

ECONOMY

Privatisation of Banks

Recently, the government has decided to have a relook at some key aspects of Banking Laws (Amendment) Bill 2021 - which aims to Privatised Two Public Sector Banks (PSBs) - during the Winter session of Parliament. In the last session, the government passed a bill that will allow the privatisation of state-owned general insurance companies, through the General Insurance Business (Nationalisation) Amendment Bill, 2021.

Key Points

About:

- **Privatisation:** The transfer of ownership, property or business from the government to the private sector is termed privatisation. The government ceases to be the owner of the entity or business. Privatisation is considered to bring more efficiency and objectivity to the company, something that a government company is not concerned about. India went for privatisation in the historic reforms budget of 1991, also known as 'New Economic Policy or LPG policy'.
- **Nationalisation:** Nationalisation is the process of taking privately-controlled companies, industries, or assets and putting them under the control of the government. It often happens in developing countries and can reflect a nation's desire to control assets or to assert its dominance over foreign-owned industries.

Background:

- The government decided to nationalise the 14 largest private banks in 1969. The idea was to align the banking sector with the socialistic approach of the then government. State Bank of India (SBI) had been nationalised in 1955 itself, and the insurance sector in 1956.
- Various governments in the last 20 years were for and against privatisation of Public Sector Undertaking (PSU) banks. In 2015, the government had suggested privatisation but the then Reserve Bank of India (RBI) Governor did not favour the idea.
- The current steps of privatisation, along with setting up an Asset Reconstruction Company (Bad Bank) entirely owned by banks, underline an approach of finding market-led solutions to challenges in the financial sector.

Reasons for Privatisation:

- **Degrading Financial Position of Public Sector Banks:**
 1. Years of capital injections and governance reforms have not been able to improve the financial position of public sector banks significantly.
 2. Many of them have higher levels of stressed assets than private banks, and also lag the latter on profitability, market capitalization and dividend payment record.
- **Part of a Long-Term Project:**
 1. Privatisation of two public sector banks will set the ball rolling for a long-term project that envisages only a handful of state-owned banks, with the rest either consolidated with strong banks or privatised. The initial plan of the government was to privatise four. Depending on the success with the first two, the government is likely to go for divestment in another two or three banks in the next financial year.
 2. This will free up the government, the majority owner, from continuing to provide equity support to the banks year after year. Through a series of moves over the last few years, the government is now left with 12 state-owned banks, from 28 earlier.
- **Strengthening Banks:**
 1. The government is trying to strengthen the strong banks and also minimise their numbers through privatisation to reduce its burden of support.
- **Recommendations of Different Committees:**
 1. Many committees had proposed bringing down the government stake in public banks below 51%:
 - ✓ The Narasimham Committee proposed 33%.
 - ✓ The P J Nayak Committee suggested below 50%.
 2. An RBI Working Group recently suggested the entry of business houses into the banking sector.
- **Creation of Big Banks:**
 1. One of the objectives of privatisation is also to create big banks. Unless privatised PSBs are merged with existing large private banks, they cannot ultimately attain the kind of scale and size to develop higher risk appetite and lending capacity.

2. Hence, privatisation is a multifaceted task considering all angles to tackle multiple challenges and exploring new ideas but it can pave the way for developing a more sustainable and strong banking system benefitting all stakeholders.

Issues:

- **Rewarding Crony Capitalism:** The privatisation of the PSBs is tantamount to selling the banks to private corporates, many of whom have defaulted on loans from the PSBs, and will only reward crony capitalism.
- **Job Losses:** The privatisation will also result in job losses, branch closures and financial exclusion. The privatisation will shrink employment opportunities for Scheduled Castes, Scheduled Tribes and Other Backward Classes (OBC) since the private sector does not follow reservation policies for the weaker sections.
- **Financial Exclusion of Weaker Sections:** The private sector banks concentrate on the more affluent sections of the population and the metropolitan/urban areas, leading to financial exclusion of weaker sections of the society, particularly in the rural areas. Public sector banks were taking banking to the rural areas and ensuring financial inclusion. He feared reversal of these gains may take place if PSBs are privatised.
- **Bailout operation:** Bank unions have termed the privatisation process a “bailout operation” for corporate defaulters. Private sector is responsible for the huge bad loans. In fact, they should be punished for this crime. But the government is rewarding them by handing over the banks to the private sector.
- **Governance Issues:** Industrial Credit and Investment Corporation of India (ICICI) Bank MD and CEO was sacked for allegedly extending dubious loans. Yes Bank CEO was not given extension by the RBI and now faces investigations by various agencies. Lakshmi Vilas Bank faced operational issues and was recently merged with DBS Bank of Singapore.

Banking Regulation Act, 1949

- It regulates banking firms in India. It was passed as the Banking Companies Act 1949. and was changed to the Banking Regulation Act, 1949 from 1st March 1966.
- This act empowers the Reserve Bank of India (RBI) to.
- Issue licence to commercial banks, Regulate shareholders' shareholding and voting rights, Supervises the appointment of boards and management, Regulates the operations of banks, giving instructions for audit, Control moratorium, merger, and liquidation, Issues instructions to the banks in the interests of public welfare & banking policy, Impose a penalty on banks if required.
- In 2020, the government passed an ordinance to change the Banking Regulation Act, 1949, making all the co-operatives come under the supervision of the Reserve Bank, so that the interests of the depositors can be protected properly.

Banking Laws (Amendment Bill 2021)

- The Bill aims to amend banking companies acquisition and transfer laws of 1970 and 1980 and the Banking Regulation Act, 1949 to achieve privatisation of two PSBs to meet disinvestment targets as stated by the finance minister in the Union Budget 2021-22. These laws had led to the nationalisation of banks, so relevant provisions of these laws have to be changed to pave the way for the privatisation.
- This move will bring down the minimum government holding in the PSBs from 51% to 26%.

Way Forward

- There is an urgent and imperative need to bring in a suitable statutory framework to consider wilful defaults on bank loans a “criminal offence”.
- There is a need to follow prudential norms for lending and effective resolution of Non-Performing Assets.
- The governance and management of PSBs has to improve. The way to do this was outlined by the PJ Nayak committee, which recommended distancing between the government and top public sector appointments (everything the Banks Board Bureau was supposed to do but could not).
- Rather than blind privatisation, PSBs can be made into a corporation like Life Insurance Corporation (LIC). While maintaining government ownership, this will give more autonomy to PSBs.

INTERNATIONAL RELATION**US Imposes New Sanctions on China**

The U.S is imposing new sanctions on several Chinese biotech and surveillance companies and government entities over human rights abuses of Uyghur Muslims in the Xinjiang region of China. Xinjiang is technically an autonomous region within China — its largest region, rich in minerals, and sharing borders with countries like India, Russia, Mongolia and Afghanistan.

Key Points**US Sanctions:**

- The US Commerce Department is targeting China's Academy of Military Medical Sciences and its 11 research institutes that focus on using biotechnology to support the Chinese military.
 1. The US Treasury Department is also set to issue penalties against several Chinese entities.
 2. The move will bar American companies from selling components to the entities without a license.
- The US administration supported bipartisan legislation that bans imports into the U.S. from Xinjiang unless companies can demonstrate the goods were not produced by forced labour.
- Earlier, in 2020 the United States House of Representatives approved a legislation calling for sanctions on Chinese officials responsible for oppression of Uyghur Muslims.
 1. The bill calls for sanctions against those responsible for repression of Uyghurs and other Muslim groups in China's Xinjiang province.
 2. The bill also calls on USA companies or individuals operating in the Xinjiang region to take steps to ensure their products do not include parts using forced labor of Uyghurs.

Declaration for Uyghur Muslims:

- Recently, 43 countries have signed a declaration, calling on China to ensure full respect for the rule of law for the Muslim Uyghur community in Xinjiang.
- The declaration was signed by the US and other countries accusing China of human rights violations and ethnic cleansing against the Uyghur Muslims. Similar declarations in 2019 and 2020 condemned China for its policies in Xinjiang, where United States has accused Beijing of carrying out genocide.
- It also called for access to Xinjiang for independent observers, including the UN High Commissioner for Human Rights.
- It noted the existence of a large network of 'political re-education' camps in Xinjiang Uyghur Autonomous Region, where over a million people have been arbitrarily detained. However, China claims its camps to be 'educational centres' where the Uyghurs are being cured of "extremist thoughts" and radicalisation, and learning vocational skills.

China's Stand:

- China claims that Uyghur groups want to establish an independent state and, because of the Uyghurs' cultural ties to their neighbours, leaders fear that elements in places like Pakistan may back a separatist movement in Xinjiang.
- China has denied any abuses and says the steps it has taken are necessary to combat terrorism and a separatist movement.

India's Stand:

- The Indian government has maintained near silence on the Uyghur crisis.

Uyghurs Muslims**About:**

- The Uyghurs are a predominantly Muslim minority Turkic ethnic group, whose origins can be traced to Central and East Asia. The Uyghurs speak their own language, similar to Turkish, and see themselves as culturally and ethnically close to Central Asian nations.
- The Uyghurs are considered to be one of the 55 officially recognized ethnic minority communities in China.
- However, China recognises the community only as a regional minority and rejects that they are an indigenous group.
- Currently, the largest population of the Uyghur ethnic community lives in the Xinjiang region of China. A significant population of Uyghurs also lives in the neighbouring Central Asian countries such as Uzbekistan, Kyrgyzstan and Kazakhstan. Xinjiang is technically an autonomous region within China — its largest region, rich in minerals, and sharing borders with eight countries, including India, Pakistan, Russia and Afghanistan.

Persecution of Uyghurs:

- **Intrusion of Majority Han Chinese:** Over the past few decades, as economic prosperity has come to Xinjiang, it has brought with it in large numbers the majority Han Chinese.
 1. They have cornered the better jobs, and left the Uyghurs feeling their livelihoods and identity were under threat.
 2. This led to sporadic violence, in 2009 culminating in a riot that killed 200 people, mostly Han Chinese, in the region's capital Urumqi.
- **Suppression by State:** Uighur Muslims for decades have suffered from abuses including persecution, forced detention, intense scrutiny, surveillance and even slavery.
- **Systematic Effort to Suppress Uyghurs:** U.S. intelligence has established that China has set up a high tech surveillance system across Xinjiang that uses biometric facial recognition and has collected DNA samples from all residents, ages 12 to 65, in Xinjiang as part of a systematic effort to suppress Uyghurs. China is choosing to use these technologies to pursue control over its people and its repression of members of ethnic and religious minority groups.

Way Forward

- All the countries should reconsider their position and urge China to immediately stop the persecution of Muslims and the prohibition of Islam in Xinjiang.
- It should adopt multiculturalism and accept the Uyghurs and other Turkic Muslims of China as ordinary citizens equal to native Chinese.

GOVERNANCE

Pradhan Mantri Krishi Sinchayee Yojna

Recently, the Cabinet Committee on Economic Affairs (CCEA) approved the extension of the Pradhan Mantri Krishi Sinchayee Yojna (PMKSY) till 2026, with an outlay of Rs 93,068 crore.

The government also approved the Accelerated Irrigation Benefit Programme (AIBP), Har Khet ko Pani (HKKP), and watershed development components of the PMKSY for four years to 2025-26.

Key Points

About:

- It is a Centrally Sponsored Scheme (Core Scheme) launched in 2015. Centre- States will be 75:25 per cent. In the case of the north-eastern region and hilly states, it will be 90:10. It will benefit about 22 lakh farmers, including 2.5 lakh scheduled caste and two lakh scheduled tribe farmers.
- In 2020, the Ministry of Jal Shakti launched a mobile application for Geo-Tagging of the components of projects under PMKSY.
- It has three main components namely the AIBP, HKKP and Watershed Development.
 1. AIBP was launched in 1996 with the aim of accelerating the implementation of irrigation projects that exceed the resource capabilities of states.
 2. HKKP aims to create new water sources through Minor Irrigation. Repair, restoration and renovation of water bodies, strengthening carrying capacity of traditional water sources, construction rain water harvesting structures. It has sub components: Command Area Development (CAD), Surface Minor Irrigation (SMI), Repair, Renovation and Restoration (RRR) of Water Bodies, Ground Water Development.
 3. Watershed Development is the effective management of runoff water and improved soil & moisture conservation activities such as ridge area treatment, drainage line 5 treatment, rain water harvesting, in - situ moisture conservation and other allied activities on watershed basis.

Objectives:

- Convergence of investments in irrigation at the field level.
- To expand the cultivable area under assured irrigation (Har Khet ko pani).
- To improve on-farm water use efficiency to reduce wastage of water.
- To enhance the adoption of precision-irrigation and other water saving technologies (More crop per drop).
- To enhance recharge of aquifers and introduce sustainable water conservation practices by exploring the feasibility of reusing treated municipal based water for peri-urban agriculture and attract greater private investment in a precision irrigation system.
 1. An aquifer is a body of porous rock or sediment saturated with groundwater. Groundwater enters an aquifer as precipitation seeps through the soil. It can move through the aquifer and resurface through springs and wells.

2. Peri-urban agriculture refers to farm units close to town which operate intensive semi- or fully commercial farms to grow vegetables and other horticulture, raise chickens and other livestock, and produce milk and eggs.
3. Precision Irrigation is an innovative technique that uses water wisely and helps farmers achieve higher levels of crop yield in a minimal amount of water

Formulation: It was formulated by amalgamating following schemes:

- Accelerated Irrigation Benefit Programme (AIBP) - Ministry of Water Resources, River Development & Ganga Rejuvenation (now Ministry of Jal Shakti).
- Integrated Watershed Management Programme (IWMP) - Department of Land Resources, Ministry of Rural Development.
- On-Farm Water Management (OFWM) - Department of Agriculture and Cooperation (DAC).

Implementation: Decentralized implementation through State Irrigation Plan and District Irrigation Plan.

PRELIMS FACT

Jaitapur Nuclear Reactors: Maharashtra

Recently, the Centre has given in-principle (first step) approval for setting up of six nuclear power reactors at Jaitapur in Maharashtra. The Jaitapur Project is a key component of the strategic partnership between India and France.

Nuclear Power

- **About:**
 1. Nuclear power is clean and environment friendly, apart from having a “huge potential to ensure the country’s long-term energy security on a sustainable basis.
 2. The nuclear power plants have so far generated about 755 billion units of electricity, saving about 650 million Tonnes of CO₂ emission.
- **Contribution in Achieving Net Zero:**
 1. Net zero targets are expected to be met through a combination of various clean energy sources, including nuclear power.
 2. The present nuclear power capacity of 6,780 MW is expected to be increased to 22,480 MW by 2031 on completion of projects.

Key Points

About:

- Jaitapur would be the world’s most powerful nuclear power plant. There would be six state-of-the-art Evolutionary Power Reactors with an installed capacity of 9.6 GWe that will produce low carbon electricity. The six nuclear power reactors, which will have a capacity of 1,650 MW each, will be set up with technical cooperation from France.
- It would provide electricity to seven crore households. That’s huge. It’s a complex project. Both countries are dedicated to reaching an agreement.
- This project will embody the strong partnership between India and France, a commitment to low carbon future, and will directly benefit Maharashtra with thousands of local jobs

Status of Nuclear Energy in India:

- India has consciously proceeded to explore the possibility of tapping nuclear energy for the purpose of power generation.
- In this direction a three-stage nuclear power programme was formulated by Homi Bhabha in the 1950s.
- The Atomic Energy Act, 1962 was framed and implemented with the set objectives of using two naturally occurring elements Uranium and Thorium having good potential to be utilised as nuclear fuel in Indian Nuclear Power Reactors.
- Other measures taken to enhance the generation from nuclear power plants:
 1. Administrative approval and financial sanction for 10 indigenous 700 MW Pressurised Heavy Water Reactors (PHWR).
 - PHWR is a nuclear power reactor, commonly using unenriched natural uranium as its fuel. It uses heavy water (Deuterium oxide D₂O) as its coolant and moderator.
 - Presently, India has 22 operating nuclear power reactors, with an installed capacity of 6780 MegaWatt electric (MWe). Among these eighteen reactors are Pressurised Heavy Water Reactors (PHWRs) and four are Light Water Reactors (LWRs).

2. The Atomic Energy Act 1962 has also been amended to enable joint ventures of public sector companies to set up nuclear power projects.

Nuclear Power plants in Operation	Nuclear Power Plants under Construction	Planned Nuclear Power Plants
<ul style="list-style-type: none"> Rawatbhata (Rajasthan) Tarapur (Maharashtra) Kudankulam (Tamil Nadu) Kakrapar (Gujarat) Kalpakkam (Tamil Nadu) Narora (Uttar Pradesh) Kaiga (Karnataka) 	<ul style="list-style-type: none"> Kakrapar 3&4 (Gujarat) Rawatbhata (Rajasthan) Kudankulam 3&4 (Tamil Nadu) Kalpakkam PFBR (Tamil Nadu) 	<ul style="list-style-type: none"> Jaitapur (Maharashtra) Kovvada (Andhra Pradesh) Mithi Virdi (Gujarat) Haripur (West Bengal) Gorakhpur (Haryana) Bhimpur (Madhya Pradesh) Mahi Banswara (Rajasthan) Kaiga (Karnataka) Chutka (Madhya Pradesh) Tarapur (Maharashtra)

2. VIHANGAM

Recently, an internet-based platform called 'VIHANGAM' integrated with a Remotely Piloted Aircraft System (RPAS) at Mahanadi Coalfields Limited (MCL) was inaugurated.

Mahanadi Coalfields Limited

- It is one of the major coal producing companies of India. It is one of the eight subsidiaries of Coal India Limited.
- MCL was the first coal company to introduce environment-friendly Surface Mining technology in 1999.
- The biggest fleet of 66 Surface Miners is contributing 95% of the total coal production of the company.

Key Points

About:

- The system consists of a Ground Control Station (GCS), an RPAS, internet lease line of 40 Mbps and VIHANGAM portal.
- The system enables real-time transmission of aerial video of mining activities from mines to internet platforms which can be accessed through VIHANGAM portal by authorized personnel only having ID and password.

Remotely Piloted Aircraft System (RPAS):

- RPAS is one subset of the Unmanned Aircraft System (UAS).
- There are three subsets of Unmanned Aircraft- Remotely Piloted Aircraft, Autonomous Aircraft and Model Aircraft. Drone is a layman terminology for Unmanned Aircraft (UA).
- Remotely piloted aircraft have been divided into five categories based on their weight (existing rules).
 - Nano** : Less than or equal to 250 grams.
 - Micro** : From 250 grams to 2kg.
 - Small** : From 2 kg to 25kg.
 - Medium** : From 25kg to 150kg.
 - Large** : Greater than 150kg
- Remotely Piloted Aircraft consists of remote pilot station(s), the required command and control links and any other components, as specified in the type design.

Other Initiatives Using UAVs:

- The Ministry of Health and Family Welfare has launched a Drone-Based vaccine delivery model named, Drone Response and Outreach in North East (i-Drone).
- Telangana government has selected 16 Primary Healthcare Centres (PHCs) for pilot testing the ambitious 'Medicine from the sky', the first-of- its-kind project.
- The International Crops Research Institute (ICRISAT) was permitted to deploy drones for agricultural research activities, apart from some agriculture universities and educational institutions.

DAILY ANSWER WRITING PRACTICE

Qns. As Omicron variant spreads, India faces a policy dichotomy, whether to go for a booster dose or to increase vaccine coverage in India and continue supplying vaccines globally. Comment. (250 words)

Ans:

Introduction

The novel coronavirus continues to undergo change in the genetic sequence of the virus (mutation). The new variant B.1.1.529, which was designated as a 'Variant of Concern' by World Health Organisation has been assigned the name Omicron. Reported by public health officials of South Africa, the new variant has triggered a lot of concern worldwide over a probable resurgence of Covid infections.

Body

Policy Dichotomy

- So far in India, around 35% of eligible population is fully vaccinated and around 58% have taken at least one dose of vaccine against SARS-COV virus.
- Thus, the priority instead was to increase the percentage of people who are vaccinated with two doses.
- The Health Minister too said the priority was on fully vaccinating all adults than on booster shot immunisation though adequate vaccines were available.
- However, there has been a growing clamour from a few States for booster doses.
- The Government has reiterated that any decision on booster doses will be based solely on scientific recommendations.
- The Director-General, ICMR, said that there was no scientific evidence thus far to administer a booster vaccine to fully vaccinated people.

Rationale behind a booster dose

- The effectiveness of both vaccines (Covishield & Covaxin) against the Omicron variant is unknown.
- Although over 65 million people in the U.S. are unvaccinated, on October 21, a booster shot was approved for all above 65 years and certain categories of young adults. It was later expanded to include all adults.
- Many countries in Europe too have approved booster shots, having based their decision at least partially on vaccine effectiveness data.
- While this variant appears to be far more transmissible than the Delta variant, disease severity and the age groups most vulnerable to disease are not fully known.

Total vaccination is need of the hour vis-à-vis Booster dose

- Consistent finding with breakthrough infections is that these episodes are less in severity as compared to unvaccinated. That still confirms that immunity does exist in vaccinated individuals in India.
- The rapid global spread of the Omicron variant might also lead to increased vaccine uptake.
- While a sufficient supply of Covishield, which accounts for nearly 90% of vaccines administered, might be able to meet the demand, the priority should be to increase vaccine coverage and not boosters.
- This is particularly so as India will be under pressure to supply vaccines to the global South.

Way forward

- Despite these uncertainties, it might still be prudent to approve booster doses for people older than 60 years and young adults who are immunocompromised or have comorbidities.
- But administering booster doses cannot be at the cost of increased coverage of the first dose and full vaccination.

- Also, the need to begin immunising adolescents cannot be ignored.
- Scientific data has proven that masks can reduce Covid-19 transmission by 53 per cent. Thus, Masking is the need of the hour and there is no Alternative for vaccination.
- A parliamentary committee has recommended that the efficacy of COVID-19 vaccines must be evaluated and the government conduct more research to examine the need for booster doses to contain the new strain.

DAILY QUIZ

Q1. With reference to Smart Cities Mission, consider the following statements:

1. It is a Central Sector Scheme.
2. It is an innovative initiative under the Ministry of Housing and Urban Affairs.
3. The objective is to integrate city functions, utilize scarce resources more efficiently, and improve the quality of life of citizens.

Which of the statements given above is/are correct?

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

Q2. Consider the following statements:

1. The Census provides a portrait of the Indian population, while the Socio-Economic Caste Census (SECC) is a tool to identify beneficiaries of state support.
2. Every Census in independent India from 1951 to 2011 has published data on Scheduled Castes and Scheduled Tribes, but not on other castes.
3. SECC 2011 was the first caste-based census since 1931 Census of India.

Which of the statements given above is/are correct?

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

Q3. Consider the following statements:

1. Hypersonic speeds are 5 or more times the speed of sound.
2. The BrahMos is a medium-range ramjet hypersonic cruise missile.

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. Consider the following statements:

1. Facial recognition is a biometric technology that uses distinctive features on the face to identify and distinguish an individual.
2. It improves outcomes in the area of Criminal identification and verification.

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

Q5. Consider the following statements about the Office of the High Commissioner of Human Rights:

1. It is a part of the UN Secretariat.
2. It was established in 1993.
3. It is headquartered in London.

Which of the statements given above is/are correct?

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