

NITI Aayog Releases Report on Digital Banks

(GS Paper 3, Indian Economy)

Why in news?

- Recently, NITI Aayog released its report on digital banks, offering a template and roadmap for licencing and regulatory regimes.
- The report focuses on avoiding any regulatory or policy arbitrage and offers a level playing field to incumbents as well as competitors.

Recommendations:

The report recommends a carefully calibrated approach, comprising the following steps:

- a) **Issue of a restricted digital bank licence** (to a given applicant) (the license would be restricted in terms of volume/value of customers serviced and the like).
 - b) **Enlistment (of the licensee) in a regulatory sandbox framework** enacted by the Reserve Bank of India.
 - c) **Issue of a ‘full-scale’ digital bank licence** (contingent on satisfactory performance of the licensee in the regulatory sandbox, including salient, prudential and technological risk management).
- The report also maps **prevalent business models in this domain and highlights the challenges** presented by the ‘partnership model’ of neo-banking—which has emerged in India due to a regulatory vacuum and in the absence of a digital bank licence.



Methodology:

- The methodology for the licensing and regulatory template offered by the report is based on an equally weighted ‘digital bank regulatory index’.
- This comprises four factors—(i) entry barriers; (ii) competition; (iii) business restrictions; and (iv) technological neutrality.
- The elements of these four factors are then mapped against the five benchmark jurisdictions of Singapore, Hong Kong, United Kingdom, Malaysia, Australia and South Korea.

The Context for the Case of Digital Banks in India: Financial Inclusion:

- In recent years, India has made rapid strides in furthering financial inclusion, catalysed by the **Pradhan Mantri Jan Dhan Yojana** and **India Stack**.

- However, **credit penetration remains a policy challenge**, especially for the nation's 63-million-odd MSMEs that contribute 30% to GDP, 45% to manufacturing output, and 40% to exports, while creating employment for a significant section of the population.
- Over the past few years, due to digitization ushered in by the **Jan Dan-Aadhar-Mobile (JAM) trinity** and Aadhaar financial inclusion has become a reality for Indians. This has only been furthered by the **Unified Payments Interface (UPI)**, which has witnessed extraordinary adoption. UPI recorded over 4.2 billion transactions worth ₹7.7 trillion in October 2021.
- A **'whole-of-India approach'** towards financial inclusion has also resulted in **Direct Benefit Transfer through apps such as PM-KISAN** and extending microcredit facilities to street vendors through **PM-SVANIDHI**.
- India has also taken steps towards operationalizing its own version of **'open banking' through the Account Aggregator (AA) regulatory framework** enacted by the Reserve Bank of India. Once commercially deployed, the AA framework is envisaged to catalyse credit deepening among groups that have been hitherto under-served.

Challenges:

- The success that India has witnessed on the payments front is yet to be replicated when it comes to the credit needs of its micro, small and medium businesses.
- The current credit gap and the business and policy constraints reveal a need for leveraging technology effectively to cater to these needs and bring the under-served further within the formal financial fold.

China plans to build new highway along Line of Actual Control: Report

(GS Paper 2, International Relation)

Why in news?

- China plans to build a **new highway along the Line of Actual Control (LAC)** with India as part of its efforts to strengthen its strategic position and project its power.



New Highway:

- The highway, spanning from **Lhunze county in Tibet to Mazha in Kashgar, Xinjiang region**, is among 345 construction plans proposed in the new national programme, which aims to build a total of 461,000 kms of highway and motorway by 2035, as China seeks to revive its faltering economy with infrastructure investment.
- **Lhunze county formed part of Arunachal Pradesh**, which China claims as part of South Tibet.
- The **highway known as G695** is expected to run through **Cona county which lies immediately north of the LAC, Kamba county bordering Sikkim and Gyirong county near the border with Nepal**.

- The planned road would also go through **Burang county between Tibet, Nepal and India** as well as **Zanda county in Ngari prefecture**, parts of which are held by India.
- The details of the new construction remain unclear, but the highway, when completed, may also go near the hotly contested areas such as the Depsang Plains, Galwan Valley and Hot Springs on the LAC.

Development in Bhutan:

- Recently, new satellite images emerged indicating the construction of a Chinese village East of the Doklam plateau on the Bhutanese side, a region that is considered important for India's strategic interest.

Development in Tibet:

- Chinese President Xi Jinping travelled by bullet train during his rare visit to border areas in Tibet. The massive development of rail, road and airport development vastly improved the Chinese military's ability to move men, materials and weapons to the border areas at a faster pace.
- **Tibet has five airports including at Nyingchi, Shigatse and Ngari** located close to the Indian and Nepal borders.
- Authorities in Tibet accelerated 15 key construction projects in 2021, including the middle section of the highway from the regional capital Lhasa to Xigaze.
- Tibet completed an investment worth 20.1 billion yuan (about USD 3.2 billion) in fixed assets for road transport in 2021.

Background:

- The report of the new highway plan along the LAC comes at a time when India and China made efforts to resolve the over two-year eastern Ladakh standoff.
- The two countries have so far held 16 rounds of talks to disengage troops at different points.
- At 16th round of talks between the top military commanders of the two countries, it was learnt that the Indian delegation sought resolution of pending issues in Depsang Bulge and Demchok.
- India has been consistently maintaining that peace and tranquillity along the LAC were key for the overall development of the bilateral ties.

Standing Committee on Food, Consumer Affairs and Public Distribution

(GS Paper 3, Indian Economy)

Why in news?

- Recently, the Standing Committee on Food, Consumer Affairs and Public Distribution, headed by TMC member Sudip Bandyopadhyay, submitted its report.

Key recommendations:

- It has recommended **streamlining the functioning of helpline numbers to address grievances of PDS beneficiaries** and **installation of CCTV cameras at ration shops** to monitor distribution and diversion.
- It has also recommended that the government should make independent surprise visits and inspections at ration shops, also called fair price shops (FPSs).
- It also recommended setting up more (QCCs) expeditiously for addressing the issue of quality check/control comprehensively and to prevent losses arising due to damaged foodgrains stock from procurement to distribution.

Issues:

- This could be the handiwork of some intermediaries which leads to diversion of good quality foodgrains and making the poor people getting inferior quality of foodgrains.
- Sometimes, beneficiaries cannot communicate their grievances to the agencies concerned.
- The Committee observed that the 24X7 toll-free grievance redressal at telephone numbers 1967 and 1800 set up in different states are not helpful in solving day-to-day problems being faced by the beneficiaries.
- Proper functioning of these helpline numbers will **enhance transparency and public accountability** in the implementation of the Public Distribution System (PDS).



Standing Committee on Food, Consumer Affairs and Public Distribution:

- The Standing Committee on Food Consumer Affairs and Public Distribution is one of the 24 Departmentally Related Standing Committees. It is serviced by Lok Sabha Secretariat.
- The Committee consists of 31 Members, i.e., 21 Members from Lok Sabha, nominated by the Speaker, Lok Sabha, from amongst the Members of Lok Sabha and 10 Members from Rajya Sabha nominated by the Chairman, Rajya Sabha from amongst the Members of Rajya Sabha.
- The Chairman of the Committee is appointed by the Speaker from amongst the Lok Sabha Members of the Committee.

10% quota for Agniveers in Central Armed Police Forces

(GS Paper 3, Defence)

Why in news?

- The Union Government has given 'in-principle approval' for 10 per cent reservation in the Central Armed Police Forces like the CRPF and BSF for 'Agniveers' after their service in the military.
- A whopping 30.41 lakh candidates appeared against 60,210 posts of constables in the Central Armed Police Forces (CAPFs).

'Agnipath' scheme:

- The Centre on 14 June had unveiled the ambitious 'Agnipath' scheme for the recruitment of youths aged between 17-and-a-half years and 21 years in the Army, the Navy and the Air Force, largely on a four-year short-term contractual basis.
- Those recruited under the scheme will be known as 'Agniveers'. After the completion of the four-year tenure, 25 per cent of the recruits from each batch will be offered regular service.
- There have been protests by job aspiring youths against the scheme.
- Subsequently, the Union Home Ministry had announced that 10 per cent vacancies for recruitment in the CAPFs or the paramilitary forces will be reserved for the 'Agniveers'.

10% quota for Agniveers in CAPFs, Assam Rifles



Key Highlights:

- An in-principle approval has been given for reservation of 10 per cent of vacancies for ex-Agniveers in the recruitment to the post of constables (general duty) and rifleman in the CAPFs and the Assam Rifles.
- Relaxation in upper age limit and exemption from the physical efficiency test will also be given.