News Analysis (09 Jan, 2019)

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Nandan Nilekani to Head Panel on Digital Payments

The Reserve Bank of India has appointed a **five-member panel** headed by **Nandan Nilekani** to suggest ways to **improve digital payments.** The committee will submit its **report in 90 days** from its first meeting.

- **Terms of reference** of the panel are
  - Assess the **current levels** of **digital payments** in financial inclusion,
  - Suggest measures to strengthen the **safety and security** of digital payments,
  - Provide a road map for increasing **customer confidence** to use digital transactions, and
  - Suggest a **medium-term strategy** for deepening of digital payments.
- According to a report on India's financial sector by Credit Suisse, in India is still **estimated at 70% in value terms** and **digital payments currently aggregate only $200 billion**, compared with $5-trillion mobile payments in China. One way to increase digital payments is **payment integration into popular apps.**

Background

- In **August, 2016** the government had constituted a **Committee on Digital Payments** to review the payment systems in the country and to recommend appropriate measures for encouraging Digital Payments **under the Chairmanship of Ratan P. Watal.**
- Payments through all electronic forms such as debit and credit cards, mobile wallets, real-time gross settlement (RTGS), national electronic funds transfer (NEFT) and Unified Payments Interface (UPI) have **seen a huge rise over the last few years**, especially since the government's **demonetization exercise in November 2016.**
- The newest mode of digital payments, Unified Payment Interface (UPI), which was launched in 2016 has **witnessed an over 300%** rise in transaction volumes in the last one year and the growth is seen continuing in the near term.

Digital Payments

As per the **Payment and Settlement Act, 2007,** digital payment is any **"electronic funds transfer"** means or any transfer of funds which is initiated by a person by way of instruction, authorization or order to a bank to debit or credit an account maintained with that bank through electronic means and includes point of sale transfers; automated teller machine transactions, direct deposits or withdrawal of funds, transfers initiated by telephone, internet and, card payment.

Types of Digital Payments

- **Unified Payment Interface (UPI)** is a payment mode which is used to make fund transfers through the mobile app.
- **AEPS (Aadhaar Enabled Payment Service)** is an Aadhaar based digital payment mode wherein customer needs only his or her Aadhaar number to pay to any merchant. AEPS allows bank to bank transactions.
- **E-Wallets** or mobile wallet is the digital version of physical wallet with more functionality. E.g.: ICICI Pockets, Freecharge, Paytm etc.
- **Cards** have been the most used digital payment modes till now. They are used for transferring funds and making digital payments. Credit cards, debit cards and prepaid cards are the main types of cards.
- **Unstructured Supplementary Service Data (USSD)** banking or *99# Banking is a mobile banking based digital payment mode. One does not need to have a smartphone or internet connection to use USSD banking. It can be used with any normal feature phone.
    The *99# code works as a bridge between telecom operator's server and bank's server.

Best Practices of Digital Payments

Contactless Payment

Alternate payment channels such as **contactless and wearables** have gained acceptance with the widespread use of smartphones, mobile banking and payments applications.
- Contactless payments enable consumers to make everyday purchases quickly and safely especially for low-value transactions.
- **Mobility, Internet of things (IOT),** connected homes, entertainment, and media are expected to augment the volumes of non-cash transaction volumes significantly.

Distributed Ledger Technology

Banks and FinTech's are exploring **blockchain technology** for cross-border payments to provide faster, inexpensive, and efficient services.

Cybersecurity Regulations

- Cyberattacks can cause **personal and commercial data to be lost or compromised** causing financial institutions financial and reputational loss. Based on estimates, cyberattacks cost the **global economy 1% of annual GDP.**
- As cyber-attacks and data breaches around the world are **rising in terms of both, frequency and intensity,** regulators are focusing on compliance with current cybersecurity and data privacy laws.
- Regulators across the world are bringing in new cybersecurity regulations and standards which could impose heavy fines, injunctions, audits, even criminal liability on firms for a data breach.
- The **cyber insurance industry grew 35% in 2016 to $1.35 billion** in terms of direct written premium, which shows that corporates are looking to protect themselves from liabilities related to cybersecurity laws.
- However, **lack of harmonization in cybersecurity laws** in different countries is posing a challenge for multinational companies operating across the globe.

Payment Infrastructure

- Globally, **payments infrastructure is being transformed** to become faster and more inclusive to new players that will launch valuable offerings for retail and businesses.
- Payments infrastructure is expected to **converge through mergers and acquisitions** to expand the reach of the payments firms, increase their value proposition to meet changing customer expectations, and create customized solutions.
- Payment schemes and intermediaries are also looking for infrastructure rationalization to be able to **provide services in niche** and high demand areas of **data analytics, cloud, and Digital Customer Experience (DCX).**

Way Forward

- The Digital Payments ecosystem in India are undergoing a transformation with the **entry of global tech giants** that are acting as aggregators for retail transactions. Within just four months of launch, Google's payments app is now already processing a large number of digital transactions.
- **Measurement of Digital Payments** is extremely important to monitor progress. The different components of Digital Payments have to be comprehensively studied with respect to global best practices and the list of indicators which are **universally acceptable and relevant in the current context.**

Norway's PM Visit To India

Recently, Prime Minister of Norway, Erna Solberg visited India.

Prime Minister Solberg delivered the inaugural address at the **Raisina Dialogue** and inaugurated the India-Norway Business Summit.

Outcome of visit

- A Memorandum of Understanding (MoU) on **India-Norway Ocean Dialogue** was signed and a **joint task force for the <u>blue economy</u> was established.**
- Both countries agreed to collaborate in **achieving the global Sustainable Development Goals (SDG)** and to work together in tackling the threat of climate change.
- Both countries emphasized the need for the **reform of the United Nations including the UN Security Council.** Norway agreed that **India is a strong candidate for a permanent seat** in a reformed Security Council.
- Norway supported India's application for **membership of the Nuclear Suppliers' Group (NSG).**
- Both countries agreed to urge countries for the early finalization of the **<u>Comprehensive Convention on International Terrorism (CCIT).</u>**

India-Norway Relations

- India and Norway have been enjoying a cordial and friendly relationship since the **establishment of relations in 1947.**
- The two countries respect each other for their **commonly shared values such as democracy, human rights and rule of law.** In recent years, both countries have been increased their engagements in the field of trade and technology.
- Norway has supported India's membership to export control regimes the **Missile Technology Control Regime (MTCR), the Wassenaar Arrangement (WA) and the Australia Group (AG).**
- Norway's **Government Pension Fund Global** has made a portfolio **investment** of **about $12 billion in India.**
- India has signed a **Double Taxation Avoidance Agreement (DTAA)** with Norway in 1986 which was revised in February 2011.
- Norway is an expert on the subject of the Ocean Economy as 70% of Norway's export is from Norway's maritime industry. Starting of **bilateral ocean dialogue have added a new dimension in India-Norway relations** and will help India to understand the know-how of the maritime industry.
- Total bilateral trade between India and Norway stands around $1.1 billion in 2015-16.
- Around **100 Norwegian companies are engaged in India** in areas such as

shipbuilding, petroleum-related services, marine/sub-sea drilling equipment, hydropower, clean energy, and IT services.

- Indian companies like **Oil and Natural Gas Corporation (ONGC)** and Reliance Industries have tie-ups with Norwegian companies in the petroleum and energy sector.
- Three Arctic Missions from India have so far visited Norway, **in 2007, 2008 and 2009. India's Polar Research Station "Himadri" is located at Ny Alesund, Spitsbergen Island, Norway.**

Raisina Dialogue

- The Raisina Dialogue is a **multilateral conference** committed to addressing the most challenging issues facing the global community.
- The conference is hosted by the **Observer Research Foundation** in collaboration with the **Government of India, Ministry of External Affairs.**

Lok Sabha Passes the Constitution (124th Amendment) Bill 2019

The Bill aims to provide reservation in public employment and higher education for economically weaker sections.

> Economic reservation in jobs and education is proposed to be provided by inserting **clause (6) in Articles 15 and 16 of the Constitution.**

Provisions of Amendment Bill

- **Amendment to Article 15:** This clause enables State to make special provisions for advancement of any economically weaker section of citizens, including reservations in educational institutions.
  - It states that such reservation can be made in any educational institution, including private institutions, whether aided or unaided, except minority educational institutions covered under Article 30 (1).
  - It further states that the upper limit of the reservation will be 10%, which will be in addition to the existing reservations.
- **Amendment to Article 16:** The proposed Article 16 (6) enables State to make provision for reservation in appointments, in addition to the existing reservations, subject to a maximum of 10%.
- **Definition of "Economically weaker sections":** For the purposes of Articles 15 and 16 means such sections as notified by the State from time to time on the basis of family income and other indicators of economic disadvantage. This will be a class distinct from the already specified classes of SCs, STs, and socially and educationally

backward classes.

Analysis of Reservation to Economically Backward Classes.

Article 15 in the constitution of India

1. The State shall not discriminate against any citizen on grounds only of religion, race, caste, sex, place of birth or any of them
2. No citizen shall, on grounds only of religion, race, caste, sex, place of birth or any of them, be subject to any disability, liability, restriction or condition with regard to
    1. access to shops, public restaurants, hotels and palaces of public entertainment; or
    2. the use of wells, tanks, bathing ghats, roads and places of public resort maintained wholly or partly out of State funds or dedicated to the use of the general public
3. It empowers the State to make special provision for women and children.
4. It empowers the State to make special provision for the advancement of any socially and educationally backward classes of citizens or for the Scheduled Castes and the Scheduled Tribes.
5. It empowers the State to make special provision, by law, for the advancement of any socially and educationally backward classes of citizens or for the SCs or the STs in so far as such special provisions relate to their admission to educational institutions including private educational institutions except the minority educational institutions.

Article 16 in The Constitution Of India

1. There shall be equality of opportunity for all citizens in matters relating to employment or appointment to any office under the State
2. No citizen shall, on grounds only of religion, race, caste, sex, descent, place of birth, residence or any of them, be ineligible for, or discriminated against in respect or, any employment or office under the State
3. It empowers the Parliament for making any law prescribing, in regard to a class or classes of employment or appointment to an office under the Government of, or any local or other authority within, a State or Union territory, any requirement as to residence within that State or Union territory prior to such employment or appointment.
4. It empowers the State to make provision for the reservation of appointments or posts in favor of any backward class of citizens which, in the opinion of the State, is not adequately represented in the services under the State.
5. A law can provide that the incumbent of an office related to the religious or denominational institution or a member of its governing body should belong to the particular religion or denomination.

Global Report on Trafficking in Persons 2018: UN

The recent study from the United Nations Office on Drugs and Crime (UNODC) has shown that human trafficking is on the rise with sexual exploitation of victims as the main driver.

- The 2018 UNODC Global Report on Trafficking in Persons is the **fourth of its kind** mandated by the **General Assembly** through the **2010 United Nations Global Plan of Action to Combat Trafficking in Persons.**
- It covers 142 countries and provides an overview of patterns and flows of trafficking in persons at global, regional and national levels, based primarily on trafficking cases detected between 2014 and 2016.
- The main focus of the report was on the **impact of armed conflict on trafficking**. In conflict zones, where the rule of law is weak, and civilians have little protection from crime, armed groups and criminals take the opportunity to traffic them to offer as incentives to recruit new fighters.
- **Article 23 of the Constitution of India** prohibits trafficking in any form. It prohibits trafficking in human beings and beggar and other forms of forced labor making provisions for punishment of the contravention of such laws.

Key Findings

- **Victims:** Women and girls make up most trafficking victims worldwide. Almost three-quarters of them are trafficked for sexual exploitation, and 35% (women and girls) are trafficked for forced labor.
    - Children now account for 30% of those being trafficked, and far more girls are detected than boys.
- **Factors:** Trafficking for sexual exploitation is the most prevalent form in European countries, whilst in sub-Saharan Africa and the Middle East, forced labour is the main factor.
- **Region**: Victims are trafficked from most South Asian countries, including Bangladesh, India, and Pakistan, and to a limited extent also from Nepal and Sri Lanka.
- **Detection and Reporting:** Asia and the Americas are the regions which have seen the largest increase in the numbers of victims detected, which may be explained by improved methods of detecting, recording and reporting data on trafficking — or a real increase in the number of victims.
    - Although, there has been an **increase in the number of convictions** for trafficking in these regions, the study concluding that large areas of impunity still exist in many Asian and African countries, and **conviction rates for trafficking remain very low.**
    - While the average numbers of reported victims had fluctuated during the earlier years for which UNODC had collected data, the global trend has shown a **steady increase since 2010.**

United Nations Office on Drugs and Crime (UNODC)

- UNODC is mandated to assist the Member States in their struggle against illicit drugs, crime and terrorism.
- It was established in **1997 through a merger** between the United Nations Drug Control Programme and the Centre for International Crime Prevention.
- UNODC relies on **voluntary contributions,** mainly from Governments, for 90% of its budget.
- In 2013, the **General Assembly designated July 30** as the **World Day against Trafficking in Persons.**

Way Forward

- Addressing human trafficking is a key part of the **UN Sustainable Development Agenda,** requiring the Member States to monitor progress in tackling the problem, and report the number of victims by sex, age and form of exploitation.
- However, significant gaps in knowledge remain, with many countries in sub-Saharan Africa, South Asia and some parts of East Asia still lacking sufficient capacity to record and share data on trafficking in persons.
- This report highlights the need to **step up technical assistance** and **strengthen cooperation,** to support all countries to protect victims and bring criminals to justice, and **achieve the Sustainable Development Goals.**

Supreme Court Upholds Monsanto's Patent Claim on Bt Cotton Seed

The Supreme Court has **allowed Monsanto Technology** to claim patent on its genetically-modified cotton seeds, giving a boost to firms developing new seed technologies.

> The ruling overturned an order of a Division Bench of the Delhi High Court (2018) which invalidated the patent granted to Monsanto — acquired by German firm Bayer AG — saying the gene sequence responsible for the Bt trait that eradicates pests afflicting cotton plants is a part of the seed, and hence, **cannot be patented under Section 3(j) of the Patents Act, 1970.**

Background

- With its ruling, the Supreme Court has also set aside an earlier order of the division bench of the Delhi high court, which had held that plant varieties and seeds cannot be patented under Indian law by companies.
- Mahyco Monsanto Biotech (India) (MMB) sells GM cotton seeds under license to more

than 40 Indian seed companies. These Indian seed companies in turn pay a **"trait fee"** to Monsanto which is fixed by the government.

Impact

Positive

- The **outcome is positive for foreign agricultural companies** such as Monsanto, Bayer, Dupont, Pioneer and Syngenta which have been concerned that they could lose patents on GM crops in India.
- The verdict validates that patents are integral to innovation and will encourage more companies to come out with **India specific innovations.**
- The ruling is expected to **encourage biotechnology firms** to step up investment in the country.

Negative

- This long dispute led Monsanto to withdraw its **herbicide tolerant (HT)** seeds from the process of government approval. Indian farmers who need better quality seeds (global warming adaptation measures requires both drought- and flood-resistant seeds), will be worst hit.
- Most international companies have stopped releasing new technology in the Indian market due to the uncertainty over patent rule. Access to advanced technology is important to help Indian farmers compete with rivals overseas because Bt cotton cotton seed, the only lab-altered crop allowed in India, in 2003 and an upgraded variety in 2006, helped transform India into the world's top cotton producer and second-largest exporter of the fiber.

Government's Response

- The prices of GMO seeds and the royalty to Monsanto are **already under government control** thus keeping seeds affordable for the Indian farmers.
- Till recently, every seed firm **like Nuziveedu required an annual No Objection Certificate (NOC)** from Monsanto whose job was to ensure the right processes were being followed – this was critical if Monsanto was to be responsible for any problems with the seeds, however, the government removed the annual NOC requirement; as a result, if these firms choose to not pay royalty, there is little a Monsanto can do except to file a civil suit which can take decades to resolve.

Bt Cotton

- **Bollgard II cotton** contains **two genes(Cry1Ac and Cry2Ab)** derived from the common soil bacterium Bacillus thuringiensis(Bt).

- India ratified the **Cartagena Protocol** which protects biodiversity from potential risks of genetically modified organisms and the products of modern biotechnology. The protocol requires setting up of a regulatory body.

Genetic Engineering Appraisal Committee (GEAC).

- Currently the top biotech regulator in India is **Genetic Engineering Appraisal Committee (GEAC)**. The committee functions as a statutory body **under the Environment Protection Act 1986** of the Ministry of Environment & Forests (MoEF).
- GEAC, the apex body regulates manufacturing, use, import, export and storage of hazardous micro-organisms or genetically engineered organisms and cells in the country.
- GEAC is chaired by the **Special Secretary/Additional Secretary of MoEF&CC** and co-chaired by a representative from the Department of Biotechnology (DBT). Presently, **it has 24 members** and meets every month to review the applications in the areas indicated above.

Other Regulatory Agencies for GMO

- As per powers conferred by Sections **"Regulation of Genome Engineering Technologies in India", 8 and 25 of Environment (Protection) Act, 1986.** These rules are essentially covering entire spectrum of activities involving GMOs.
- **Six Competent Authorities** and their composition have been notified under these Rules that includes:
  - rDNA Advisory Committee (RDAC)
  - Institutional Biosafety Committee (IBSC)
  - Review Committee on Genetic Manipulation (RCGM)
  - Genetic Engineering Appraisal Committee (GEAC)
  - State Biotechnology Coordination committee (SBCC)
  - District Level Committee (DLC)
- While the **RDAC is advisory in function**, the **IBSC, RCGM, and GEAC are responsible for regulating function. SBCC and DLC are for monitoring purposes.**

Conclusion

Since patent protection is most often the core incentive for researchers in the fields of science and technology that ensures innovation and introduction of new technologies which are **important for solving the domestic problems** of the country and more so to compete in the age of Globalised economy; but developing countries like India need more affordable, frugal innovations and that too from the Indian research institutes and councils so that the knowledge could be distributed without barriers within India which will ultimately benefit the poor.

Important Facts for Prelims (9th January 2019)

Tokenization service

- The Reserve of India (RBI) has allowed **all card payment networks to offer tokenization service.**
- **No charges should be recovered from the customer** for availing this service.
- **Tokenization involves a process in which a unique token masks sensitive card details.** The token is then used to perform card transactions in **contact-less mode at Point Of Sale (POS) terminals, Quick Response (QR) code payments, etc.**
- The RBI has allowed card payment networks to offer card tokenization services to any token requestor, that is, a third-party app provider. It extends to all use cases/channels [e.g., Near-Field Communication (NFC) / Magnetic Secure Transmission (MST)-based contact-less transactions, in-app payments, QR code-based payments etc.] or token storage mechanisms (cloud, secure element, trusted execution environment etc.).
- **All parties involved in the "payment transaction chain" will have to be registered with the central bank.**
- A cardholder can avail of these services by registering the card on the token requestor's app and after giving 'explicit consent'.

NASA Discovers a New Planet

- NASA has discovered a new planet **HD 21749b orbiting a dwarf star about 53 light-years away** in the **constellation of Reticulum.**
- This is the third new planet discovery by the **Transiting Exoplanet Survey Satellite (TESS).**
- HD 21749b revolve around its star in 36 days. The planet is about three times the size of the earth, which puts it in the category of a "sub-Neptune."
- The other two planets discovered by TESS are **Pi Mensae C** located about 60 light-years away in the **southern constellation Mensa** and **LHS3884b** located about 49 light-years away in the **constellation Indus.**

#WebWonderWomen

- **Twitter India and Ministry of Women and Child Development,** in partnership with human rights organization Breakthrough, has launched the campaign **#WebWonderWomen** to **celebrate Indian women achievers.**
- Under the campaign, **people can nominate their favourite Indian woman achiever** with her Twitter handle, anywhere in the world.
- The women can be nominated under the following categories: **health, media, literature, art, sports, tech, travel, business, legal/policy, governmental,**

entertainment, fashion/beauty, finance, food and environment.