

ECONOMY

- **Non-performing assets (NPAs)**
- **Context:** Recently, according to data furnished by the Reserve Bank of India (RBI), the mega write-off exercise has enabled banks to reduce their non-performing assets (NPAs) or defaulted loans by Rs 10,09,510 crore (\$123.86 billion) in the last five years. But, banks have been able to recover only 13 percent of it so far.
- This huge write-off would have been enough to wipe out 61 per cent of India's estimated gross fiscal deficit of Rs 16.61 lakh crore for 2022-23. The banking sector reported a decline in gross NPAs to Rs 7, 29,388 crore, or 5.9 per cent of the total advances as of March 2022.
- Gross NPAs were 11.2 per cent in 2017-18. Once a loan is written off by a bank, it goes out from the asset book of the bank. The bank writes off a loan after the borrower has defaulted on the loan repayment and there is a very low chance of recovery. The lender then moves the defaulted loan, or NPA, out of the assets side and reports the amount as loss. Public sector banks reported the maximum share of write-offs at Rs 734,738 crore accounting for nearly 73 per cent of the exercise.
- **What is NPA?**
- A loan becomes an NPA when the principal or interest payment remains overdue for 90 days.
- **Types of NPA:**
- **Sub Standard:** A sub-standard asset is one that is classified as an NPA for a period not exceeding twelve months.
- **Doubtful:** A doubtful asset is one that has remained as an NPA for a period exceeding twelve months.
- **Loss:** A loss asset is one where loss has already been identified by the bank or an external institution, but it is not yet completely written off, due to its recovery value, however little it may be.
- **Why do banks write off loans?**
- After a loan turns bad, a bank writes it off when chances of recovery are remote. It helps the bank reduce not only its NPAs but also taxes since the written off amount is allowed to be deducted from the profit before tax. After write-off, banks are supposed to continue their efforts to recover the loan using various options. They have to make provisioning also.
- **Causes for Banking NPA:**
- **Financial crisis:** Before the financial crisis of 2008 India's economy was in a boom phase. During this period banks lent extensively to corporates in the expectation that the good times will continue in future.
- **Earning of the corporate:** Low earnings affected their ability to pay back loans. This is one of the most important reasons behind the increase in NPA of public sector banks.
- **Relaxed lending norms:** Another major reason for rising NPA was the relaxed lending norms for corporate houses. Their financial status and credit rating were not analysed properly.
- **Public Sector banks:** It provides a major portion of the credit to industries and it is this part of the credit distribution that forms a great portion of NPA.
- **The priority sector lending (PSL) sector :** This has contributed substantially to the NPAs. Priority sectors include agriculture, education, housing, MSMEs.
- **Credit default by promoters:** There are also cases of credit default by promoters, where the funds have been diverted by over-invoicing imports, sourced via a promoter owned subsidiary abroad or exporting to shell companies and then declaring that they defaulted.
- **Issues with NPA:**
- **Provisioning-**The bad loans lead to banks having to save a part of their operating revenue to account for bad loans which is called Provisioning. The technical term used for provisioning is Capital Adequacy Ratio (CAR) or Capital to Risk (weighted) Assets Ratio (CRAR).
- **Less profitable-**The banks are required to provision for bad loans out of their operating income. The concerned bank becomes less profitable because it has to use some of its profits from other loans to make up for the loss on the bad loans.
- **Risk-averse-**The officials of such banks hesitate from extending loans to business ventures that may remotely appear risky for the fear of aggravating an already high level of non-performing assets (or NPAs).
- **Downfall in the share markets-**Any reduction in the perceived valuation of the banks might lead to loss of share value of the banks, leading to general downfall in the share markets. This could result in wiping out shareholders' wealth from the financial markets.
- **Rising Bad Loans-**In spite of various efforts, a substantial amount of NPAs continue on the balance sheets of banks primarily because the stock of bad loans as revealed by the Asset Quality Review is not only large but fragmented across various lenders.
- **Steps Taken for NPA:**
- Insolvency and Bankruptcy Code (IBC)

- Strengthening of Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI Act) and Debt Recovery Tribunals
- Setting up of dedicated Stressed Asset Management Verticals (SAMVs) in banks for large-value NPA accounts etc.
- Existing ARCs have been helpful in the resolution of stressed assets, especially for smaller value loans

POPULATION

- **China, India population: Implications of slowing dragon, racing elephant**
- **Context: China is set to register an absolute population decline. Its crisis from a dwindling and ageing workforce can be an opportunity for India to reap the next “demographic dividend”. But rapid job creation will be key.**
- This year and the next will see two landmark demographic events. In 2022, China will for the first time register an absolute decline in its population. And in 2023, India’s population, projected by the United Nations to reach 1,428.63 million, will surpass China’s 1,425.67 million. The potential economic implications are huge. But the first question to ask is: What has been behind these shifts? There are two primary drivers of population change.
- Mortality falls with increased education levels, public health and vaccination programmes, access to food and medical care, and provision of safe drinking water and sanitation facilities.
- The crude death rate (CDR) — the number of persons dying per year per 1,000 population — was 23.2 for China and 22.2 for India in 1950. It fell to single digits for China first in 1974 (to 9.5) and for India in 1994 (9.8), and further to 7.3-7.4 for both in 2020. Another mortality indicator is life expectancy at birth. Between 1950 and 2020, it went up from 43.7 to 78.1 years for China and from 41.7 to 70.1 years for India.
- Reduction in mortality normally leads to a rising population. A drop in fertility, on the other hand, slows down population growth, ultimately resulting in absolute declines. The total fertility rate (TFR) — the number of babies an average woman bears over her lifetime — was as high as 5.8 for China and 5.7 for India in 1950.
- The TFR is the average number of births by women aged 15-49 based on surveys for a particular period/year. Populations can keep growing even with TFRs falling. De-growth requires TFRs to remain below replacement levels for extended periods. The effects of that — fewer children today becoming parents tomorrow and procreating just as much or less — may reflect only after a couple of generations.
- China’s TFR dipped below replacement first in 1991, which was almost 30 years before India’s. Recall that the CDR decline below 10, too, happened two decades earlier for China. Not surprising, China’s population more than doubled from 544 million in 1950 to 1.1 billion in 1987 — underpinned by falling CDRs — and continued to grow, peaking at 1,426 million in 2021. It took over 30 years for below-replacement fertility rates to translate into negative population growth.
- China’s TFR, according to its 2020 Census, was 1.3 births per woman — marginally up from the 1.2 in the 2010 and 2000 censuses, but way below the replacement rate of 2.1. China officially ended its one-child policy, introduced in 1980, from 2016. The UN, nevertheless, projects its total population at 1.31 billion in 2050, a 113 million-plus drop from the 2021 peak.
- The real crisis for China, however, is the decline in its population that is of prime working age. The proportion of the population aged between 20 and 59 years crossed 50% in 1987 and peaked at 61.5% in 2011. This period also coincided with high economic growth, with China successfully harnessing the “demographic dividend” that comes from a young labour force. If there is a large population that’s able to work and earn, not only will there be relatively fewer people to support — those too old or too young — but also greater tax revenues and savings potential from the generation of incomes. As these are directed to finance investments, a virtuous cycle of growth is unleashed — as indeed it happened in China.
- But that cycle has started to reverse, and the share of China’s working-age population is projected to fall below 50% by 2045. In absolute terms, the decline would be from a high of 839 million in 2014 to hardly 604 million in 2050. Moreover, the average (median) age of the population, which was 28.9 years in 2000 and 37.4 years in 2020, is expected to soar to 50.7 years by 2050. In short, China faces the prospect of a dwindling labour force having to support a rapidly aging population.
- India has just begun seeing fertility rates fall to replacement levels, including in rural areas. The latter has to do with the spread of education — and, perhaps, also farm mechanisation and fragmentation of landholdings. Reduced labour requirement in agricultural operations and smaller holdings make it that much less necessary to have large families working the land.
- But even with fertility rate declines, India’s population is projected to expand and de-grow only after touching 1.7 billion about 40 years from now. More important is the working-age population: its share in the overall population crossed 50% only in 2007, and will peak at 57% towards the mid-2030s.

- In absolute terms, the population aged 20-59 years will increase from 760 million in 2020 to nearly 920 million in 2045. The median age of India's population also will not go up much — from 27.3 years in 2020 to 38.1 in 2050 — adding up to a less depressing prospect than China's.
- Overall then, India has a window of opportunity well into the 2040s for reaping its “demographic dividend”, like China did from the late 1980s until up to 2015. That is, of course, contingent upon the creation of meaningful employment opportunities for a young population.
- Going forward, the challenge before India's policymakers is to promote growth that generates jobs outside of agriculture. These mustn't merely be in construction and low-paid informal services. The surplus labour from farms should find employment in sectors — manufacturing and modern services — where productivity, value-addition and average incomes are higher. In the absence of such structural transformation, the “demographic dividend” could well turn into a “demographic nightmare”

ART & CULTURE

❖ The Geoheritage value of Ram Setu

- ❖ **Context:** In November 10, the Supreme Court gave the Centre four weeks' time to file a response clarifying its stand on a plea by former Rajya Sabha MP Subramanian Swamy seeking national heritage status for the 'Ram Setu'.

- While the story of the controversial Sethusamudram Ship Channel Project (SSCP) can be traced back to the British, who proposed creating a channel to link the Palk Strait with the Gulf of Mannar, it was only in 2005 that the project was inaugurated.
- Separating the shallow sea consisting of the Gulf of Mannar in the south and Palk Bay in the north is a somewhat linear coral ridge called Adam's Bridge or Ram Setu. This runs between Rameswaram in Tamil Nadu and Thalaymannar in Sri Lanka. The SSCP, if completed, is expected to considerably reduce the navigation time between the east and west coasts of India.

❖ Concerns about the project:

- Though the CSIR-National Environmental Engineering Research Institute ruled out any serious environmental risk and certified the feasibility of the project, concerns have been raised on the stability of the proposed channel and its environmental impact. Computer models suggest that the central, eastern and north-eastern parts of the Palk Bay may be impacted by waves of higher energy. This means that these areas also receive more sediment, rendering them more turbid. The models also indicate that waves enter the Bay from its north and south, corresponding to how the channel is aligned.
- The area is also vulnerable to cyclonic storms. A cyclone in 1964 was so powerful that it wiped out the town of Dhanushkodi. Such storms can cause the local sedimentary dynamics to go haywire. Finding safe places for dumping dredged material without harming terrestrial or marine ecosystems is therefore a big challenge.
- Emissions from ships traversing the narrow channel will pollute the air and water. And if a rogue ship carrying oil or coal is grounded or strays from its course within the canal, it could cause an ecological disaster.
- While environmental groups have been protesting against the project for the huge environmental cost it would entail, religious groups have been opposing it as they believe that the structure, which is mentioned in the Ramayana, is of religious significance.
- In 2003, space-based investigations, using satellite remote sensing imagery, by researchers at the Space Applications Centre in Ahmedabad concluded that Ram Setu is not man-made, “but comprises 103 small patch reefs lying in a linear pattern with reef crest, sand cays and intermittent deep channels”. Cays, also known as keys, refer to low-elevation islands situated on surfaces made of coral reef. Thus, it is reasonable to assume that Ram Setu is a linear ridge made of coral reefs and forms a shallow part of the ocean that is being constantly impacted by sedimentation processes. Like the Great Barrier Reef, the Ram Setu is also a continuous stretch of limestone shoals that runs from Pamban Island near Rameswaram to the Mannar Island on the northern coast of Sri Lanka.
- During a global glaciations period that began around 2.6 million years ago and ended 11,700 years ago, the Indian coast, including parts of the Sethusamudram, may have been raised above water. The post-glaciation period witnessed a steady rise in sea levels around the world. The coral polyps could once again have grown higher on the newly submerged platforms. And in time, the platforms may have been used by migrants to cross oceans.
- ❖ Need for protection
- The coral reef platforms between Thoothukudi and Rameswaram in the Gulf of Mannar were notified as a marine biosphere reserve in 1989. More than 36,000 species of flora and fauna reportedly live there, Ranked by mangroves and sandy shores which are considered conducive for turtles to nest. This is also a breeding ground for fish, lobsters, shrimps and crabs.

- Of the 600 recorded varieties of fish in the region, 70 are said to be commercially important. This area is already threatened by discharge from thermal plants, brine run-off from salt pans, and illegal mining of corals. The SSCP, if it becomes a reality, will be the final blow to this sensitive environment and to the livelihoods of the people there.
- While considering this issue from a believer's point of view, it is also important to consider this feature from a 'geoheritage' perspective. The geoheritage paradigm is used in nature conservation to preserve the natural diversity of significant geological features. It accepts the fact that geodiversity, consisting of varied landforms and features representative of dynamical natural processes, is under threat from human activities and needs protection. The natural heritage of a country includes its geological heritage. The value of abiotic factors like geology, soils and landforms is also recognised for their roles in supporting habitats for biodiversity. India's 'tryst with destiny' does not begin at Harappa or the Vedic Period; it goes back billions of years when the Indian tectonic plate moved thousands of kilometres from the south of the equator to its present location.
- The Ram Setu carries the unique geological imprints of an eventful past. Therefore, it needs to be preserved not just as a national heritage monument, but also as a geoheritage structure as defined from a scientific perspective.

PRELIMS

1. Air Suvidha

- ❖ **Context:** Passengers travelling to India no longer need to fill forms and upload negative RT-PCR tests on the government's Air Suvidha Portal.

What was the Air Suvidha requirement?

- The Air Suvidha portal was launched in August 2020 through which international passengers had to mandatorily submit details of their journey and Covid vaccination or testing status.
- The pre-arrival self-registration portal also enabled authorities to ascertain whether a person was arriving from a high-risk region.
- When the number of international passengers started to increase after India lifted its two-year ban on regular international flights in 2022, the travel requirement was seen as an impediment by many.
- The abolition of Air Suvidha is the last Covid restriction to go.

2. Development Of Great Nicobar:

- ❖ **Context:** Recently, the Ministry of Environment, Forest and Climate Change gave environmental clearance for the ambitious Rs 72,000 crore development project on the strategically important Great Nicobar Island.

- The project is to be implemented in three phases over the next 30 years.
- A "greenfield city" has been proposed, including:
 - ✓ an International Container Transshipment Terminal (ICTT),
 - ✓ a greenfield international airport,
 - ✓ a power plant, and
 - ✓ a township for the personnel who will implement the project.

❖ About the Island:

- Great Nicobar, the southernmost of the Andaman and Nicobar Islands, has an area of 910 sq km.
- The Andaman and Nicobar Islands are a cluster of about 836 islands in the eastern Bay of Bengal.
- The two groups are separated by the 150-km wide Ten Degree Channel.
- The Andaman Islands lie to the north of the channel, and the Nicobar Islands to the south.
- Indira Point on the southern tip of Great Nicobar Island is India's southernmost point, less than 150 km from the northernmost island of the Indonesian archipelago.
- Great Nicobar is home to two national parks, a biosphere reserve, and the Shompen and Nicobarese tribal peoples.
- The **leatherback sea turtle** is the island's **flagship species**.

ANSWER WRITING

Q. The scope of terror financing has expanded with the development of emerging technologies. Discuss some measures taken by India to eliminate such menace. Also suggest some other measures to effectively tackle and counter the terror financing issues.

Answer:

Terror financing is the **provision of funds or providing financial support to individual terrorists or non-state actors**. Terrorists use these financing to purchase arms, equipment, supplies or services. The terrorism funds are usually obtained through criminal activities such as drugs trafficking, extortion, kidnapping etc. however, the recent development in emerging technologies such as blockchain, 5G technology, artificial intelligence etc. has widened the scope of terror financing which threatens the national security and sovereignty.

Terror financing and emerging technologies:

1. Increased use of cryptocurrencies such as Ethereum and Non-fungible tokens (NFTs) for extorting money which runs through Blockchain technology.
2. Easy accessibility to the Dark web due to the evolution of 5G technology. Dark web is used by terrorist majorly for purchasing arms & ammunitions.
3. undertaking cyberattacks such as social media frauds, ransomware attacks, banking frauds etc.

measures taken by India to counter terror financing:

1. Strengthening the provisions in the Unlawful Activities (Prevention) Act, 1967 to combat terror financing by criminalizing the production or smuggling or circulation of high-quality counterfeit Indian currency as a terrorist act and enlarge the scope of proceeds of terrorism to include any property intended to be used for terrorism.
2. A Terror Funding and Fake Currency (TFFC) Cell has been constituted in National Investigation Agency (NIA) to conduct focused investigation of terror funding and fake currency cases.
3. FICN Coordination Group (FCORD) has been formed by the Ministry of Home Affairs to share intelligence/information among the security agencies of the states/centre to counter the problem of circulation of fake currency notes. Fake Indian Currency Notes (FICN) network is one of the channels of terror financing in India.
4. Strengthening regional cooperation. For e.g., Memorandum of Understanding (MoU) has been signed between India and Bangladesh to prevent and counter smuggling and circulation of fake currency notes.
5. Strengthening international coordination. For e.g., India has recently hosted UN counter-terrorism committee (CTC) and “No money for terror” (NMFT) conference.

Other measures required:

1. Capacity building: the Indian cyber surveillance institutions need to be equipped with better modern tools and equipment along with skill training to the workforce to deal with the emerging challenges.
2. Building resilient infrastructure: Strengthening resilient IT infrastructure is imperative to ensure cyber security and safety from cyberattacks such as banking frauds.
3. Enhancing international cooperation: India should take initiative in discussing issues of terror financing and emerging technologies in platforms like financial action task force (FATF) meeting, UNGA assembly etc.
4. Education & awareness: sensitising public on matters related to terror financing will increase the awareness and reduce the vulnerability of becoming victims of extortion and kidnapping.

Countering terror funding has been emphasised both domestically and internationally by India to eliminate this menace. Though, India is progressing to curb such issues which further needs to be strengthened through aforementioned measures. This is critical to ensure national security and sovereignty of a country.

MCQs

1. Consider the following Statements.
 1. The Palk strait is situated between Indian State of Tamilnadu and Jaffna District of Sri Lanka.
 2. This strait connects the Bay of Bengal of India with the palk bay of Sri Lanka.

Choose the correct answer from the codes given below:

 - a) Only 1
 - b) Only 2
 - c) **Both**
 - d) Neither 1 nor 2
2. With reference to Olive Ridley turtles, consider the following statements:
 1. These are the smallest and most abundant of all sea turtles found in the world.
 2. The grouping of Male turtles in sea is called as Arribada.
 3. The Odisha coast has three arribada beaches at Gahirmatha, the mouth of the Devi river, and in Rushikulya, where about 1 lakh nests are found annually.

Which of the statements given above is/are correct?

 - a) 1 and 2 only
 - b) 3 only
 - c) **1 and 3 only**
 - d) All of the above.
3. Consider the following Statements.
 1. The time period of 90 days for a term loan to be classified as NPA.
 2. After 2 crop seasons, an unpaid short duration Farm loan will be termed as NPA.

Choose the correct answer from the codes given below:

 - a) Only 1
 - b) Only 2
 - c) **Both**

- d) Neither 1 nor 2
4. Which of the following statements regarding Ram Setu is INCORRECT?
- It is an underwater chain of natural limestone shoals.
 - It separates Gulf of Mannar to the north, from the palk strait in the south.**
 - Sethusamudram Ship Channel Project (SSCP) is a proposed channel to link the Palk Strait with the Gulf of Mannar.
 - Historical and geological evidences show that until 1480, Ram Setu was above sea level.
5. Consider the following Statements.
- Recently in 2022, India announced its first National Suicide prevention Strategy.
 - It seeks to achieve reduction in suicide mortality by 30% by 2030.
- Choose the correct answer from the codes given below:
- Only 1**
 - Only 2
 - Both
 - Neither 1 nor 2
6. Consider the following Statements
- Egypt hosted the 27th session of the Conference of the Parties to the UNFCCC (COP27).
 - The theme was “achieving the world's collective climate goals”.
- Choose the correct answer from the codes given below:
- Only 1
 - Only 2
 - Both**
 - Neither 1 nor 2
7. Consider the following Statements
- Nine Degree Channel separates the Andaman Islands and Nicobar Islands from each other.
 - The Andaman and Nicobar Islands are submerged parts of Arakan Yoma mountain range.
- Choose the correct answer from the codes given below:
- Only 1
 - Only 2**
 - Both
 - Neither 1 nor 2
8. Consider the following statements.
- Thumba Equatorial Rocket Launching station in 1963 marked the beginning of India's space program.
 - Space commission & DOS was established in 1972.
 - Vikram sarabhai laid the foundation of ISRO.
- Which of the above are true?
- 1 & 2
 - 1, 2 & 3**
 - 3 only
 - 2 only
9. Consider the following statements regarding Royal Bengal tiger:
- It is the largest living cat species.
 - It is listed as Critically Endangered (CR) on the IUCN Red List.
 - India currently hosts the largest tiger population.
- Which of the above statements is/are correct?
- 1 and 2 only
 - 2 and 3 only
 - 1 and 3 only**
 - 1, 2 and 3
10. Banks are required to classify Non-Performing Assets into which of the followings?
- Standard assets, and sub-standard assets
 - Doubtful assets, and bad debt
 - Doubtful assets, bad debts and loss assets
 - Sub-standard assets, doubtful assets, and loss assets**