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Reform Is a Relay, Not a Race

Seventy-nine-fold growth came from passing the baton. As Samvat 2083 dawns, India needs equanimity, not myopia

by Ram Kumar Kakani*

The Ramayana tells of King Sagara, whose sixty thousand sons were reduced to ashes before the sage Kapila. Only the waters of the celestial Ganga could redeem them. His grandson Anshuman spent a lifetime in penance without success; so, did Anshuman's son Dilipa. It was Dilipa's son, Bhagiratha, who finally brought the river down to earth. We still call any heroic effort a "*Bhagiratha prayatna*". We rarely remember that it took four generations, and that the last runner succeeded because the first three never abandoned the route.

Indian markets enter Samvat 2083 on 8th November in a sombre mood. Foreign portfolio investors have pulled a record ₹3 trillion and more out of Indian equities this year, and the Sensex is down about 15 per cent. It is a good moment to recall the 36-year view, which is itself a Bhagiratha story. As investor Ajit Dayal of Quantum has observed, no single government can claim it.

India's capital markets, 1990 and 2026

	1990	2026	Change
Market capitalisation	$60 bn	$4 tn+	~70x
GDP	$350 bn	~$4.2 tn	~12x
Sensex (in ₹)	~1,000	~79,000	~74x (12.6% a year)
Rupee per US dollar	~17.5	~95	Rupee lost ~80%
Sensex (in US$ terms)	—	—	~14x (7.5% a year)
S&P 500 (US$, comparing)	~360	~7,400	~21x (8.7% a year)

Approximate figures; indices from July 1990 to 5 November 2026. Sensex and S&P 500 are price indices, excluding dividends. Market capitalisation also grows through new listings.

Reform was not the only engine. Global liquidity, the IT-services boom, a young population and rising household savings all helped. But tailwinds lift only those who have raised their sails, and it was reform that raised them.

The baton passed

Every big market reform ran across governments. SEBI received statutory powers in 1992; T+1 settlement arrived in 2023. GST took 17 years, from a states' committee in 2000 to launch in 2017. PSU listings ran from the first stake sales of 1991 to the LIC IPO of 2022. NPCI was set up in 2008; by 2023 UPI was handling over 10 billion transactions a month. The labour codes, urged by the Second National Commission on Labour in 2002, came into force in November 2025. Congress-led, BJP-led and United Front governments each ran a leg; the last gave India the "dream budget" of 1997.

Parties that questioned a reform in opposition often championed it in office. Where the baton passed cleanly, even with some tinkering along the way, progress followed. Where it was dropped *or* the route kept changing, as with the retrospective tax amendment of 2012, which took nine years and two governments to undo, investors paid and progress slowed. Continuity of direction matters more than who carries the baton.

From paper to phone

The quieter revolution was in who participates. Dematerialisation, Aadhaar-based e-KYC and UPI drew first-time investors from tier-2 and tier-3 towns into markets once dominated by a few metros. Monthly SIP contributions reached a record ₹32,490 crore in September 2026. In FY26, SEBI's annual report shows, domestic institutions invested a record ₹8.5 lakh crore, more than offsetting foreign selling. By

June 2026 they owned 19.5 per cent of NSE-listed companies, against 15.1 per cent for foreign investors, whose share is at a 17-year low. That structural bid is why this year's foreign exodus has bent the market rather than broken it. In the 1990s, India was far more at the mercy of foreign flows.

Albert Hirschman's "*The Passions and the Interests*" classical work recalls the old hope that commerce would create a broad class with a stake in peace and in stable government. India's ten crore SIP accounts are that class in the making.

Whose myopia?

The Sammodamana Jataka tells of quails that kept escaping a fowler's net by lifting it together and flying away. One day a quail landing clumsily trod on another's head. Words flew: you are not lifting your share; nor are you. While they argued over who bore the burden, the fowler bundled them all into his basket.

It is tempting to call departing foreign investors myopic. They are not; they are doing arithmetic. Over 36 years the Sensex has returned about 7.5 per cent a year in dollars, below the S&P 500's 8.8 per cent. US Treasuries now yield above 5 per cent, and the AI trade is pulling money towards the US, Taiwan and Korea. If India's nominal GDP grows about 10 per cent a year, the rupee depreciates 2.5 to 3 per cent a year and markets broadly track nominal growth, dollar investors would earn only 6.5 to 7 per cent. Capital that leaves for better returns is not short-sighted.

The myopia, if any, is ours. It shows in credit wars over who finished which reform, and in stalling a predecessor's work because it was a predecessor's. It shows in knee-jerk changes to taxes and rules to woo or punish capital each time flows turn. And it shows in public despair over one bad Samvat after 36 good years. Each is a failure of *samatvam*, the *samabhava* or equanimity that the Gita calls yoga itself, steady in success and failure alike (2.48). The same text reminds us that our right is to the work, never to its fruits (2.47). Reformers fixated on credit and commentators fixated on this quarter both lose sight of the work.

The unfinished legs

Equanimity is not complacency. Winning back patient capital needs specific next legs. First, a reform continuity rule: any change to capital-markets taxation, including long-term capital gains, should be announced at least a year ahead and should grandfather existing holdings, so that no investor is ambushed by a Budget speech. Second, predictable FDI rules and deeper corporate bond markets, giving long-term global money more than one reason to stay. Third, regulators and courts with the capacity to supervise markets that are now far larger and far more retail, from faster insolvency resolution to sharper surveillance.

The true test is whether deeper markets translate into wider participation and shared prosperity, not merely higher indices. SEBI's own finding that nine in ten individual F&O traders lose money is a reminder that participation without protection is not inclusion.

Hold the baton, hold the balance

The most heartening fact in this story is that policies protecting the collective investor have seldom been reversed, whatever the regime. SEBI's powers, dematerialisation, faster settlement and investor-protection norms have been strengthened from one government to the next. That institutional trust, built across administrations, is India's real achievement.

Bhagiratha is remembered for bringing down the Ganga, but the river reached the plains because his forebears never let the effort lapse. As Samvat 2083 begins, India's next leg of reform needs the same spirit: steady hands, a shared route, and the *samabhava* to look past this year's market and this term's credit. **In a relay, no runner wins alone, and no team wins if the baton is dropped.**

[*] *Vice-Chancellor of RV University and author of books on 'Corporate Finance'. Views are personal.*

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