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SUMMARY OF IMPORTANT EDITORIALS

2nd Mar 2026

TOPICS:-

- 1. Sixteenth Finance Commission - misses and concerns**
(GS Paper III - Economy)
- 2. Skill India as herculean challenges, Galgotian blunders**
(GS Paper III - Economy)
- 3. US, Israel kill Iran's leader, unleash new ghosts**
(GS Paper II - International Relations)

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1. SIXTEENTH FINANCE COMMISSION - MISSES AND CONCERNS

(GS Paper III - Economy)

This editorial ‘**Sixteenth Finance Commission - misses and concerns**’ was published in **The Hindu** on 2nd Mar 2026, highlights concerns over the **Sixteenth Finance Commission**’s handling of tax devolution, distribution criteria, and equalisation support to States.

Vertical transfers

- The **Sixteenth Finance Commission** retained States’ share at **41%**, after the earlier rise from 32% to 42% and the later cut linked to **Jammu and Kashmir** reorganisation.
- The Centre adjusted to lower fiscal space by raising **cesses and surcharges**, reducing support for centrally sponsored schemes, and resisting several **State-specific grants**.
- The Commission made no clear curb on non-shareable **cesses/surcharges**, though such levies should remain limited, time-bound, and purpose-specific.
- Its proposed **grand bargain** asked States to accept a lower share if the Centre merged much of these levies into divisible taxes.
- Though it flagged the rise in **cesses and surcharges** as unconstitutional in spirit, it still ended **revenue deficit grants** and avoided sector- and State-specific grants.
- Effective transfers were **27.0%**, **27.2%**, **28.3%** under the Eleventh to Thirteenth Commissions, rose to **35.6%** under the Fourteenth, and slipped to **34.4%** under the Fifteenth.
- For **2026-27**, the ratio is put at **32.7%**, but later projections may be overstated due to high nominal **GDP** assumptions and uncounted post-September 2025 **GST** revenue effects.

Horizontal formula

- The Commission introduced a new **contribution criterion** based on a State’s share in total **GSDP**.
- This treats production share as efficiency, though inter-State **GSDP** also reflects capital concentration and labour movement.

- In the **income distance** criterion, lower per-capita GSDP raises a State's share.
- In the **contribution** criterion, higher per-capita GSDP raises a State's share.
- The Commission used the square root of **GSDP**, not full GSDP, to moderate extreme gains.
- Weights of other criteria were also changed, but mainly on **judgemental** grounds.
- Dropping **tax effort/fiscal discipline** removed an efficiency criterion that did fit its own logic.

State impact and missing equalisation

- Major losers under the new scheme include **Madhya Pradesh, Uttar Pradesh, West Bengal, Bihar, Odisha, Chhattisgarh, and Rajasthan**.
- Other losing States include **Arunachal Pradesh, Meghalaya, Manipur, Nagaland, Tripura, Sikkim, and Goa**.
- Gains to richer States were not uniform, but losses for weaker States became more visible.
- Such losses could have been softened through norm-based **revenue gap grants**.
- **Devolution** alone cannot capture large inter-State differences in cost and need.
- **Article 275** already provides for transfers based on **State-specific needs**, not just revenue deficits.
- Equalisation-oriented grants could have supported service standards in **health and education** without abandoning performance concerns.

BEYOND EDITORIAL

Way Forward for Cooperative Fiscal Federalism

- **Broaden divisible pool:** The Centre should reduce **cesses and surcharges**, as the **GST Compensation Cess** itself was extended till **March 2026**, showing how long such non-shareable levies can persist.
- **Restore equalisation focus:** Transfers should better reflect **cost disabilities** and **development gaps**, as seen in hill and North-Eastern States that face structurally higher service-delivery costs.
- **Need-based grants framework:** A stronger **Article 275** route can support State needs, just as the **Fifteenth Finance Commission** recommended grants for health, school education, agriculture, judiciary, and aspirational districts.

- **Balance equity and efficiency:** Devolution should reward **fiscal effort** while protecting poorer States, much like earlier Commissions used tax effort or fiscal discipline as incentive criteria.
- **Objective formula design:** Formula changes should remain **norm-based**, since the **Fourteenth Finance Commission** shift from 32% to 42% was a clear, system-wide redesign rather than a patchwork adjustment.
- **Predictable transfer architecture:** States need stable **fiscal transfers**, because even the cut from 42% to 41% was explicitly tied to the creation of **Jammu and Kashmir** and **Ladakh** as Union Territories.
- **Institutionalised consultation:** Stronger **Centre-State dialogue** is vital in tax design, as the **GST Council** has repeatedly had to revisit compensation and cess decisions through formal consultation.

2. SKILL INDIA AS HERCULEAN CHALLENGES, GALGOTIAN BLUNDERS

(GS Paper III - Economy)

This editorial ‘**Skill India as herculean challenges, Galgotian blunders**’ was published in **The Hindu** on 2nd Mar 2026, highlights how weak **skill financing**, flawed **programme design** and poor **industry alignment** are undermining India’s demographic opportunity.

Scale of the challenge and policy failure

- India’s **demographic dividend** ends by **2040**, making large-scale skill creation a one-time opportunity.
- In many **EU** countries and **China**, nearly **50%** of secondary students enter vocational streams, while India’s share is only **1.3%**.
- Vocational education receives around **2%** of the education budget in most countries, but **China** spends 14% and **Germany** 11%.
- India’s fragmented training architecture across Ministries prevents clear public data and weakens coherent financing.
- Policy still reflects an attitudinal bias, seen in the **NEP 2020** phrase that by 2025 only 50% learners would be “exposed” to vocational education.
- India’s skill strategy relies on unstable **Budget** announcements, with schemes celebrated one year and neglected the next.

- The **FY 2026 internship scheme** showed this weakness, with only **5%** of allocated funds spent and ineffective design.

CAG findings and financing gaps

- The **CAG in 2025** audited **PMKVY 2015-22**, after earlier scrutiny of compliance and oversight problems in **2015**.
- Both audits flagged **financial impropriety**, delayed reporting, and weak accountability for disbursed funds.
- The 2025 audit found **94.5%** of bank accounts invalid and only about **41%** of short-term trainees placed.
- Over a decade, the system shifted from building a public-private market for skills to chasing quantity through short-term training with limited results.
- Since the central concern is **fund use**, the editorial calls for redesigning financing rather than continuing operational spending through **PMKVY**.
- If annual spending above **₹10,000 crore** had been routed as skill loans to students, it could have widened choice, improved institutional quality, and promoted demand-led skilling.
- The **National Skill Development Corporation** is questioned for moving away from a non-banking finance role toward implementing government schemes.

Proposed course correction

- **Skill loans** could shift part of PMKVY funding to learners through banks and non-banking finance companies within an existing policy framework.
- **Skill vouchers** would let public funds follow the trainee, strengthen choice, and create competition, accountability, and outcome-based delivery.
- Vouchers could support reskilling for **AI-led** transitions, digital and green skills, women's workforce participation, and foreign-language training for global labour markets.
- Putting purchasing power in learners' hands can build a **demand-based** skills market; **Singapore** and **Croatia** are cited as workable examples.
- **Skill levies** used in 90-plus countries can create stable, industry-linked financing insulated from budget and political cycles.
- A proposed **Reimbursable Industry Contribution** model would link firm size and payroll to training contributions and return funds after training, giving employers ownership.

- Real-time labour demand should guide policy through online job-board data, public release on the **National Career Service** portal, and eventual development of a labour market information system.

BEYOND EDITORIAL

Pathways for a Demand-Driven Skill Ecosystem

- **Shift funding to learners:** Public financing should increasingly follow the trainee, using tools like the **Skill Loan Scheme** and **PM Vishwakarma** credit support, instead of only supply-side schemes.
- **Link training with jobs:** Skill programmes should track **real-time labour demand**, as the **National Career Service** and **Skill India Digital Hub** already host jobs, apprenticeships, and opportunity matching.
- **Strengthen industry ownership:** Employers should shape **curriculum** and workplace training, as the **National Apprenticeship Promotion Scheme** already uses firms as core training partners.
- **Move beyond short courses:** The ecosystem should prioritise durable **employability**, as **PMKVY 4.0** itself seeks a more flexible system aligned to career pathways and emerging needs.
- **Build stable financing channels:** India needs predictable **skill funding**, as **NSDC** was created to support a sustainable skill ecosystem beyond yearly Budget volatility.
- **Support future-ready skilling:** Policy should expand **digital**, green, AI, and language skills, as **Skill India Digital Hub** already offers courses in sectors including IT and digital skills.
- **Create accountable institutions:** A transparent **labour market information system** can improve trust, just as **NCS** was designed to generate employment-market information for policy and matching.

3. US, ISRAEL KILL IRAN'S LEADER, UNLEASH NEW GHOSTS

(GS Paper II - International Relations)

This editorial 'US, Israel kill Iran's leader, unleash new ghosts' was published in **The Indian Express** on 2nd Mar 2026, highlights the **regional dangers** and **strategic fallout** of a US-Israel attempt to trigger regime change in Iran.

Immediate trigger and escalation

- The **US** and **Israel** launched a joint operation, striking **Tehran, Isfahan, Qom, Karaj** and other Iranian cities.
- Iran confirmed that **Ayatollah Ali Khamenei** had been killed, marking a decisive shift from pressure tactics to direct decapitation.
- The attacks came just two days after **US-Iran** nuclear negotiations in **Geneva**, mediated by **Oman**, appeared close to a breakthrough.
- The editorial suggests the talks may have provided cover for military mobilisation rather than a diplomatic settlement.
- **Trump** and **Netanyahu** signalled that the aim had moved beyond the nuclear dispute to the overthrow of the **Islamic Republic**.
- Renewed anti-regime protests inside Iran gave fresh momentum to long-discussed **regime change** thinking in Washington and Tel Aviv.

Limits of regime-change logic

- The strikes targeted the system's core pillars through aerial attacks and internal sabotage.
- **Khamenei**, central to the regime since **1981** and Supreme Leader since **1989**, had steered the system through repeated crises.
- His killing does not automatically mean regime collapse because the **Islamic Republic** remains deeply entrenched.
- Historical experience shows **regime change** is easier to declare than to achieve.
- The **US** record in **Afghanistan, Iraq, and Libya** is cited as evidence that externally engineered transition can be disastrous.
- A rapid and orderly transition in Iran cannot be assumed from outside military action.

Regional and Indian implications

- The wider region is at risk because **America's Gulf allies** also lie under Iranian missile reach.
- Iran's internal trajectory will depend on mass protests, elite defections, and whether a viable alternative centre emerges.
- Figures such as **Reza Pahlavi** are mentioned, but failure to create a coherent successor authority could deepen instability.

- For India, the stakes include the safety of nearly **10 million** diaspora members and disruption of air links.
- A sharp rise in **oil prices** remains a major risk.
- India, despite stronger ties with Gulf countries, can only watch closely and assess long-term consequences for its regional strategy.

BEYOND EDITORIAL

India's Diplomatic Options in a Widening West Asian Crisis

- **Protect diaspora first:** India must prioritise **evacuation readiness** and consular coordination, as seen in **Operation Ganga** in Ukraine and **Operation Ajay** during the Israel-Hamas conflict.
- **Balance all sides:** India should maintain **strategic autonomy**, preserving ties with **Israel, Iran**, and Gulf monarchies without getting drawn into bloc politics.
- **Secure energy flows:** India needs contingency planning for **oil** and **LNG** disruption, including diversification, strategic reserves, and close coordination with Gulf suppliers.
- **Keep sea lanes open:** Maritime diplomacy should focus on **Hormuz** and adjoining waters, as any disruption can affect trade, energy shipments, and insurance costs.
- **Back de-escalation:** India should support **dialogue** and negotiated restraint, consistent with its long-standing preference for diplomacy over externally imposed regime change.
- **Protect connectivity interests:** Escalation can hurt projects like **Chabahar** and wider India-West Asia-Europe connectivity plans, making calibrated engagement essential.
- **Use multilateral channels:** India should work through the **UN**, regional partners, and plurilateral diplomacy to push stability, civilian safety, and conflict containment.