TOPIC 1

Relevancy

- GS Prelims, GS Mains paper II
- RTI Act 2005, Government notification 2011, CBI rules
- Right to information violation

Recently

- A plea has been filed in the Supreme Court by an RTI activist, Subhash Chandra Agarwal for an early hearing of a petition challenging a 2011 government notification.
- This notification includes the Central Bureau of Investigation (CBI) on the list of "intelligence and security organisations" exempted from disclosing information to the public under the Right to Information Act.

Provisions in RTI Act 2005

- **Section 8 of RTI Act:**
- It deals with exemption from disclosure of information under this legislation.
- It says that there shall be no obligation on Government to provide any citizen information, disclosure which will affect :
    - India's sovereignty and integrity
    - Security, strategic, scientific or economic interests of the state
    - Relations with foreign States
    - Anything which might lead to incitement of an offence
- **Section 24 of the RTI Act**:
- It says that this law is not applicable to the intelligence and security organisations specified in the Second Schedule.

- However, the only exception these organisations have is for information on allegations of corruption and human rights violation matters.
- **Second Schedule:**
- It includes 26 intelligence and security agencies under its ambit.
- Some of which are Central Bureau of Investigation (CBI), Intelligence Bureau (IB), Research and Analysis Wing (RAW) of the Cabinet Secretariat, Directorate of Revenue Intelligence (DRI), Special Frontier Force (SFF), Border Security Force (BSF), National Security Guards (NSG) and Assam Rifles, etc.

Why this Petition?

- According to the petition 2011 notification which includes the CBI in the Second Schedule of the Right to Information (RTI) Act of 2005
- It is called as highly arbitrary, especially when the organisation is only an investigating agency and not a security or intelligence organisation.
- Investigation by CBI has no relation with the security of the nation.
- It is also alleged that it will also undermine the RTI appeal pending before the Chief Information Commissioner, in regard to the Bofors-Quattrocchi case.
- In Bofors-Quattrocchi case an order was passed by the Central Information Commission directing the CBI to provide the requisite papers to the petitioner.

Demerits of 2011 Government notification

- By keeping CBI in the second schedule, the government appears to be claiming absolute secrecy for the CBI without the sanction of the law.

- Such a decision has immense impact on fundamental right to information of the citizens of India.
- If government keeps adding organisations to the Second Schedule will ultimately render the RTI Act ineffective.
- It is a compromise by Parliament on transparency and accountability.

TOPIC 2

Relevancy

- GS Prelims, GS Mains paper III
- Global hunger index, IFPRI report
- Malnutrition in India, Government programmes

Recently

- Annual report on hunger and malnutrition is recently released by the International Food Policy Research Institute (IFPRI).

Global Hunger index report

- The 2017 Global Hunger Index (GHI) shows long-term progress in reducing hunger in the world.
- The hunger index ranks countries based on four parameters:
  - undernourishment
  - child mortality
  - child wasting (low weight for height)
  - child stunting (low height for age)
- The GHI ranks countries on 0-100 point scale.
- Zero is the best score (no hunger), and 100 is the worst, although neither of these extremes is reached in practice.

India's performance on GHI

- India has shown a "serious" hunger problem and ranks 100th out of 119 countries on the global hunger index while it stood at 97th position in last year's rankings.
- However, India has made considerable improvement in reducing its child stunting rate, down 29% since 2000, but even that progress leaves India with a relatively high stunting rate of 38.4.
- India ranks below many of its neighbouring countries such as China (29th rank), Nepal (72), Myanmar (77), Sri Lanka (84) and Bangladesh (88) while being ahead of Pakistan (106) and Afghanistan (107).
- India ranked behind North Korea (93) and Iraq (78) but ahead of Pakistan.

- India has the third highest score in all of Asia, only Afghanistan and Pakistan are ranked worse.

Reasons for India's bad performance

- The country's serious hunger level is driven by high child malnutrition and underlines need for stronger commitment to the social sector.
- One of the major causes for malnutrition in India is Economic inequality.
- Due to the low social status of some population groups, their diet often lacks in both quality and quantity.
- Also Indian mothers generally lack proper knowledge in feeding children which leads to new born infants being unable to get adequate amount of nutrition from their mothers.

Government run programmes to fight malnutrition

- **Midday meal scheme in Indian schools**
  - It serves millions of children with fresh cooked meals in almost all the government run schools or schools aided by the government fund.
  - Apart from this Food for Life Annamrita run by ISKCON Food Relief Foundation and the Akshaya Patra Foundation run midday meal programmes, each serving freshly cooked plant-based meals to school children in government and government-aided schools in India.
- **Integrated child development scheme**
  - ICDS has been instrumental in improving the health of mothers and children under age 6 by providing health and nutrition education, health services, supplementary food, and pre-school education.
- **United Nations Children's Fund**
  - India is associated with UNICEF since 1949 and is now in the fifth decade of cooperation for assisting most disadvantaged children and their mothers.
  - Traditionally, UNICEF has been supporting India in a number of sectors like child development, health, education, nutrition, water & sanitation, childhood disability, etc.

- **National Rural Health Mission**
    - The National Rural Health Mission of India mission aims to reduce infant mortality rate (IMR) and maternal mortality ratio (MMR).
    - Also it is to provide universal access to public health services, prevent and control both communicable and non-communicable diseases, including locally endemic diseases and provide access to integrated comprehensive primary healthcare.

Conclusion

- The on-going efforts by the Government and NGOs are expected to make significant changes in improving the existing situation realted to malnutrition and hunger issues in India.
- Positively, India has developed and launched an action plan on 'undernourishment free India' by 2022.
- The plan shows stronger commitment and greater investments in tackling malnutrition in the coming years.

TOPIC 3

Relevancy

- GS Mains paper III
- Indian economy
- Credit registry, Public credit rating agencies

Recently

- The apex bank, Reserve Bank of India (RBI) has formed a high-level task force on public credit registry (PCR) for India.
- It has been set up for assessing gaps in India that could be filled by a comprehensive public credit registry.
- Report will suggest a roadmap including the priority areas, for developing a transparent, comprehensive and near-real-time public credit registry for India.

What is a Public Credit Agency?

- These are created for reporting of loan details to its public credit registry by lenders and/or borrowers as mandated by law.
- Such agencies are set up by the central bank of India.

Why do we need such agencies?

- The main idea is to capture all relevant information in one large database on the borrower and his contracts and outcomes.
- These provide credit scores and allied reports and services.
- Their analysis reports are used for issuing credit cards and for taking decisions mainly on retail loans.
- These are regulated by the RBI under the Credit Information Companies (Regulation) Act, 2005.
- Examples of such agencies in India are:
  - CRISIL
  - Credit Information Bureau (India) Limited (CIBIL)
  - Equifax
  - Experian
  - CRIF Highmark

Merits of PCRs

- **Improvement in credit culture:**
    - ‘Doing Business 2017’ report indicates that credit information systems impart transparency in the credit market.
    - Following this, the access to credit improves and delinquencies decrease.
    - A transparent public credit registry would help the bankers to rely on objective data for making credit decisions.
- **Beneficial for regular or large borrowers:**
    - Large borrowers get a preference in credit markets due to their existing credentials in the public space.
    - Because of their established credit history, brand value, and supply of collateral.
- **Transparency helps small borrowers:**
    - Small and marginal aspirants, start-ups, new entrepreneurs, MSMEs are disadvantaged as they lack many of those desired qualifications for credit.
    - Transparency of credit information would serve as a “reputational collateral” for such borrowers.
    - This would not only help promote financial inclusion, but also reward the good borrowers thereby imparting credit discipline.
- **For related payment purposes:**
    - Studies show that public credit registers tap other transactional data of borrowers in many countries, including payments to utilities like power and telecom for retail customers and trade credit data for businesses.
- **Regulatory purpose:**
    - In absence of any proper regulation, only fragmented images are available of credit behaviour and indebtedness.
    - PCR will help in getting to a complete picture that is necessary for supervisors and policy makers to assess credit risk of the entire system.

TOPIC 4

Relevancy

- GS Mains paper III
- SEBI norms, Capital market reforms
- Sahara scam, Harshad Mehta scam

Recently

- Securities and Exchange Board of Inida (SEBI) is planning to tighten listing norms to prevent fly-by-night operators from getting listed on stock exchanges.
- It has come to surface after the government's ongoing crackdown on shell companies to curb black money.

Specifications under SEBI norms

- SEBI norms specify that a company wishing to get listed needs to have
    - a track record of generating profits and distributing dividends for at least three of the five years preceding the time it goes public
    - have a minimum net worth of Rs1 crore in each of the preceding three years
    - have net tangible assets of at least Rs3 crore in each of the three preceding years
- Any company to be listed cannot make a share allotment in a public issue if the number of prospective allottees is less than 1,000.
- A grading or rating system for initial public offerings have also been proposed so that investors have a basic idea of the quality of the company they are investing in.
- This rating can be given by:
    - a credit rating agency
    - any external expert
    - by SEBI itself

Reason behind the new norms

- Sebi wants to ensure that companies with stronger business profile and a potential to maintain profitability during the initial years of listing are allowed to go public.
- The plan is to:
    - increase the minimum net worth requirement
    - the proportion of assets held in tangible form
    - the number of years of profitability
    - Minimum number of public investors to whom shares are allotted.
- To avoid capital market scams like Subrata Roy's Sahara scam and Harshad Mehta scam.

Outcomes of the new norms

- Negatively, it might prevent many small genuine businesses or MSMEs from getting listed and raising capital from the public to grow.
- But it will definitely ensure that only strong, mid-sized or larger companies are able to get listed.
- Also it will act against shell companies that gain entry to stock markets and become a vehicle for money laundering and tax evasion

Other Recent reforms by SEBI

- **Higher liquidity of shares:**
    - SEBI insist that companies free up 50% of their stock for investors.
    - A higher free float will curb promoter ability to put vast sums of money into the market to manipulate stock price.
- **Single broking licence:**
    - Stockbrokers will be allowed to deal in commodities and vice versa. Within a year, a single licence will be allowed for exchanges as well.
- **Options contract:**
    - Allowing exchanges to launch options contracts would deepen the domestic commodity market.
    - It would provide farmers and other participants a new hedging tool, in a more cost-effective manner.
- **Monitoring Authority:**
    - Earlier the capital raised in IPOs could be misused or siphoned off so to ensure transparency in the use of proceeds, all IPOs raising Rs 100

crore or more in fresh equity capital will have to appoint a "monitoring agency".
  - Earlier it was mandatory only for IPOs that raised over Rs 500 crore.
- **P notes:**
  - Residents and non-resident Indian (NRIs) are not allowed to take direct or indirect exposure to the market participatory notes (p-notes).

Major capital market scams in the past

- **Sahara scam**
  - Sahara group became a major financial institution, one of India's largest employers.
  - Although it has businesses ranging from finance and property to media and Formula One motor racing, beleaguered Subrata Roy's Sahara group has never been very transparent on the source and use of the billions of dollars it has raised from mostly small investors.
  - Enforcement Directorate probed into possible money laundering.
  - Allegations were that many of Sahara group's millions of investors are fictitious names.
- **Harshad Mehta scam:**
  - Harshad Mehta was a stockbroker (later known as Big-bull) who issued fake Bank receipts (BR) i.e. he took money and promised to provide Government securities in lieu of BRs which he never did.
  - He obtained such BR's from tainted small term banks like Bank of Karad and Metropolitan Co-operative Bank.
  - Thus he was able to collect a pool of cash especially from SBI by fooling a few clerk level operatives to manipulate the ledger books according to his schemes.
  - He used the money from the BR's to drive up stock prices to extreme and ultimately he dumped some of these stocks in the mutual funds to book abnormally illegal high profits.

Conclusion

- There are more than 4,000 listed firms in the country and out of which around 2,000 do not have enough liquidity and are suspected to be involved in dubious transactions or manipulations to show business only on paper.

- Stern action must be taken against companies that have defaulted and do not have enough liquidity.
- Most importantly, SEBI should not abruptly put unnecessary regulatory burdens on genuine businesses.