



News Analysis (21 Aug, 2018)

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Northern States to Fight Drug Menace Jointly

In a bid to fight the drug menace, the four northern states of Punjab, Haryana, Uttarakhand and Himachal Pradesh have decided unanimously to share drug trade related information and set up a common secretariat in Panchkula. The move would help in checking illegal drugs and powerful cartels .

Key Facts

- Nodal officers will be deputed by each state to coordinate the sharing process and regular meetings will be held at various levels to tackle the problem and monitor the progress of the anti-drug fight. The states will launch a major awareness campaign in their schools, and engage youth in sports and other activities at village levels.
- Moreover ,Skill development of youth will be undertaken on a major scale to generate employment opportunities.
- SSPs of the adjoining districts of the states to coordinate their anti-drug actions on a day to day basis.
- It was also decided to invite the states of Uttar Pradesh and Jammu and Kashmir in its future meetings.

Other Details

- To prevent young children from falling prey to drug addiction, the states decided to undertake concerted efforts at engagement and awareness generation by various departments including those of education, health, skill development along with non-governments and community organisations.
- The states also agreed to invest more resources in setting up more de-addiction centres and strengthening the existing ones whether in the public or private sector.
- They also agreed to strengthen the work at the grassroots through use of all possible technologies to make more villages, mohallas and cities drugs free.

- Further, the Regional conference also decided to create awareness through various social media platforms.
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FIBAC productivity report on Indian Banking Industry 2018

According to the annual FIBAC productivity report on Indian Banking Industry 2018 released by the Boston Consulting Group, FICCI and Indian Banks' Association, southern states are performing better than the rest of India in mobile banking adoption in savings accounts.

Key Findings

Mobile Banking

- States such as Manipur and Telangana lead the way in internet banking, although mobile banking now seems to be the preferred mode among digitally-active users.
- Mizoram, Andhra Pradesh, and Puducherry make up the other top three States that are high on using internet banking services.
- The rising smartphone and internet penetration, combined with the rising 'e-literacy', has set the tone for India to move from branch banking to electronic banking channels, such as mobile banking and internet banking.
- Transactions through these digital channels have almost doubled up in 2016-17, while both branch-based and ATM transactions have witnessed a slight decline.
- There now seems to be a shift in preference from internet banking to mobile banking for digital customers across bank categories.

MSME

- The MSME segment has a huge untapped potential for credit and digital lending to the sector, and could become a Rs 15-lakh crore opportunity for lenders over the next five years. Currently, digital lending accounts for only 4% of total MSME lending. However, it is expected to rise to 21% over the next five years.
- This significant jump will close the gap with digital retail lending, which is expected to reach around 48% of total retail lending in five years,
- Currently, in India, out of the total formal credit of around ₹100 lakh crores, only 25% is extended to MSMEs. Spurred by the introduction of the Goods and Services tax (GST), small businesses are increasingly getting formalized as well as digitised. The percentage of MSMEs using digital channels has increased from 41% before the introduction of GST to 47% after GST.

Money Lending and Credit Facilities

- 9% growth has been observed in terms of credit in 2018 as compared to 2017. With financial institutions providing easy credit facilities, consumers are encouraged to further discover money lending and credit facilities.
- Metro cities are driving growth in current account balances and rural areas have grown with respect to savings account balances.
- There has been a steady shift in investments preferences from term deposits to mutual funds, and banks are earning from these third party products like mutual funds.
- With 80% of the adult population bearing bank accounts, India is on the cusp of achieving financial inclusion.

Financial Inclusion in India

- Financial Inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.
- Financial education, financial inclusion, and financial stability are three elements of an integral strategy to ensure the sustainable economic growth of society. While financial inclusion works from the supply side of providing access to various financial services, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. These two strategies promote greater financial stability.
- **Financial Stability Development Council (FSDC)** has explicit mandate to focus on financial inclusion and financial literacy simultaneously.
 - FSDC was constituted by the government in 2010. It is chaired by the Union Finance Minister.
 - The Council deals with issues relating to financial stability, financial sector development, inter-regulatory coordination, financial literacy, financial inclusion and macro-prudential supervision of the economy including the functioning of large financial conglomerates.

Steps taken by the government

- The government opened over 30 crore bank accounts with almost 60% being in rural areas under its **Jan Dhan Yojana**. The zero balance accounts amongst these have significantly declined implying the government's success in getting unbanked people to actively use it.
- Part of this has been driven through the **linking of Aadhaar and doing Direct Benefit Transfer (DBT) to these Jan Dhan accounts**.
- A multitude of solutions, like UPI, BHIM, NeSL, and BBPS amongst others have been developed as the infrastructure that could handle all aspects of servicing such a large segment of the population.

Credit registry: RBI Act May Need Tweak

Recently, the Reserve Bank of India (RBI) deputy governor Viral Acharya stated that there is a need to enact a new law to bring the public credit registry (PCR), that is being currently set up, under the purview of the RBI.

What is the Public Credit Registry?

- A public credit registry refers to an extensive database of credit information of borrowers that is accessible to all lending and credit decision-making institutions.
- Typically, the registry is managed by a public authority like the central bank of the country, and reporting of loan details to the registry by lenders and/or borrowers is mandated by the law.
- In 2017, a high-level task force was set up under the chairmanship of Y.M. Deosthalee, which recommended the setting up of PCR by RBI in a phased and modular manner.

Present Scenario on Storage of Credit Data

- Currently, India has multiple entities storing credit data, such as four private Credit Information Companies that include: TransUnion CIBIL; Equifax; Experian and CRIF High Mark.
- Entities within the RBI include Central Repository of Information on Large Credits and the Basic Statistical Return-1 that record loans larger than five crore rupees, and credit across various sectors.
- Information Utilities which store financial credit data to help establish defaults by borrowers.

Challenges with Current Scenario

- Data stored is incomprehensive, and fragmented across different entities, for example, data on borrowings from banks, inter-corporate and overseas borrowings, are not available in a single repository
- Reliance on self-disclosure by the borrower
- Time lags and discrepancies between multiple data sources
- Increased reporting burden on credit institutions from having to report to multiple entities.

- The information asymmetry and fragmented nature of credit reporting lead to the following inefficiencies in the credit market:
 - Since lending institutions do not have complete credit information on all borrowers, all borrowers pay similar interests irrespective of their risk or credit ratings
 - Lenders may pick up clients who have a history of delinquency that is unknown to all lenders and thereby face greater overall credit risk
 - It prevents credit supply to some subsections of the market, for example, small and medium industries are perceived as risky by default, and often denied timely credit due to lack of adequate credit history.

Benefits of a Public Credit Registry

- A credit repository will help banks distinguish between a bad and a good borrower and accordingly offer attractive interest rates to good borrowers and higher interest rates to bad borrowers.
- Its main benefit would be to provide lenders with a 360-degree view of the borrower's outstanding credits and past performance.
- It would allow better screening at the time of providing credit and superior monitoring during the life of the borrowing.
- The public credit repository will address information asymmetry, improve access to credit and strengthen the credit culture among consumers.
- It can also go a long way toward addressing the bad loans problem facing the banking system, as corporate borrowers will be unable to borrow from multiple banks without disclosing their existing debt.
- Setting up the public credit registry will help improve India's rankings in the World Bank's ease of doing business index.

What are the challenges it faces?

- There are several legal challenges around setting up a PCR, which would require the amendment of a slew of legislation.
- While the PCR is initially being set up within the existing RBI infrastructure, the fact is that the RBI as a statutory corporation can only engage in those activities that are permitted by the RBI Act, or other relevant legislation.
- Since no financing activity is contemplated for the proposed PCR, it might be difficult to label PCR as a 'financial institution'. This takes it out of the purview of the Reserve Bank of India Act, 1934.
- Also, PCR being a "consent-based architecture" will require consent from different sources for sharing information. This will entail amending legislations separately, allowing an exemption to sharing of information.

Way Forward

- The Reserve Bank of India Act, 1934, can be suitably amended conferring the Reserve Bank powers to conduct the business of PCR.
 - Also, the idea of PCR is to collect information, including credit information, from regulated entities. This is an important aspect of the RBI's regulatory and supervisory functions and hence such an activity could be done by setting up a subsidiary or a department.
 - The PCR can also be linked with other databases so that it reduces information asymmetry, allowing better decision-making by banks and other financial institutions. Corporate Identification Number and GSTN could also be integrated with PCR to aggregate data about borrowers from multiple sources.
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Govt to Introduce Scheme for Duty-Free Import of Capital Goods

The Government is working on a scheme to allow duty-free import of capital goods by the domestic industry, a measure that may be linked to employment generation.

Background

- At present, exporters can import capital goods duty-free under the Export Promotion Capital Goods (EPCG) scheme and also under initiatives for EOUs (export-oriented units) and SEZ (Special Economic Zone) units.
- However, since India's per capita Gross National Income (GNI) exceeded the threshold of \$1,000 for three years in a row in 2015, it can no longer extend export subsidies, under WTO rules and hence it has to be phased out or withdrawn.
- In this year, the United States had complained to the WTO's dispute settlement body that India's export subsidies were harming American companies. It identified five popular export promotion schemes, including the merchandise export from India scheme (MEIS), the EPCG scheme, and some incentives available to EOUs and SEZ units, as being in violation of the WTO Agreement on Subsidies and Countervailing Measures.

Key highlights

- The new scheme is being designed to offer similar benefits to manufacturers within the boundaries of WTO norms.
- The initiative could be an alternative to some of the export incentive schemes that will now have to be phased out or withdrawn because of their incompatibility with global trade rules,

- The duty-free import of capital goods scheme being designed will be available to all domestic producers and would be linked to criteria other than exports — such as employment. This will ensure that exporters will continue to get duty-free benefits along with other domestic producers.

Challenges

- A scheme to incentivise capital goods import could go against the interests of the domestic capital goods industry.
 - Also, the Finance Ministry would also suffer a revenue loss if a duty-free import scheme is implemented as capital goods are a source of generation of income from Customs duty.
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ILO's India Wage Report

According to the recently released report by International Labour Organisation, India needs to improve its wage policies to promote inclusive growth even as low pay, gender wage gap and informality remain pervasive.

Key Findings

Positives

- Based on the Employment and Unemployment Survey (EUS) of the National Sample Survey Office (NSSO), the report estimates that **real average daily wages have almost doubled** between 1993–94 and 2011–12, increasing more rapidly in rural than in urban areas and increasing more rapidly for casual than for regular workers.
- **Average wages have increased faster for women** than for men and rose faster in the unorganized sector than in the organized sector.

Negatives

- Only a limited number of regular/salaried workers, mostly in urban areas, and highly skilled professionals earn substantially higher average wages.
- Although overall wage inequality in India seems to have stabilized or even declined somewhat since 2004–05, **wage inequality remains very high**.
- The **gender wage gap also remains very high** by international standards, although it has marginally declined from 1993–94 to 2011–12.
 - This gender wage gap can be observed among all types of workers: regular and casual, urban and rural.
 - Of all worker groups, the average daily wages of casual rural female workers is the lowest (INR 104 per day).

- Because average labour productivity (as measured by GDP per worker) increased more rapidly than real average wages, **India's labour share has declined.**
 - Labour share refers to the proportion of national income which goes into labour compensation, as opposed to capital or landowners.
 - Wage levels and distribution of wages are, to a large extent, influenced not only by skills and productivity levels but also by the role of labour market institutions, particularly minimum wages and collective bargaining.

Recommendations

- In its report ILO also recommends other complementary actions to comprehensively address how to achieve decent work and inclusive growth.
 - These include fostering accumulation of skills to boost labour productivity and growth for sustainable enterprises, promoting equal pay for work of equal value, formalizing the informal economy and strengthening social protection for workers.
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WHO Highlights Ways to Reduce Cancer Risk

With cancer emerging as the second leading cause of death globally, the World Health Organisation (WHO) has listed ways to reduce cancer risk. The WHO said:

- Consumption of tobacco and alcohol, unhealthy diet, and physical inactivity are major factors that increases cancer risk worldwide and are also the four shared risk factors for other non-communicable diseases.
- Some chronic infections are risk factors for cancer and have major relevance in low and middle-income countries.
- Infection with HIV substantially increases the risk of cancers such as cervical cancer.

WHO Recommendations

It advised not to consume any form of tobacco, to make one's home smoke-free, to enjoy a healthy diet, to vaccinate children against Hepatitis B and HPV, to use sun protections, to be physically active, to limit alcohol intake and take part in organised screening programmes, adding that breastfeeding reduces a mother's cancer risk.

India's Concern

- The prevalence of cancer cases is on the rise in India. The Indian Council of Medical Research stated that approximately 12 to 13 lakh new cases of cancer are being diagnosed every year along with an existing 25 to 30 lakh cancer cases at any given time in India.

- A vast majority of them are being diagnosed in advanced stages. On the contrary, majority of cancer cases are diagnosed in the early stages in developed countries, including Europe and the U.S.A., because of their effective screening programmes.

Cancer

- Cancer is the uncontrolled multiplication of cells.
 - Cancer can spread from where it started to another part of the body.
 - The original cancer is called the primary tumour. The cancer in another part of the body is called metastatic or secondary cancer.
 - Metastatic cancer has the same type of cancer cells as the primary cancer.
 - The term metastatic cancer is usually used to describe solid tumours that have spread to another part of the body.
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Important Facts for Prelims (21st August, 2018)

Fruit Rot Disease

- The Fruit rot disease, also known as 'Kole roga' and 'mahali', has become a cause of concern in arecanut plantations of Dakshina Kannada district of Karnataka.
- Fruit rot of arecanut is caused by the fungus *Phytophthora arecae*.
- This disease occurs during South West monsoon and appears usually 15 to 20 days after the onset of regular monsoon rains and may continue up to the end of the rainy season.
- Continuous heavy rainfall coupled with low temperature (20 to 23 degree Celsius), high relative humidity and intermittent rain and sunshine hours are factors that favour the occurrence of fruit rot.
- Disease spread is through heavy wind, rain splashes and flies.
- This disease leads to rotting and excessive shedding of premature nuts from the areca tree.
- When affected nuts fall off, white mycelial growth of fungus can be seen on them.
- Farmers usually spray prophylactic solutions for the prevention of this disease.
- Disease can be managed by clean cultivation, covering areca bunches with polythene covers, destruction of affected trees, collection and burning of fallen areca nuts, spray of Bordeaux mixture etc..

Sangham Radio

- Sangham radio station is at the verge of closure and crowdfunding campaign is going on to keep the station alive.

- It is India's first community radio station which is situated in Machanoor village (Sangareddy district) of Telangana.
- Station is owned and run by 5000 odd poor ,mostly dalit women from underprivileged areas.
- It is an initiative of Deccan Development Society (DDS) a local organisation working on issues related to farmers .
- Radio station was started in 1998 and got licence to broadcast in the year 2008.
- It caters the need of Sanghams (Self-help groups) of underprivileged ,rural women who are largely agricultural based.
- Deccan Development Society also established an FM radio station, a transmission tower and recording facilities, with the support of UNESCO.

Antidepressants may counter effects of Brain age

- Scientists at the Massachusetts Institute of Technology (MIT) in the US showed that they could restore a significant degree of lost plasticity to the cells by treating mice with the commonly used antidepressant medication fluoxetine, also known as Prozac.
 - The study revealed that structural alterations in neuronal morphology and synaptic connections are features most consistently correlated with brain age, and may be considered as the potential physical basis for the age-related decline.
 - Plasticity, in turn, is key to enabling learning and memory and in maintaining sensory acuity.
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