

TOPIC 1

Recapitalisation of banks and moral hazard

Relevancy

- GS Mains paper III, IV
- Public sector banks, growing NPAs
- Recapitalisation, bailout
- Moral hazard

Introduction

- Recapitalisation of banks raises concerns about moral hazard
- The recent recapitalisation of public sector banks worth ₹2.11 lakh crore is being seen as a huge reform by the Central government.
- This reform will push nationalised banks to lend more actively in the future.
- It will also bring about a quicker recovery of the economy by boosting private investment.

Criticism of the PSB's condition

- Critics say that recapitalisation is just a bailout of banks using taxpayer money.
- Also, banks are in the current mess mainly because of their mismanagement for political reasons which has been ignored.

Public sector versus private sector banks

- Recapitalisation is being justified that with bailout will be governance reforms implemented, that will safeguard the balance sheets of public sector banks from the ill-effects of populism in the future.
- It is highly impractical as nationalised banks, which are supposed to be run for the benefit of the public, are managed by bureaucrats who are accountable only to the political party that is in power.

BRAINYIAS ACADEMY - 8459400000

- Therefore these banks often lend money to fund populist and pet projects of politicians who care more about the next election than the health of banks.
- When the banks end up with huge bad loans on their books these politicians bail them out of trouble and the cycle continues.
- As oppositely, in private banks owner have invested their own money and stand to lose it all in case of mismanagement.
- Private Banks have a strong economic incentive keep a tab on all management who run their business.
- This method is better than complete negligence and gross mismanagement of books in the case of public sector banks.

A case for moral hazard

- Though private banks are not completely immune to the problem of bad loans but in a better position than PSBs.
- But as a worse case, in PSBs there is guarantee of their books to be corrected by the government.
- This worsens each year and leads to a vicious cycle adding to it the risk of moral hazard.
- As nationalised banks are allowed to use taxpayer money whenever they are in deep financial trouble, they don't care while lending.
- Therefore there lies huge risks with their balance sheets.

Conclusion

- The only way to build a healthy and competitive banking system is to reform bank ownership and force banks to take responsibility for their actions.
- India should immediately take steps to such real big bang reforms.

TOPIC 2

E-commerce policy in India

Relevancy

- GS Mains paper III
- E-commerce sector in India
- National policy for E-commerce
- International trade, online trade

Recently

- India is planning a national e-commerce policy to support exports and protect consumer interests.

E-commerce

- Electronic commerce or E-commerce is expanding as a means to doing business at a very rapid rate.
- It also involves using all round electronic methods and procedures to conduct business activities to achieve the organizational goal.
- Electronic Commerce provides new opportunities for all overseas firms to access India's domestic market and vice versa.
- Every service and information about the product is available just on a mouse click on computers.
- The rise of this new medium is attracting attention by both private and public sector in order to remain upgraded and competitive so as to give 100 per cent services to their customers efficiently and effectively.

Upcoming national e-commerce policy

- Ministry of Electronics and Information Technology (MeitY) is working on a proper national comprehensive policy on e-commerce to be put in public domain for discussions.

BRAINYIAS ACADEMY - 8459400000

- Inputs from the feedback could form the basis for a national e-commerce policy.
- India would also engage in discussions with other developing nations on the issue for support for its standing and relevant inputs.

Current guidelines regarding E-commerce

- **Indian Information Technology Act and E-commerce:**
 - Indian Information Technology (IT) Act gives legal recognition to electronics records and electronic signature.
 - This is a step to facilitate paper less trading.
 - This act also provides for reasonable security practices and procedures and sensitive personal data or information.
- **Section 72A of IT Amendment Act, 2008:**
 - It provides for punishment for disclosure of information in breach of a lawful contract is laid down.
- **FDI guidelines for e-commerce by DIPP:**
 - DIPP has issued guidelines for FDI in e-commerce.
 - In India 100% FDI has been permitted in B2B e-commerce recently.
 - As per these new guidelines on FDI in e-commerce, 100% FDI under automatic route is permitted in marketplace model of e-commerce, while FDI is not permitted in inventory based model of e-commerce.
- **Others:**
 - E-commerce has become an important part of many multilateral negotiations such as Regional Comprehensive Economic Partnership (RCEP), WTO, BRICS etc.
 - Ministry of Electronics & Information Technology is leading such negotiations on e-commerce from Indian side.

Global e-com market

- Global e-commerce market is estimated at \$25 trillion of which:

BRAINYIAS ACADEMY - 8459400000

- 5% - trans-border component
- 95% - domestic e-commerce trade
- The size of the Indian e-commerce market is just \$30 billion.
- National policy for e-commerce for India is complicated as many issues are interlinked.
- Therefore different departments the Government are trying to address the issues pertaining to their domain to help in formulate an overarching national policy for e-commerce.

Why India is skeptical about International rules

- Several countries want to negotiate multilateral rules to govern international trade through e-commerce.
- India does not want to start negotiations on World Trade Organisation (WTO) rules in e-commerce.
- India is still unclear how International rules would benefit developing nations, including their companies and consumers.
- India needs to study whether the obligations under International treaties would bind its stakeholders to a benefit or loss.
- The key areas which India needs to look at include:
 - data flows
 - server and data localization
 - transfer of technology
 - mandatory sharing of telecom infrastructure

Conclusion

- Several nations are in favour of continuing in line with the Work Programme on E-Commerce approved in 1998.

BRAINYIAS ACADEMY - 8459400000

- India is looking out for a balanced approach at both the WTO and Regional Comprehensive Economic Partnership (RCEP) negotiations while balancing its national interests.

TOPIC 3

What is Drone technology?

Relevancy

- GS Prelims, GS Mains paper III
- Drone Technology, Science and Technology
- Applications, benefits, regulations

What is drone technology?

- A drone is an unmanned aircraft or a flying robot.
- Drones are more often known as unmanned aerial vehicles (UAVs) or unmanned aircraft systems (UASes).
- The aircrafts may be remotely controlled or can fly autonomously through software-controlled systems, onboard sensors and GPS.

Benefits of Drone technology

- Drones can perform inspections and surveys more quickly, more cheaply, and safely (which reduces insurance costs) than people or helicopters.
- Their benefit is not just in being able to perform the same task more cheaply but significantly more frequently as well.
- By dramatically increasing the amount of data gathered new forms of analysis are being made possible.
- Drones possess the capability of reaching the most remote areas with little to no manpower needed and require the least amount of effort, time, and energy.

Applications of drones

- In the recent past, drone were most often used for military, for anti-aircraft target practice, intelligence gathering, and weapons platforms.
- Drones are now also used in a wide range of civilian roles like search and rescue, surveillance, traffic monitoring, etc.
- **Agricultural Uses of Drones:**

BRAINYIAS ACADEMY - 8459400000

- Drones help track many things including water use, crop health, heat signatures, and soil analysis.
- Expensive aerial surveillances that could previously only be done occasionally with planes can now be completed even daily with drones that cost cheaper.2
- **Military uses:**
 - Military usage of drones has become the primary use in today's world.
 - Used as target decoys, for combat missions, research and development, and for supervision, drones have been part of the military forces worldwide.
- **Infrastructure Development and Maintenance with Drones:**
 - Several energy companies are using drones to inspect power lines, power plants, and storm damage, to improve solar farms, etc.
 - This trend is extending to bridges, dams, oil platforms, wind turbines solar farms, communication towers, underwater robots, gliders, etc.
- **Drones as Infrastructure:**
 - Drones aren't just being used to inspect traditional infrastructure but also to replace it.
 - Example, Facebook is working on building Aquila, a massive solar-powered drone that would stay in the air for months beaming internet to remote or impoverished areas.
- **Commercial Drone Technology:**
 - Commercial industries are working with drones as part of their daily regular business functions.
 - Sophisticated drones help industrial units with everyday tasks like fertilizing crop fields on an automated basis, monitoring traffic incidents, surveying hard-to-reach places, or even delivering pizzas.
- **Personal Drones:**
 - Personal drones are being used for film-making, recording, still photography and gaming by common tech-savvy enthusiasts.
- **Future Drone Technology:**
 - Drone technology is constantly evolving and undergoing groundbreaking progressive improvement.
 - According to airdronecraze, an Amazon Services LLC affiliate advertising program website, drone technology has seven potential

generations, and the majority of current technology sits in the fifth and sixth generations.

- **Other uses:**
 - Aerial photography for journalism and film
 - Express shipping and delivery
 - Gathering information or supplying essentials for disaster management
 - Thermal sensor drones for search and rescue operations
 - Geographic mapping of inaccessible terrain and locations
 - Building safety inspections
 - Precision crop monitoring
 - Unmanned cargo transport
 - Law enforcement and border control surveillance
 - Storm tracking and forecasting hurricanes and tornadoes
 - Development of hundreds of more uses of drones are underway due to the multiple investments pouring into this promising industry every day.

Why drone regulation is necessary?

- Safety of all aircraft manned or unmanned is domain of Director-General of Civil Aviation (DGCA) in India.
- Government is looking for a regulatory framework regarding the usage of drone technology.
- **Privacy concerns:**
 - Privacy and security regarding the usage of drones is emerging as a concern.
 - Example: Operations at the IGI airport in Delhi were held up for two hours after an Air Asia pilot spotted a low-flying object while landing.
 - Firms to use drone technology should take permission for a particular flight path and not deviate or stray into restricted areas.
- **Training and permits:**
 - Elaborate provisions should be made governing verification, training, and granting of permits to drone operators, stipulating suitable atmospheric conditions for operation, and the drone operations in controlled airspaces, etc.
- **Trespass issues:**

BRAINYIAS ACADEMY - 8459400000

- As drone industry grows, conflicts between land owners and drone operators are also bound to rise because of ambiguity in ownership of airspace above land.

Conclusion

- The technological potential with drones is immense and its uses will grow with time.
- Applications that involve drone activity near civilians are likely to require more time for legal and business processes to mature.
- To avoid a potential excess of rules and rule-making authorities the civil aviation ministry must harmonise the regulatory framework across India.
- A comprehensive policy is the key to attracting both investors and innovators.

TOPIC 4

India's rank in 'ease of doing business' report 2018

Relevancy

- GS Prelims, GS Mains paper III
- World bank report
- Ease of doing Business report 2018
- India's ranking

Recently

- World Bank released its annual 'ease of doing business' ranking list in its 'Doing Business 2018' report.

India's performance as in report

- India climbed 30 positions as compared to last year.
- The report ranks India at 100 among 190 countries while last year India was ranked 130.
- India used to be the last among the BRICS countries in the ranking but now it has overtaken Brazil in the list.
- Improving India's ranking in the report has been a key component of the current Government's economic agenda.
- India lately focused on reforms that addressed some of the shortcomings that were measured by the indicators in the report.

How and why India's rank improved?

- India's rank improvement is based on the underlying improvement in the distance to frontier (DTF) score.
- DTF score is an absolute measure of progress towards the best practice.

BRAINYIAS ACADEMY - 8459400000

- India recorded the fifth highest change in DTF score.
- First time since the conception of this report (15years) India is in the top ten economies improving the most in a given year.
- The ease of doing business ranking compares economies with one another while the DTF score benchmarks economies with respect to regulatory best practice.

Factors leading to India's improvement

- India's progress is being appreciated as high and rare.
- Doing Business report measures aspects of regulation affecting 11 areas of the life of a business and India made eight reforms across these areas.
- This is the highest number for the country in a single year.
- India is one of the three countries last year that undertook reforms in as many as eight areas, some of which are:
 - Faster permits for construction
 - Combining the application for the Permanent Account Number (PAN) and the Tax Account Number (TAN) into a single submission
 - Reduction in the time needed to complete the applications for Employee's Provident Fund Organization (EPFO) and the Employee's State Insurance Corporation (ESIC)
 - Reduction in export and import border compliance costs and improved access to credit
 - Establishment of debt recovery tribunals
 - Reduced of non-performing loans by 28%
 - Lower interest rates on larger loans

Further areas for improvement

- **Enforcement of contract:**
 - The time to enforce a contract has come to 1445 days as compared to 1420 days 15 years ago.
 - This places India at 164th place in the ranking on Enforcing Contracts indicator.
 - India certainly has huge improvement potential here.

BRAINY IAS ACADEMY - 8459400000

- **Other areas of concern include:**
 - Property registration and property transition
 - land registry and administration

Conclusion

- India is at a better place now but still it is at a place where there is scope for improvement.
- There are still significant changes possible, though the change this year is significant both relatively and absolutely.
- Better results are expected in coming years as this is a slow process.