

**INTERNATIONAL RELATION****The Sydney Dialogue**

Recently, the Prime Minister delivered the keynote at the inaugural Sydney Dialogue via video conferencing. He spoke on the theme of India's technology evolution and revolution.

**Key Points****Highlights of the Address:**

- The international order should ensure cryptocurrencies do not end up in the wrong hands. Citing the unregulated nature of the crypto market, recently, the PM called for taking progressive and forward-looking steps.
- India's space sector is open to private investment and the agriculture sector is reaping the benefits of the digital revolution. In 2020, the government opened Indian National Space Promotion and Authorization Centre (IN-SPACe) to provide a level playing field for private companies to use Indian space infrastructure.
- Highlighted the leaps in India's digital revolution that has redefined politics, economy and society. However, the digital age is raising new questions on sovereignty, governance, ethics, law, rights and security.

**Five Important Transitions listed by India:**

- One, the world's most extensive public information infrastructure being built in India. Over 1.3 billion Indians have a unique digital identity (Aadhaar), six hundred thousand villages will soon be connected with broadband and the world's most efficient payment infrastructure, the Unified Payments Interface (UPI).
- Two, use of digital technology for governance, inclusion, empowerment, connectivity, delivery of benefits and welfare. Examples: Pradhan Mantri Jan-Dhan Yojana (PMJDY), Common Services Centres (CSC) etc.
- Three, India has the world's third largest and fastest growing Startup Ecosystem.
- Four, India's industry and services sectors, even agriculture, are undergoing massive digital transformation. Example: Government e-Marketplace (GeM), agri-startups, etc.
- Five, there is a large effort to prepare India for the future.
  1. Investing in developing indigenous capabilities in telecom technology such as 5G and 6G.
  2. India is one of the leading nations in artificial intelligence and machine learning, especially in human-centred and ethical use of artificial intelligence.
  3. Developing strong capabilities in Cloud platforms and cloud computing.

**Sydney Dialogue**

- It is an initiative of the Australian Strategic Policy Institute.
- It is an annual summit of cyber and critical technologies to discuss the fallout of the digital domain on the law and order situation in the world.

**Other Such Initiatives**

- **Eastern Economic Forum:**
  1. EEF was established by the decree of the President of the Russian Federation in the year 2015.
  2. It serves as a platform for the discussion of key issues in the world economy, regional integration, and the development of new industrial and technological sectors, as well as of the global challenges facing Russia and other nations.
- **Future Investment Initiative:**
  1. The Future Investment Initiative (FII) is widely described as "Davos in the desert". It is Saudi Arabia's flagship investment conference.
  2. The informal name derives from the World Economic Forum's annual meeting that is held in Davos, Switzerland, where world leaders discuss agendas for pressing international issues.

**ECONOMICS****India Becomes the Highest Recipient of Remittances**

According to the World Bank's Migration and Development Brief, India has become the world's largest recipient of Remittances, receiving USD 87 billion (a gain of 4.6 % from previous year) in 2021. India is followed by China, Mexico, the Philippines, and Egypt.

The United States being the biggest source, accounting for over 20% of all Remittances.

**Key Points**

**Factors for Remittance Growth:**

- Migrants' determination to support their families in times of need, aided by economic recovery in Europe and the United States which in turn was supported by the Fiscal Stimulus and employment support programs.
- In the Gulf Cooperation Council (GCC) countries and Russia, the recovery of outward remittances was also facilitated by stronger oil prices and the resulting pickup in economic activity.
- The severity of Covid-19 caseloads and deaths during the second quarter (well above the global average) played a prominent role in drawing substantial flows (including for the purchase of oxygen tanks) to the country.
- Flows from migrants have greatly complemented government cash transfer programs to support families suffering economic hardships during the Covid-19 crisis.

**Projection for 2022:**

- Remittances are projected to grow 3% in 2022 to USD 89.6 billion, because of a drop in overall migrant stock, as a large proportion of returnees from the Arab countries await return.

**Other Countries:**

- Remittances registered strong growth in most regions. Latin America and Caribbean (21.6 %), Middle East and North Africa (9.7 %), South Asia (8 %), Sub-Saharan Africa (6.2 %), Europe and Central Asia (5.3 %).
- In East Asia and the Pacific, remittances fell by 4 % - though excluding China, remittances registered a gain of 1.4 % in the region.
- **Factors:** In Latin America and the Caribbean, growth was exceptionally strong due to economic recovery in the United States and additional factors, including migrants' responses to natural disasters in their countries of origin and remittances sent from home countries to migrants in transit.

**Suggestions:**

- To keep remittances flowing, especially through digital channels, providing access to bank accounts for migrants and remittance service providers remains a key requirement.
- Policy responses also must continue to be inclusive of migrants especially in the areas of access to vaccines and protection from underpayment.

**Remittances**

- Remittances are usually understood as financial or in-kind transfers made by migrants to friends and relatives back in communities of origin.
- These are basically sum of two main components - Personal Transfers in cash or in kind between resident and non-resident households and Compensation of Employees, which refers to the income of workers who work in another country for a limited period of time.
- Remittances help in stimulating economic development in recipient countries, but this can also make such countries over-reliant on them.

**2. Proposed Norms for Digital Lending: RBI**

Recently, the Reserve Bank of India (RBI) Working Group (WG) Committee has made recommendations pertaining to Digital Lending, including a separate legislation to prevent illegal digital lending activities. The RBI constituted a WG on digital lending including lending through online platforms and mobile apps in January, 2021.

- The panel was set up in the backdrop of business conduct and customer protection concerns arising out of the spurt in digital lending activities.

**Key Points**

**About:**

- The RBI says lending through digital mode relative to physical mode is still at a nascent stage in the case of banks (Rs 1.12 lakh crore via digital mode against Rs 53.08 lakh crore through the physical mode).

- Whereas for Non-Banking Financial Companies (NBFCs), a higher proportion of lending (Rs 0.23 lakh crore via digital mode against Rs 1.93 lakh crore through the physical mode) is happening through digital mode.
- While banks have been increasingly adopting innovative approaches in digital processes, NBFCs have been at the forefront of partnered digital lending.

#### **Key Proposals:**

- Digital lending apps should be subjected to a verification process by a nodal agency to be set up in consultation with stakeholders.
  - To set up a Self-Regulatory Organisation (SRO) covering the participants in the digital lending ecosystem.
1. The use of unsolicited commercial communications for digital loans to be governed by a code of conduct to be put in place by the proposed SRO.
  2. The maintenance of a 'negative list' of lending service providers by the proposed SRO.
- Disbursement of loans should be directly into bank accounts of borrowers.
  - All data to be stored in servers located in India.
  - Algorithmic features used in digital lending to be documented should ensure necessary transparency.

#### **Digital Lending**

##### **About:**

- It consists of lending through web platforms or mobile apps, by taking advantage of technology for authentication and credit assessment.
- Banks have launched their own independent digital lending platforms to tap in the digital lending market by leveraging existing capabilities in traditional lending.

##### **Significance:**

- **Financial Inclusion:** It helps in meeting the huge unmet credit need, particularly in the microenterprise and low-income consumer segment in India.
- **Reduce Borrowing from informal channels:** It helps in reducing informal borrowings as it simplifies the process of borrowing.
- **Time Saving:** It decreases time spent on working loan applications in-branch. Digital lending platforms have also been known to cut overhead costs by 30-50%.

##### **Challenges:**

- **Growing number of unauthorised digital lending platforms and mobile applications as:**
1. They charge excessive rates of interest and additional hidden charges.
  2. They adopt unacceptable and high-handed recovery methods.
  3. They misuse agreements to access data on mobile phones of borrowers.

##### **Steps Taken by RBI:**

- Non-Banking Financial Companies (NBFCs) and banks need to state the names of online platforms they are working with.
- RBI has also mandated that digital lending platforms which are used on behalf of Banks and NBFCs should disclose the name of the Bank(s) or NBFC(s) upfront to the customers.
- The central bank had also asked lending apps to issue a sanction letter to the borrower on the letter head of the bank/ NBFC concerned before the execution of the loan agreement.
- Legitimate public lending activities can be undertaken by banks, NBFCs registered with the RBI and other entities who are regulated by state governments under statutory provisions.
- Ease Reforms.

##### **India's Digital Ecosystem:**

- Nearly 72% of financial transactions of Public Sector Banks (PSBs) are done through digital channels, with doubling of customers active on digital channels from 3.4 crore in FY 2019-20 to 7.6 crore in FY 2020-21.
- The share of financial transactions undertaken through home and mobile channels has increased from 29% in FY 2018-19 to 76% in FY 2020-21.

**Way Forward**

- India is on the verge of a digital lending revolution and making sure that this lending is done responsibly can ensure the fruits of this revolution are realized.
- As several players have access to sensitive consumer data, there must be clear guidelines around, for example, the type of data that can be held, the length of time data can be held for, and restrictions on the use of data.
- Digital lenders should proactively develop and commit to a code of conduct that outlines the principles of integrity, transparency and consumer protection, with clear standards of disclosure and grievance redressal.
- An agency can be created that tracks all digital loans and consumer/lender credit history.
- Apart from establishing technological safeguards, educating and training customers to spread awareness about digital lending is also important.

**IMPORTANT FACTS FOR PRELIM****Tight/Shale Oil**

Cairn India will partner US-based Halliburton to start shale exploration in the Lower Barmer Hill formation, Western Rajasthan.

**Key Points****Shale Oil and Gas:**

- **Tight Oil:** The key difference between shale oil and conventional crude is that the former, also called 'tight oil', is found in smaller batches, and deeper than conventional crude deposits.
- **Shale Gas:** Unlike conventional hydrocarbons that can be extracted from the permeable rocks easily, shale gas is trapped under low permeable rocks.
- **Extraction Process:** Extraction requires creation of fractures in oil and gas rich shale to release hydrocarbons through a process called hydraulic fracking/fracturing. It requires a mixture of 'pressurised water, chemicals, and sand' (shale fluid) to break low permeable rocks and have access to the shale gas reserves.
- **Top Producers:** Russia and the US are among the largest shale oil producers in the world, with a surge in shale oil production in the US having played a key role in turning the country from an importer of crude to a net exporter in 2019.
- **Associated Concerns:** Shale oil and gas exploration faces several challenges other than environmental concerns around massive water requirements for fracking and potential for groundwater contamination.
  1. Shale rocks are usually found adjacent to rocks containing usable/ drinking water known as 'aquifers'.
  2. While fracking, the shale fluid could possibly penetrate aquifers leading to methane poisoning of groundwater used for drinking and irrigation purposes.

**Prospects of Shale Oil Exploration in India:**

- Currently, there is no large-scale commercial production of shale oil and gas in India.
- State-owned ONGC had, in 2013, found prospects of shale oil at the Cambay basin in Gujarat and the Krishna Godavari basin in Andhra Pradesh.
- However, it concluded that the quantity of oil flow observed in these basins did not indicate "commerciality" and that the general characteristics of Indian shales are quite different from North American ones.

**DAILY ANSWER WRITING PRACTICE**

**Qns. Discuss the non-geographical factors responsible for the location of primary, secondary, and tertiary sector industries in various parts of the world. (250 words)**

**Ans:**

**Introduction**

Industry refers to an economic activity that is concerned with production of goods, extraction of minerals or the provision of services.

**Body**

Many important geographical factors involved in the location of individual industries are of relative significance. But besides such purely geographical factors influencing industrial location, there are factors of historical, human, political and economic nature which are now tending to surpass the force of geographical advantages. Consequently, the factors influencing the location of industry can be divided into two broad categories – Geographical and Non- Geographical factors.

**Non- Geographical factors:**

• **Capital:**

1. Modern industries are capital-intensive and require huge investments.
2. Capitalists are available in urban centers.
3. Big cities like Mumbai, Kolkata, Delhi, and Chennai are big industrial centers, because the big capitalists live in these cities.

• **Government Policies:**

1. Government activity in planning the future distribution of industries, for reducing regional disparities, elimination of pollution of air and water and for avoiding their heavy clustering in big cities, has become no less an important locational factor.

• **Industrial Inertia:**

2. Industries tend to develop at the place of their original establishment, though the original cause may have disappeared.
3. This phenomenon is referred to as inertia, sometimes as geographical inertia and sometimes industrial inertia.
4. The lock industry at Aligarh is such an example.

• **Efficient Organization:**

1. Efficient and enterprising organization and management is essential for running modern industry successfully.
2. Bad management sometimes squanders away the capital and puts the industry in financial trouble leading to industrial ruin.

• **Banking Facilities:**

1. Establishment of industries involves daily exchange of crores of rupees which is possible through banking facilities only.
2. So the areas with better banking facilities are better suited to the establishment of industries.

• **Insurance:**

1. There is a constant fear of damage to machine and man in industries for which insurance facilities are badly needed.

• **Political and economic situation:**

1. Political harmony and peace in a particular region encourage the establishment of industrial units.
2. On the other hand, disturbed political and economic set up discourages the growth of industries in the region.
3. On account of Naxalites movement in West Bengal, Industries started moving out of West Bengal.
4. Similarly, is the case in certain other states where, on account of political disturbances, manufacturers have started thinking to settle elsewhere and further industrial expansion has been greatly affected.

• **Availability of research facilities:**

1. The main aim of any industrial undertaking is to have maximum production with minimum cost.
2. Constant research and experimentation is undertaken to develop products and improved methods of production.

• **Possibilities of future expansion:**

1. The area for location should be such as to provide all possible opportunities for future development and expansion of the industrial unit without involving extra cost.
2. Every industrial undertaking is established with the aim to expand in future.

**Conclusion**

Thus, the location of industries is dependent on a combination of geographical and non-geographical factors.

**DAILY QUIZ**

Q1. Consider the following statements:

1. India's official leopard count has increased 63 per cent from 2014-2018.
2. The largest number of leopards has been estimated in Karnataka followed by Madhya Pradesh.

Which of the statements given above is/are correct?

- a. **1 only**
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

Q2. Which of the following statements are correct about the deposits of 'methane hydrate'?

1. Global warming might trigger the release of methane gas from these deposits.
2. Large deposits of 'methane hydrate' are found in Arctic Tundra and under the seafloor.
3. Methane in atmosphere oxidizes to carbon dioxide after a decade or two.

Select the correct answer using the code given below.

- a. 1 and 2 only
- b. 2 and 3 only
- c. 1 and 3 only
- d. **1, 2 and 3**

Q3. Consider the following statements about International Energy Agency (IEA)

1. It is a Geneva-based autonomous intergovernmental organization established in the framework of the OECD in 1974 in the wake of the 1973 oil crisis.
2. It acts as a policy adviser to its member states, but also works with non-member countries, especially China, India, and Russia.

Which of the statements given above is/are correct?

- a. 1 only
- b. **2 only**
- c. Both 1 and 2
- d. Neither 1 nor 2

Q4. The city of Abu Dhabi is located on an island in the

- a. Gulf of Oman
- b. Gulf of Tonkin
- c. Gulf of Aden
- d. **Persian Gulf**

Q5. With reference to cabinet mission, which of the following statements is/are correct?

1. It recommended a federal government.
2. It enlarged the powers of the Indian courts.
3. It provided for more Indians in the ICS

Select the correct answer using the code given below.

- a. **1 only**
- b. 2 and 3 only
- c. 1 and 3 only
- d. None of the above