

Snuff it out

Sale of nicotine pouches should be banned

In a laudable move, the Centre recently instructed State governments to crack the whip on the sale of nicotine pouches. The initiative follows a series of warnings, starting with the World Health Organization’s May 2026 report. The health body highlighted the rapid proliferation of these products among youth, thanks to deceptive marketing.



It has urged governments to protect gullible users from manipulative campaigns as these products are engineered for addiction. A joint study by the ICMR and National Institute of Cancer Prevention and Research cited nicotine pouches as a public health concern, noting they reach consumers aged 18-40 via e-commerce platforms, hookah shops and gig delivery services. The Drugs Technical Advisory Board has also urged the government not to approve such nicotine formulations. These pouches have so far ducked strict regulatory action because they do not conveniently fall under laws that govern the sale of medicines, cigarettes or food. In contrast, for example, nicotine gums and transdermal patches used in the treatment of nicotine addiction, are regulated under the Drugs Act. The tobacco-free pouches also bypass the Cigarettes and Other Tobacco Products Act, 2003 (COTPA), which regulates only cigarettes and other tobacco products. Further, the Prohibition of Electronic Cigarettes Act prohibits only vaping devices.

This regulatory grey area will hopefully be resolved as the government has clarified that the sale of nicotine pouches is unapproved and illegal. Indeed, nicotine exposure during adolescence impairs brain development, attentiveness and learning, amplifying the likelihood of long-term dependence. Research has also shown that nicotine triggers adrenaline surges and irregular heartbeats, narrows blood vessels, causes endothelial dysfunction, spurs platelet aggregation and is a major cause of atherosclerosis. In a recent impasse between the Adani Group’s Mumbai airport duty-free operations and the government over imported pouch brands — such as Philip Morris’s Zyn and Sweden’s White Fox — the defendants contended in court that international departure area shops operate ‘beyond the customs frontiers of India’ and outside domestic jurisdiction. Yet, local law enforcement would retain jurisdiction over a criminal offence in these zones. Fiscal exemptions cannot be taken to mean that regulatory immunity applies as well.

It is the responsibility of both the Centre and State governments to swiftly bring to an end nicotine pouch sales. Tobacco firms view these pouches as a lucrative frontier beyond cigarettes. Tobacco major BAT predicts industry pouch revenue will reach \$15 billion by 2030, almost trebling from 2025. Meanwhile, Philip Morris reported that its US pouch business yielded eight times the gross profit per thousand units of its international cigarette business in 2024. With private estimates valuing India pouch sales at about \$550 million, the government must step in to snuff out this business.

POCKET

RAVIKANTH



The deposit debate’s blind spot

A NEW ORDER. The question should change from ‘are deposits growing fast?’ to ‘what kind of deposits are banks getting?’



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India’s banking debate has increasingly narrowed to a single number: the credit-to-deposit (CD) ratio. But that number tells only a part of the story. CD ratio rose from 68.6 per cent in September 2021 to 82.2 per cent in March 2026, and has been read as evidence that banks have lent too much while failing to mobilise enough deposits.

The warning is simple: credit has run ahead of savings, and banks may hit a funding constraint. But that diagnosis does not fit the rest of the evidence. The banking system is healthier than it has been in years, with gross bad loans at 1.8 per cent, capital adequacy at 17.7 per cent and liquidity coverage well above the regulatory floor.

The CD gap also looks less alarming in rupees than in growth rates. For instance, Rangarajan and Sambamurthy (*businessline*, August 19) noted the annual difference between credit and deposit accretion has mostly been modest, around ₹1-3 lakh crore in years when credit exceeded deposits, barely 1-1.5 per cent of the deposit base.

And when large foreign currency inflows recently swelled banking liquidity, the RBI drained nearly 60 per cent of the surplus within weeks. A system truly running out of funding does not usually coexist with liquidity absorption on this scale.

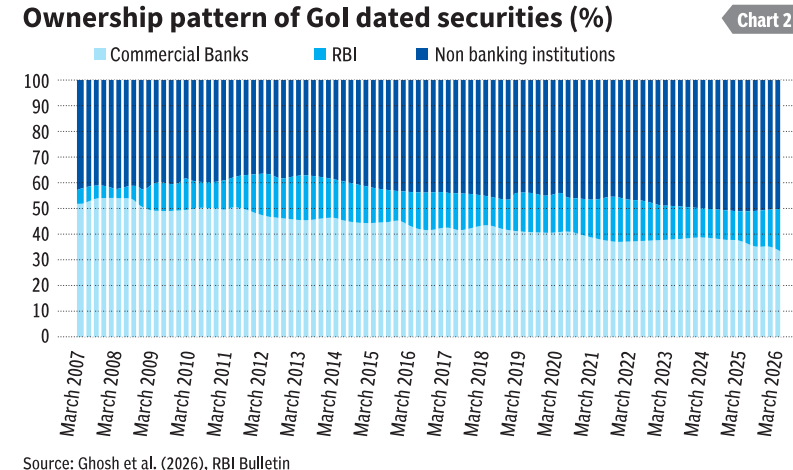
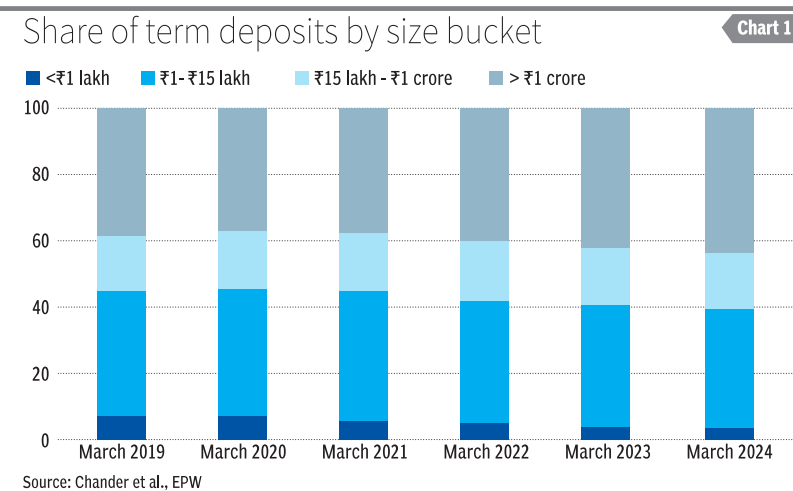
SAVINGS IN DIFFERENT FORM

The issue, therefore, is not that India has run out of savings. It is that banks are receiving savings in a different form. The old funding model relied on stable, granular, low-cost household deposits. The new one increasingly depends on money that reaches banks indirectly, in larger blocks, and with higher run-off risk.

That raises the marginal cost of funds and weakens the monetary transmission even when headline deposits look adequate. The RBI’s latest rate hike to 5.50 per cent only sharpens this point: in a tightening cycle, the question is not whether deposits exist, but how quickly their cost reprices.

QUALITY GAP

The simplest way to see the change is to stop asking whether deposits are growing and ask what kind of deposits they are. A household fixed deposit and a mutual fund’s bank balance are both



deposits. But they are not the same liability for a bank. One is sticky and predictable. The other is larger, more mobile, and reprices faster when returns change. In technical terms, the deposit beta rises, and funding volatility rises with it.

Chart 1 captures the shift. Deposits above ₹1 crore rose from 37 per cent of the total deposits in March 2020 to 44 per cent in March 2024. This does not mean households stopped saving. It means savings are returning to banks increasingly through institutional balance sheets.

The issue is whether a bank-led credit system can remain stable and cheap when its funding base shifts from sticky household money towards bulk, market-intermediated, and sometimes externally sourced deposits

This ownership shift is why the claim that stock markets are “draining deposits” is incomplete. At the system level, money does not vanish. It changes ownership. It moves into market products and returns as bulk deposits, which behave differently from retail money. The friction is not the existence of savings. It is the stability and pricing of bank liabilities.

This is the first break in the old model: savings are becoming market-led, while credit remains bank-led. The second break comes through the government’s borrowing programme. Government borrowing does not create deposits when bonds are issued. Deposits return only when the government spends through salaries, transfers, subsidies, or contractor payments.

Fiscal cash management is, therefore, not just a treasury operation. It is a monetary variable. That would matter in any banking system, but it matters more today because the buyers of government securities have changed.

Chart 2 shows the shift. Non-bank institutions have overtaken commercial banks as the largest holders of

BRICS needs to address CBAM consequences

A common framework for carbon accounting and cap-and-trade norms can make a difference

Sangeeta Godbole

The BRICS climate agenda on unilateral trade and climate measures must develop credible cooperative alternatives in areas such as carbon accounting, where the need is urgent. Trade and climate policy are deeply intertwined and directly affect the industry in BRICS countries. On a closer look at the climate-related paragraphs, the 2026 Declaration shows substantial repetition of texts of BRICS Rio Summit Declaration 2025, alongside the disappearance of some of the key elements of the previous year’s agenda, such as carbon accounting.

The climate section, particularly paragraphs 107-112, restates familiar positions on the UNFCCC, Paris Agreement, CBDR-RC, climate finance, unilateral climate measures, biodiversity and forests. Since BRICS issues a leaders’ declaration every year, repeating them at length risks lesser focus on action points.

Unilateral climate-related trade measures (para 108), however, could have done with more emphasis. The parallel para 88 of the 2025 Rio Summit declaration explicitly identified “deforestation regulation, due diligence requirements, taxes and other

measures” as unilateral and discriminatory measures of concern. It opposed protectionist measures that deliberately disrupt global supply and production chains and distort competition.

However, paragraph 110 brings in fresh perspectives and agendas. The Declaration welcomes knowledge-sharing through a ‘high-level dialogue on people-centric community-based adaptation approaches’, and a dialogue on aligning carbon markets with adaptation goals. More significantly, paragraph 110 recognises traditional knowledge systems, indigenous and local practices, local innovation and community experience, and welcomes the BRICS principles for advancing climate resilience through people-centric and community-based adaptation based on traditional knowledge.

Several BRICS members possess deep reservoirs of traditional knowledge and living community practices. With adaptation becoming increasingly urgent and critical in the fight against climate change, this approach connects climate adaptation to knowledge and practices that already exist within developing societies. The EU’s deforestation regulation is due to apply from December 30 to large and medium



EMISSIONS. Need global cooperation for its reduction

operators, with later application to smaller operators. The EU’s Corporate Sustainability Due Diligence Directive, following its 2026 simplification, is scheduled to apply from July 2029, with reporting requirements and remedial action reaching deep into value chains.

SUBSTANTIAL DEMANDS

For BRICS and partner countries, these measures will create substantial demands for traceability, documentation, data, verification and supply-chain due diligence if firms are to retain access to the European market. Their omission from the 2026 Declaration ignores precisely the trade measures that are likely to become increasingly consequential. BRICS must

raise these yet-to-be operationalised measures in COP 31 to assess them from a climate perspective. Carbon accounting, missing entirely from the 2026 Declaration, lies at the heart of the emerging trade climate problem. The 2025 Rio Declaration encouraged mutually recognised methodologies and standards for assessing greenhouse gas emissions, and welcomed the BRICS principles for fair, inclusive and transparent carbon accounting in product and facility footprints.

Different jurisdictions are developing different methodologies for determining embodied emissions. The result can be a fragmented carbon accounting landscape, in which the same product carries different carbon values depending on the importing market. For developing countries pursuing rapid industrialisation, this is particularly problematic.

A common methodology that can mutually recognise and establish equivalences in carbon pricing, while respecting the Paris Agreement pillars, will create a strong tool for global cooperation in emissions reduction effort.

The writer is former IRS. She researches and teaches the intersection of trade and environment. Views are personal

LETTERS TO EDITOR

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RBI’s latest rate hike

This refers to the editorial ‘The Hike and After’ (Oct 8). As a warrior against inflation, the RBI has hiked the repo rate by 25 basis points and changed its policy stance to calibrated tightening. Rising oil prices, a supply-side concern, continue to push inflation upward, for which a rate hike alone cannot be a sufficient solution to tame inflation. There can be a trade-off between controlling inflation and sustaining GDP growth. If inflation is to be tamed and brought within a tolerable range, some moderation in GDP growth may have to be

accepted, particularly when monetary tightening is used aggressively to contain price pressures. The rate hike will further increase India’s 10-year bond yields, thereby narrowing the yield spread between Indian and US 10-year bonds. The more the yield spread narrows, the higher the chances of foreign investors reducing their exposure to Indian bonds. This will also have a spiralling effect on the Indian equity market as foreign investors may shift their funds towards US assets.

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Mis-selling a burden

This is with reference to the article ‘Tackling Mis-selling Malaise in Insurance’, (Oct8). The suggestion to ask insurers to contribute 2 bps of annual gross premium, in addition to the PEPF created by the IRDAI for policyholder awareness and education, is a practical one. Mis-selling undermines the very purpose of insurance. While insurance is meant for the financial protection and security of the policyholder, mis-selling subverts the process and becomes a long-term burden on the policyholder, or often leads to discontinuation of the

policy. The problem is partly rooted in the incentive structure governing insurance distribution, particularly commission and other sales-linked remuneration. Mis-selling by agents or other intermediaries should be penalised.

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A coordinated approach

This refers to ‘Modest Rate Hike Cycle Commences’ (Oct8). The RBI’s cautious rate hike is understandable as inflation risks have resurfaced amid weak monsoon conditions and higher crude oil prices. However,

repeated rate increases could affect household budgets, borrowing costs and private investment. The Reserve Bank should proceed gradually, guided by actual inflation trends, rather than temporary shocks. Better liquidity management can also prevent excessive tightening of credit conditions. The government should address food supply constraints, strengthen storage and distribution systems and monitor fuel prices. A coordinated approach can contain inflation while preserving economic growth.

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