1 and to 14.1 per cent under adverse scenario 2. This is much above the regulatory requirement. However, Banks have to continuously raise additional capital to remain under capital buffers to meet the growing requirement of credit, as well as remain resilient and stable in any unforeseen adverse scenario.

RBI in the FSR report indicates that stress tests confirm the resilience of mutual funds and clearing corporations. It is also stated that Non- Banking Financial Companies (NBFCs) remain robust, supported by strong capital buffers, solid earnings and improving asset quality. The insurance sector continues to display balance sheet resilience, and the consolidated Solvency ratios remain above the minimum threshold limit.

(The author is former Chairman & Managing Director of Indian Overseas Bank)

Why 2025 marked a turning point in the global decline of peace

Rising conflicts, weakening institutions, and the urgent choices shaping global security

ALEX BELLAMY

BY any measure, 2025 was not a good year for world peace. Worse, it was just the latest of a decade-long decline of peace and upsurge of war. As author of a book on world peace and how we can achieve it (that's literally the title), here's my assessment.

Grim numbers

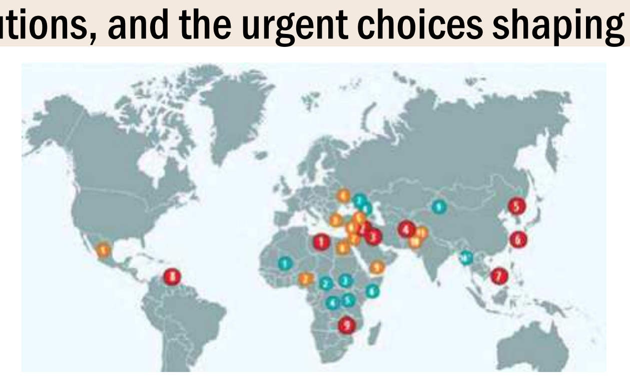
Peace is on the decline around the world by many measures. The Armed Conflict Location and Event Data index, a UN-funded independent monitor, reports global conflict has doubled in the past five years. The International Institute for Security Studies reports a 23 per cent increase in armed conflict in 2025 alone. Approximately 240,000 people were killed by violent conflict in 2025, it reports. And the Institute for Economics and Peace's Global Peace Index reported that peacefulness around the world has deteriorated for the sixth consecutive year. Some of the symptoms of that decline, it reports, include: -flatlining global trade -the loss of 42 per cent of government revenue in the developing world to debt interest repayments (the largest global creditor is now China) -reductions in the amount spent on peacebuilding -a 42% decline in the number of troops committed to peacekeeping, and -a dramatic increase in the internationalisation of armed conflict. -War happens when we have rising conflict and declining commitment to the things that produce peace. Three things are driving those trends: -the relative decline of liberal democracy and rise of authoritarian powers -profound shocks such as the global financial crisis and COVID -problems generated by economic growth based on globalisation, especially rising inequality and social fragmentation. Nationalist populism in the West and elsewhere is a product of these three transformations, which have unsettled comfortable post-Cold War assumptions about the progress of democracy, wealth, and peace.

We do actually know what drives war and peace

Some may argue that over the long term, the incidence of war and peace ebbs and flows naturally, driven by structural forces that defy human intervention. But this ignores the immense strides in our understanding of the factors associated with both war and peacefulness. The forces driving war and peace are not as mysterious as they once were. For example, it is well established that democracy, gender equality, and fair trade are associated with greater peacefulness. So, it's perhaps no coincidence that as war increases, each of these social goods are either in decline or are severely challenged. It is also well established that peacekeeping reduces civilian victimisation, conflict-related sexual violence, and the likelihood of conflict reignition. Although individual wars have their own specific causes, war and peace, in general, are shaped by a limited set of factors. Over the past two decades, researchers have done an excellent job identifying what those factors are We know war is not randomly unpredictable or inexplicable. This means war is not beyond human control.

War is a choice

The idea that humans are naturally warlike is as facile as the claim that we are naturally peaceful. Anthropologists and biologists have demonstrated



Global peace continued its steady decline in 2025, with armed conflict reaching its highest levels in years and civilian deaths surging worldwide. Drawing on data from leading international monitors, this analysis examines the structural forces driving today's wars — from democratic backsliding and inequality to reduced investment in peacekeeping. Rejecting the notion that war is inevitable, it argues that conflict is a product of human choice and political decisions. The piece outlines three urgent priorities for the year ahead, including renewed support for the UN Charter, strengthened peacekeeping, and decisive international action in Gaza, asserting that while world peace is not guaranteed, it remains possible — and worth striving for

we are both. War is a social practice and like any social practice, is caused by human decisions. Humans have agency and choice. Certainly, social structures, political ideas and economic pressures influence choices, but they do not determine them. This is not to say that "war is over, if we want it". War occurs because people have serious disagreements about important questions and values – things they cherish so much they would rather fight than compromise. But peoples, governments and international organisations can create conditions that make war less likely, and the instruments for preventing, limiting, and resolving war more capable.

What is to be done?

International systems are forged by their members. In the modern international system, that means states. States are primarily responsible for maintaining peace at home – and though some are obviously better than others, by and large, the state has done an excellent job of reducing violence in everyday life. The building blocks for peace, therefore, lie in the state, especially those that: -are accountable (democratic) -respect human rights -have capable institutions -provide dignified living and opportunities for all -foster more gender equal societies. But this not something that can be changed quickly or easily, and is a political struggle that each society has to undertake on its own terms. So, it's wise to focus on rebuilding those international tools we know can make a difference.

3 urgent priorities for the year ahead

First, we must reaffirm international support for the basic principles of the United Nations Charter, including the principal of non-aggression. In practical terms, this means standing resolutely against aggression and furnishing those who defend themselves against it – notably Ukraine – with every possible support. Second, we must revive support for UN and regional peacekeeping and peacebuilding efforts and capabilities. Peacekeeping works; more peacekeeping works better. This is especially true when the priority is protection of civilians, women, peace and security. Third, addressing the gravest crisis of our time: Gaza. To give peace a chance, that means deploying the International Stabilisation Force (the UN-mandated multinational peacekeeping force outlined in the Gaza peace plan). It must be given every authority and capability necessary to protect civilians, protect Israel from Hamas, and facilitate the extension of legitimate government under the auspices of the Palestinian Authority as a pathway towards Palestinian statehood. World peace is possible because peace and war are human institutions, not forces of nature. Even the most deeply ingrained institutions can be reformed. The abolition of slavery was considered impossible until it was achieved. Yet to say world peace is possible is not to say that it is likely, much less that it is inevitable. But it is something worth studying and striving for. After all, peace is built in the striving.

(The writer is a Professor of Peace and Conflict Studies at The University of Queensland, Australia)

Confusion reigns in Venezuela as Trump claims talks with Maduro's Deputy

As Maduro is seized, uncertainty deepens over succession and sovereignty

CARACAS

VENEZUELANS on Saturday scrambled to understand who was in charge of their country after the US military captured President Nicolás Maduro, ousting the strongman who had outlasted a botched coup attempt, several army mutinies, mass protests and economic sanctions in the vast nation of 29 million.

"What will happen tomorrow?" asked Juan Pablo Petrone, a resident of Venezuela's capital of Caracas. As fear gripped the city, streets quickly emptied save for long lines snaking from supermarkets and gas stations. "What will happen in the next hour?" President Donald Trump offered a shocking answer: The United States would take control of Venezuela, perhaps in coordination with one of Maduro's most trusted aides. Delcy Rodríguez, who is next in the presidential line of succession, served as Maduro's vice president since 2018, overseeing much of Venezuela's oil-dependent economy as well as its feared intelligence service. On Saturday, Venezuela's high court ordered her to assume the role of interim president. "She's essentially willing to do what we think is necessary to make Venezuela great again," Trump told reporters of Rodríguez, who faced US sanctions during Trump's first administration for her role in undermining Venezuelan democracy. In a major snub, Trump said opposition leader Maria Corina Machado, who was awarded last year's Nobel Peace Prize, didn't have the support to run the country. Trump said Rodríguez had a long conversation with US Secretary of State Marco Rubio in which Trump claimed she said, "We'll do whatever you need.'" "I think she was quite gracious," Trump added. "We can't take a chance that somebody else takes over Venezuela that doesn't have the good of the Venezuelan people in mind."

Senior officials remain in place

Venezuelan officials appeared to have survived the military operation and held onto their jobs, at least for now. There was no immediate sign that the US was running Venezuela. Rodríguez tried to project strength and unity among the ruling party's many factions, downplaying any hint of betrayal. In remarks on state television before the court decision, she demanded the immediate release of Maduro and his wife, Cilia Flores, and denounced the US operation as a flagrant violation of the United Nations charter. "There is only one president in this country, and his name is Nicolás Maduro," Rodríguez said, surrounded by top civilian officials and military commanders. Seeking to assuage the jittery public, Venezuelan military officials struck a defiant tone in video messages, lashing out at Trump and vowing to stand up to US pressure. "They have attacked us but will not break us," said Defence Minister Gen Vladimir Padrino López, dressed in fatigues. Interior Minister Diosdado Cabello, among Maduro's top enforcers, urged Venezuelans to "get out on the streets" to defend the country's sovereignty. "These rats attacked and they will regret what they did," he said of the US Some Venezuelans heeded his call, rallying in support of the government and burning American flags in scattered gatherings across Caracas on Saturday. But most people stayed inside out of fear. "What's happening is unprecedented," said Yanire Lucas, another Caracas resident, picking up pieces of glass from an explosion at a nearby military base that blew out the windows of her house. "We're still on edge, and now we're unsure what to do."

No sign of a political transition

Trump indicated that Rodríguez had been sworn in already as president of Venezuela, per the transfer of power outlined in the constitution. But state TV did not broadcast any swearing-in ceremony. During Rodríguez's televised speech, a ticker at the bottom of the screen identified her as the vice president. She gave no sign that she would be cooperating with the US, and did not immediately respond to a request for comment. "What is being done to Venezuela is an atrocity that violates international law," she said in her address. "History and justice will make the extremists who promoted this armed aggression pay."