

Editorial of the Day – 18.03.2026**Index**

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1. A bit of a blur over India's new carbon credit plan (TH)

General Studies Paper- GS III (Economy, Environment, and Science & Technology)

Topic- Conservation, environmental pollution and degradation; Infrastructure- Energy; Changes in industrial policy and their effects on industrial growth.

Sub-Topic- Carbon Credit Markets, CCUS Technology, Net Zero 2070, and Climate-Resilient Agriculture.

1. Introduction

The Union Budget 2026 earmarks ₹20,000 crore for a massive "Carbon Credit Programme." However, the policy has encountered a "clarity crisis." On one hand, the official roadmap focuses on high-tech Industrial Carbon Capture, Utilisation, and Storage (CCUS) for heavy industries. On the other, a powerful media narrative has emerged portraying the fund as a new income stream for Indian farmers through carbon farming. This mismatch highlights the need for a precise policy vocabulary as India builds its domestic carbon market.

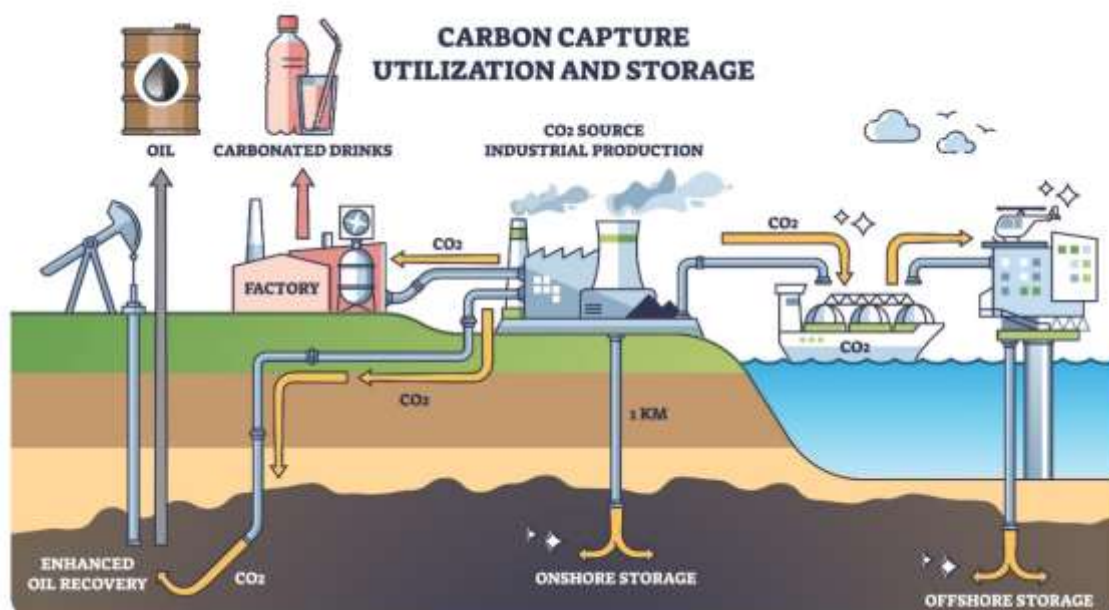
2. The Industrial Core- CCUS Focus (Actual Intent)

The primary objective of the ₹20,000 crore allocation is the decarbonization of the "hard-to-abate" industrial sectors.

Scientific Basis- The programme is rooted in the Department of Science & Technology's (DST) "R&D Roadmap for CCUS" released in December 2025.

Target Sectors- It specifically focuses on point-source emitters-

1. Power & Steel- High-volume coal usage.
2. Cement & Refineries- Process-related CO₂ emissions.
3. Chemicals- Industrial byproduct management.



The Mechanism- Capturing CO₂ directly from smokestacks before it enters the atmosphere, then either utilizing it in industrial processes or storing it deep underground in geological formations.

3. Why Agriculture is Technically Excluded from CCUS

There is a fundamental scientific reason why the Budget's CCUS-focused fund does not currently apply to the agricultural sector-

Point Source vs. Diffuse- CCUS technology requires a concentrated "point source" (like a chimney).

Agricultural emissions (Methane from livestock/paddy and Nitrous Oxide from fertilizers) are diffuse and biological, making them physically impossible to "capture" using industrial filters.

Prevention vs. Removal- * CCUS- Prevents emissions from *entering* the atmosphere (Industrial).

1. CDR (Carbon Dioxide Removal)- Removes existing CO₂ *from* the atmosphere (Agricultural/Forestry).

The Policy Line- The ₹20,000 crore is intended for *prevention* (Industry), while agriculture currently falls under voluntary *removal* markets.

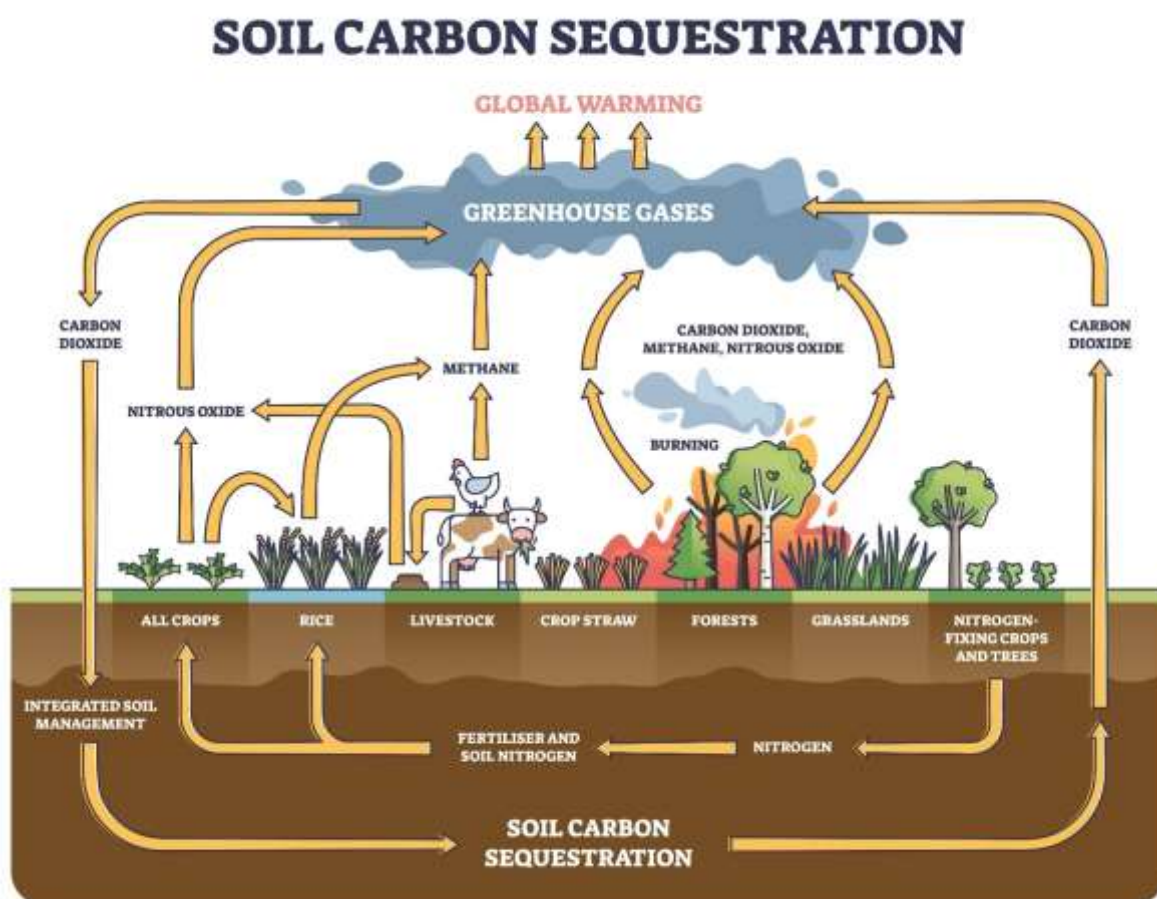
4. The "Farmer Carbon Credit" Narrative (Counter View)

Despite the technical focus on industry, a parallel discourse has gained momentum, suggesting farmers are the primary beneficiaries.

Income Opportunities- Media and public narratives suggest farmers can earn "carbon checks" by adopting Regenerative Agriculture.

Key Practices-

1. Soil Carbon Sequestration- Improving soil health to trap carbon.
2. Agroforestry- Planting trees on farm boundaries.
3. Biochar- Using thermal decomposition of organic material to lock carbon in the soil.





Farms as Sinks- This view treats the 140 million+ hectares of Indian farmland as a massive "carbon sink" rather than an emission source.

5. Root Causes of the Policy Confusion

The "blur" is a result of overlapping concepts and broad terminology-

Feature	Industrial Carbon Credits (Actual Goal)	Agricultural Carbon Credits (Public View)
Technology	CCUS (High-cost, engineering-heavy)	Nature-based (Soil health, planting)
Source	Smokestacks (Point source)	Soil/Biomass (Diffuse source)
Funding	₹20,000 crore Budget Allocation	Voluntary Carbon Markets (Private buyers)
Primary Goal	Industrial Decarbonization	Farmer Income & Climate Resilience

Broad Terminology- By using the generic phrase "Carbon Credit Programme," the Budget inadvertently invited a "catch-all" interpretation.

Private Precedence- Several private startups in India are already paying farmers for carbon credits, leading the public to believe the government fund is a scaling-up of these private ventures.

6. Way Forward- A Dual-Front Strategy

To clear the blur, the government must adopt a transparent, two-pronged strategy that recognizes both the "Smokestack" and the "Soil."

Clarify and Distinguish- Explicitly separate the Industrial CCUS Fund from any upcoming Agricultural Carbon Framework.

Develop a Sovereign "Carbon Farming" Policy- Agriculture needs its own distinct funding and institutional framework (potentially under the Ministry of Agriculture) to standardize soil-carbon measurement.

Digital Integration- Use the Agri stack (digital farm records) to verify agricultural credits, ensuring they are high-integrity and trust-based for the global market.

Science-Policy Communication- Bridging the gap between technical DST roadmaps and public messaging to manage stakeholder expectations.

7. Conclusion

The ₹20,000 crore allocation is a vital investment in India's industrial future, specifically targeting sectors that are hardest to clean up. However, the excitement surrounding farmer-based credits indicates a massive, untapped appetite for a Nature-Based Solutions (NBS) framework. Moving forward, India should not choose between industry and agriculture; it should build dedicated, high-integrity frameworks for both, ensuring the industrial sector captures its waste while the agricultural sector is rewarded for its healing power.

Source- <https://www.thehindu.com/opinion/op-ed/a-bit-of-a-blur-over-indias-new-carbon-credit-plan/article70754773.ece>

Question

"The ₹20,000 crore carbon credit programme announced in the Union Budget 2026 is a significant attempt to balance industrial decarbonization with climate goals. Critically analyze the strategic intent of this allocation and discuss the implications of the existing 'policy blur' between industrial and agricultural carbon credits." (250 Words, 15 Marks)

1. Introduction

In a major push toward achieving Net Zero by 2070, the Union Budget 2026 allocated ₹20,000 crore for a carbon credit programme. While the financial scale is historic, a "clarity crisis" has emerged regarding whether the funds target high-tech industrial Carbon Capture, Utilisation, and Storage (CCUS) or nature-based agricultural carbon credits.

2. Strategic Intent- The "Smokestack" Focus

The official roadmap for this fund is rooted in the Department of Science & Technology's (DST) CCUS Roadmap (2025).



Hard-to-Abate Sectors- The primary intent is to provide financial and technical support to sectors like Steel, Cement, Refineries, and Chemicals, which are point-source emitters where electrification is not yet feasible.

Preventive Technology- By investing in CCUS, the government aims to prevent CO₂ from entering the atmosphere, ensuring that India's core industrial growth does not derail its climate commitments.

Industrial Competitiveness- Building a robust domestic carbon market for industry ensures that Indian exports remain competitive in a world increasingly adopting "carbon border taxes" (like the EU's CBAM).

3. The "Policy Blur" and Agricultural Expectations

A parallel narrative has suggested that this fund would directly benefit farmers through carbon farming. This "blur" stems from a mixing of two distinct scientific concepts-

CCUS vs. CDR- CCUS (Industry) prevents new emissions, whereas Carbon Dioxide Removal (CDR) (Agriculture/Forestry) removes existing CO₂ from the air. The budget currently prioritizes the former, yet public messaging has leaned toward the latter.

Diffuse Emissions- Technically, agricultural emissions are diffuse and biological, making them unsuitable for the industrial point-source capture technologies funded by the ₹20,000 crore.

Market Fragmentation- The confusion risks creating a "trust deficit" in the voluntary carbon market, where private startups are already engaging farmers. Without a clear distinction, farmers may expect direct government payouts that the current industrial-focused fund is not designed to provide.

4. Implications for Climate Policy

Communication Gap- The lack of precision in policy terminology ("carbon credit programme") can lead to misaligned investments and stakeholder disappointment.

Opportunity Cost- While the industrial focus is essential for Net Zero, ignoring a formal, state-backed Agricultural Carbon Framework misses an opportunity to incentivize soil health and create new income streams for 140 million+ farm households.

5. Conclusion

The ₹20,000 crore allocation is a vital investment in India's industrial future. However, to ensure maximum climate impact, the government must adopt a dual-front strategy. This involves explicitly separating the Industrial CCUS Fund from a dedicated Agricultural Carbon Policy. By clarifying the "smokestack" vs. "soil" distinction, India can successfully capture industrial waste while simultaneously rewarding its agricultural sector for restorative climate action.

Source- <https://www.thehindu.com/opinion/op-ed/a-bit-of-a-blur-over-indias-new-carbon-credit-plan/article70754773.ece>

2. India's GDP debate- Right questions, wrong numbers (IE)

General Studies Paper- GS III (Indian Economy)

Topic- Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Sub-Topic- National Income Accounting, GDP Calculation Methodology, Inflation (WPI vs. CPI), and the Informal Sector.

1. Introduction

In early 2026, the discourse on India's economic growth was invigorated by a working paper questioning potential overestimation. In response, the government revised its GDP methodology in February 2026, aiming to refine data sources and estimation techniques. This debate is not merely academic; it highlights the friction between traditional statistical models and a rapidly formalizing, service-driven economy.



2. GDP Estimation- Concept and Importance

Measurement Metrics- GDP is calculated primarily through Gross Value Added (GVA) across agriculture, industry, and services. The standard formula used is-

$$\text{GDP} = \text{GVA} + (\{ \text{Product Taxes} \} - \{ \text{Product Subsidies} \})$$

Policy Significance- High-quality GDP data is the bedrock for fiscal policy, central bank monetary decisions (like inflation targeting), and budget allocations for welfare.

Global Compliance- India adheres to the UN System of National Accounts (SNA), ensuring that its data remains globally comparable.

Inherent Limitations- Standard GDP metrics struggle to account for the informal sector, environmental degradation costs, and wealth inequality.

3. The Deflator Debate- WPI vs. CPI

A core technical dispute centres on the "deflator"—the tool used to convert Nominal GDP into Real GDP by removing the effects of inflation.

Feature	Wholesale Price Index (WPI)	Consumer Price Index (CPI)
Current Use	Used as a proxy for the Producer Price Index (PPI).	Preferred by some critics for reflecting cost of living.
Logic	Aligns with global norms for measuring production value.	Reflects consumption patterns, not industrial output.
Sector Fit	Accurately captures bulk goods like steel, cement, and chemicals.	Does not include many industrial goods in its basket.

Key takeaway- While critics argue for CPI, WPI-type indices are often more technically appropriate for GVA, which focuses on production rather than household consumption.

4. Informal Sector Measurement Challenges

Scale of Informality- Historically, the informal sector provides 80–85% of employment, making its omission or miscalculation a significant statistical risk.

The "Proxy" Problem- Due to a lack of real-time data, statisticians often rely on formal sector performance as a proxy for the informal sector, which can be misleading if the two sectors diverge.

Recent Breakthroughs- The integration of the Periodic Labour Force Survey (PLFS) and unincorporated sector surveys has finally begun to fill these data gaps.

Methodological Critique- Some economists claim that current estimates ignore segments like construction and housing, potentially undercounting informal output.

5. Formalization of the Indian Economy

Policy Catalysts- Structural reforms—such as GST, corporate tax overhauls, and the push for digital payments—have pushed previously "shadow" activities into the light.

Turnover vs. Firm Count- Evidence from the 2017–18 Economic Survey suggested that while informal firms are numerous, 80% of economic turnover is already within the formal net.

Digital Expansion- The rise of Fintech, IT services, and Global Capability Centres (GCCs) has created vast value that traditional manufacturing-based indicators often miss.

6. Use of Administrative and Corporate Data

MCA-21 Database- Real-time corporate filings provide a comprehensive view of firm performance, significantly reducing the "lag" associated with older surveys.

Survey vs. Data- Unlike the Annual Survey of Industries (ASI), which suffers from sampling errors, administrative data captures actual financial reports.

The "Value Added" Distinction- Critics caution that corporate sales measure turnover, not value added, necessitating complex adjustments to avoid inflating growth figures.

7. Structural Transformation- Why Traditional Proxies Falter



Services Dominance– With services now accounting for over 50–55% of GDP, old barometers like railway freight or steel consumption are no longer perfect mirrors of growth.

Alternative Financing– The explosion of NBFCs and Fintech lending means that "Bank Credit" growth—a classic GDP proxy—now tells only half the story.

Weak Correlation ≠ Mismeasurement– The decoupling of GDP from traditional industrial indicators often reflects a maturing economy rather than flawed math.

8. The 2026 Methodology Revision

New Base Year– The update to the 2022–23 base year integrates the most recent post-pandemic economic structure.

Data Consolidation– Greater reliance on GSTN records and digital footprints has refined the precision of the National Accounts.

Institutional Credibility– The 2026 revisions showed only moderate adjustments, contradicting claims of massive overestimation and suggesting that previous models were largely robust.

9. Conclusion

The GDP debate signifies a healthy evolution in India's statistical journey. While the 2026 revision has addressed several concerns, the long-term goal remains the development of a standalone Producer Price Index (PPI) and even deeper coverage of the unincorporated sector.

Source- <https://indianexpress.com/article/opinion/columns/indias-gdp-debate-right-questions-wrong-numbers-10587555/>

Question

"The 2026 revision of India's GDP methodology has ignited a debate on the accuracy of national accounts, particularly concerning the choice of deflators and the measurement of the informal sector. Critically analyze the structural and methodological challenges in capturing the true value of a rapidly formalizing and service-driven economy." (250 Words, 15 Marks)

1. Introduction

GDP serves as the primary economic compass for policy and investment. In February 2026, the government updated the base year to 2022–23 and integrated new administrative datasets to mirror India's structural shifts. However, critics argue that these changes might lead to an overestimation of growth, primarily due to the selection of inflation deflators and the continued "statistical invisibility" of the massive informal sector.

2. The Deflator Dilemma– Production vs. Consumption

To move from Nominal GDP to Real GDP, a "deflator" must be applied. The choice of this index is at the heart of the 2026 debate–

The Production Side (WPI)– India uses the Wholesale Price Index (WPI) as a proxy for the Producer Price Index (PPI). This aligns with international norms that suggest GDP should reflect what producers receive.

The Consumption Side (CPI)– Critics argue that using Consumer Price Index (CPI) would be more accurate. However, CPI reflects household consumption (food, rent) rather than industrial output (steel, cement, IT exports), which are better captured by WPI-type indices.

The "Value Added" Gap– If WPI is very low (due to cheap global commodity prices) while CPI is high, the resulting "real growth" can look artificially inflated, leading to the "overestimation" claim.

3. Measuring the Informal Sector through Proxies

India's informal sector (~80% of employment) presents a significant hurdle–

Dependence on Formal Proxies– Since real-time data for millions of small firms is unavailable, statisticians often assume the informal sector grows at the same rate as the formal sector.

The Divergence Risk– In a rapidly formalizing economy, the formal sector might thrive (due to GST, digital payments) while the informal sector struggles. Using the former as a proxy for the latter then results in an upward bias in GDP figures.



Recent Improvements- The 2026 revision has attempted to mitigate this by using the Periodic Labour Force Survey (PLFS) and unincorporated sector surveys to gather more "ground-level" data.

4. Formalization and the "New Economy"

The structural shift toward a service-driven, digital economy has rendered traditional proxies obsolete-

Services Sector Dominance- With services contributing over 55% to GVA, traditional indicators like railway freight or steel consumption no longer provide a complete picture of growth.

Administrative Data (MCA-21 & GSTN)- The move toward using MCA-21 (corporate filings) and GST records provides real-time, audited data, which is more reliable than periodic surveys, though critics worry about the exclusion of smaller, non-filing firms.

5. Conclusion

The 2026 GDP debate highlights the need for constant methodological refinement rather than a dismissal of existing data. While the use of WPI and MCA-21 remains technically defensible, the long-term solution lies in developing a dedicated Producer Price Index (PPI) and ensuring that the "informal sector" is measured through more frequent, direct surveys rather than mere formal-sector proxies.

Source- <https://indianexpress.com/article/opinion/columns/indias-gdp-debate-right-questions-wrong-numbers-10587555/>

3. Reform GST- India Should Fix Its Distortive Input Tax Credit Chain (BI)

General Studies Paper- General Studies Paper III – Indian Economy

Topic- Taxation reforms and fiscal policy

Sub-Topic- Manufacturing and export competitiveness

Introduction

The Goods and Services Tax (GST) was introduced to create a unified indirect tax system and ensure seamless flow of input tax credit (ITC). However, structural issues in the ITC chain have led to credit blockages, compliance burdens, and inefficiencies, affecting businesses and economic competitiveness. Reforming the GST framework is essential to restore credit neutrality and efficiency.

1. Concept of Input Tax Credit (ITC)

1. ITC allows businesses to offset taxes paid on inputs against taxes payable on outputs.
2. It ensures that taxation is levied only on value addition, avoiding cascading effects.
3. A seamless ITC chain is crucial for efficient taxation and cost reduction.

2. Issues in the Current ITC Framework

Breaks in Credit Chain

1. Restrictions and conditions disrupt the continuous flow of tax credit.

Compliance Burden

1. Complex documentation and verification requirements increase transaction costs.

Working Capital Constraints

1. Delays in credit availability lock up business funds, affecting liquidity.

Inverted Duty Structure

1. Higher taxes on inputs than outputs lead to accumulation of unutilised credits.

3. Impact on Economy and Industry

Higher Production Costs

1. Blocked credits increase cost of production for firms.

Reduced Competitiveness

1. Indian exports become less competitive in global markets due to higher costs.

Impact on MSMEs



1. Smaller firms face greater challenges due to limited financial capacity and compliance resources.

4. Structural Challenges in GST Design

1. Multiple tax rates create classification disputes and complexity.
2. Frequent policy changes increase uncertainty for businesses.
3. Limited coordination between central and state authorities affects implementation efficiency.

5. Measures for GST Reform

Ensuring Seamless ITC Flow

1. Remove unnecessary restrictions and simplify credit eligibility rules.

Simplification of Compliance

1. Streamline return filing and reduce documentation requirements.

Rationalisation of Tax Rates

1. Move towards a simplified and uniform tax structure.

Faster Refund Mechanisms

1. Ensure timely refunds to improve business liquidity and working capital.

6. Benefits of Reform

1. Reduction in cascading taxes and production costs.
2. Improved ease of doing business and investment climate.
3. Enhanced export competitiveness and manufacturing growth.
4. Strengthening of India's overall tax efficiency and economic productivity.

Conclusion

Reforming the GST framework, particularly the ITC chain, is essential to achieve the original objective of a simple, transparent, and efficient tax system. Addressing structural issues will enhance business confidence, improve competitiveness, and support India's long-term economic growth.

Source- <https://www.livemint.com/opinion/online-views/gst-reform-india-chain-of-input-tax-credit-economy-goods-and-services-its-exports-businesses-11773663297807.html>

UPSC Mains Practice Question

Q. The effectiveness of the Goods and Services Tax (GST) depends on a seamless input tax credit (ITC) chain. Examine the challenges in the current ITC system and suggest reforms to improve its efficiency. (250 words)

Model Answer

Introduction

The Goods and Services Tax (GST) aim to create a unified tax system by ensuring seamless flow of input tax credit (ITC). However, inefficiencies in the ITC chain have affected its effectiveness.

Challenges in ITC System

1. Breaks in Credit Flow

1. Restrictions disrupt the continuous chain of tax credits.

2. Compliance Burden

1. Complex procedures increase costs and administrative burden.

3. Working Capital Issues

1. Delays in refunds lock up business funds.

Reforms

1. Simplifying ITC Rules

1. Ensure seamless credit flow and reduce restrictions.

2. Streamlining Compliance



1. Simplify return filing and documentation.

3. Faster Refunds

1. Improve liquidity for businesses.

Conclusion

Strengthening the ITC mechanism is essential for improving GST efficiency. Reforms that ensure seamless credit flow and reduce compliance burden will enhance economic efficiency and competitiveness.

Source- <https://www.livemint.com/opinion/online-views/gst-reform-india-chain-of-input-tax-credit-economy-goods-and-services-itc-exports-businesses-11773663297807.html>

4. Moral Disengagement and the Impact of Power (TH)

General Studies Paper- General Studies Paper IV – Ethics, Integrity and Aptitude

Topic- Ethics in public and private institutions

Sub-Topic- Accountability and moral responsibility

Introduction

Ethical decision-making is central to responsible governance and public life. However, individuals and institutions often justify unethical actions through psychological mechanisms that reduce feelings of guilt. This phenomenon, known as moral disengagement, becomes particularly significant when exercised by those in positions of power, as it can normalise harmful actions and weaken accountability.

1. Concept of Moral Disengagement

1. Moral disengagement refers to cognitive processes that allow individuals to justify unethical behaviour.
2. It enables people to distance themselves from the consequences of their actions.
3. This leads to a weakening of moral standards and ethical accountability.

2. Mechanisms of Moral Disengagement

Moral Justification

1. Harmful actions are presented as serving a greater good or necessary objective.

Euphemistic Labelling

1. Use of mild or indirect language to downplay the severity of actions.

Diffusion of Responsibility

1. Responsibility is spread across groups, reducing individual accountability.

Dehumanisation

1. Victims are portrayed as less deserving, making harm easier to justify.

3. Role of Power in Ethical Dilution

1. Individuals in positions of power can influence narratives, policies, and public perception.
2. Power enables the normalisation of questionable actions through authority and control over communication.
3. Lack of accountability mechanisms may reinforce unethical decision-making.

4. Impact on Society and Governance

Erosion of Ethical Standards

1. Repeated justification of unethical actions weakens societal moral norms.

Distortion of Public Discourse

1. Media narratives and language can influence how events are perceived and interpreted.

Reduced Accountability

1. Institutional failures may occur when responsibility is unclear or diffused.



5. Importance of Ethical Communication

1. Language and framing play a crucial role in shaping public understanding and ethical judgment.
2. Transparent and accurate communication is necessary to ensure informed and responsible discourse.
3. Ethical media practices can help prevent misrepresentation and manipulation of narratives.

6. Measures to Address Moral Disengagement

Strengthening Accountability Mechanisms

1. Clear responsibility and oversight in governance and institutions.

Ethical Education and Awareness

1. Promoting values such as integrity, empathy, and responsibility.

Responsible Media Practices

1. Ensuring accurate and unbiased reporting.

Institutional Transparency

1. Encouraging openness to reduce misuse of power and manipulation.

Conclusion

Moral disengagement poses a significant challenge to ethical governance and public accountability, especially when combined with power. Strengthening ethical awareness, accountability mechanisms, and responsible communication is essential to ensure that decisions are guided by integrity, transparency, and respect for human values.

Source- <https://www.thehindu.com/news/moral-disengagement-and-the-impact-of-power/article70755445.ece>

UPSC Mains Practice Question

Q. Explain the concept of moral disengagement. How does it influence decision-making in positions of power? Suggest measures to ensure ethical accountability in governance. (250 words)

Model Answer

Introduction

Moral disengagement refers to psychological mechanisms that allow individuals to justify unethical actions by minimising their moral consequences. It plays a significant role in influencing decision-making, particularly among those in positions of power.

Influence on Decision-Making

1. Justification of Unethical Actions

1. Actions are framed as serving a greater good, reducing moral guilt.

2. Diffusion of Responsibility

1. Responsibility is shared among groups, weakening individual accountability.

3. Manipulation of Narratives

1. Language and communication are used to reshape public perception.

Measures to Ensure Ethical Accountability

1. Strong Institutional Oversight

1. Clear accountability mechanisms in governance.

2. Ethical Education

1. Promoting values such as integrity and responsibility.

3. Transparent Communication

1. Ensuring accurate and unbiased dissemination of information.

Conclusion

Addressing moral disengagement requires strengthening ethical frameworks and accountability systems. Ensuring transparency and responsibility in decision-making is essential for maintaining ethical governance and public trust.

Source- <https://www.thehindu.com/news/moral-disengagement-and-the-impact-of-power/article70755445.ece>

