



Cabinet Approves Fugitive Economic Offenders Bill, 2018

Relevancy:

- ✓ GS Prelims, GS Mains paper III
- ✓ Bills and Acts, Economy, Fugitive Economic Offenders Bill

Recently:

- ❖ The Union Cabinet chaired has approved the proposal of the Ministry of Finance to introduce the **Fugitive Economic Offenders Bill, 2018** in Parliament.
- ❖ The Bill would help in laying down measures to deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts.
- ❖ As per the Bill, for offences worth Rs.100 crore or more, Property of Fugitive Economic Offenders shall be attached.

What is the need of this law?

- There have been several instances of **economic offenders** fleeing the jurisdiction of Indian courts, anticipating the commencement, or during the pendency, of criminal proceedings.
- **Economic offences** are those that are defined under the Indian Penal Code, the Prevention of Corruption Act, the SEBI Act, the Customs Act, the Companies Act, Limited Liability Partnership Act, and the Insolvency and Bankruptcy Code.
- The absence of such offenders from Indian courts has several deleterious consequences:
 - First, it hampers investigation in criminal cases.
 - Second, it wastes precious time of courts of law.
 - Third, it undermines the rule of law in India.
 - Fourth, most the non-repayment of bank loans leads to worsening of financial health of the banking sector in India.
- The existing civil and criminal provisions in law are not entirely adequate to deal with the severity of the problem.
- **Non-conviction-based asset confiscation** for corruption-related cases is enabled under provisions of **United Nations Convention against Corruption** which has been ratified by India in 2011.

Salient features of the Bill:

- The Bill makes provisions for a Court ('Special Court' under the **Prevention of Money-laundering Act, 2002**) to declare a person as a **Fugitive Economic Offender**.
- A **Fugitive Economic Offender** is a person against whom an arrest warrant has been issued in respect of a scheduled offence and who has left India so as to avoid criminal prosecution, or being abroad, refuses to return to India to face criminal prosecution.
- A **scheduled offence** refers to a list of economic offences contained in the Schedule to this Bill.
- Further, in order to ensure that Courts are not over-burdened with such cases, only those cases where the total value involved in such offences is **100 crore rupees or more**, is within the purview of this Bill.
- **Application** has to be made before the Special Court for a declaration that an individual is a fugitive economic offender;
- There is also provision for **attachment of the property** of a fugitive economic offender;
- **Issue of a notice** by the Special Court to the individual alleged to be a fugitive economic offender;
- **Confiscation of the property** of an individual declared as a fugitive economic offender resulting from the proceeds of crime;
- **Confiscation of other property** belonging to such offender in India and abroad, including **benami property**;
- **Disentitlement** of the fugitive economic offender from defending any civil claim; and
- **An Administrator** will be appointed to manage and dispose of the confiscated property under the Act.

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Climate Change and ETS

Relevancy

- ✓ G.S. Paper 3
- ✓ India's carbon footprint and Emissions Trading Schemes (ETS)
- ✓ Regulation of ETS and ensuring compliance
- ✓ Mechanisms to control price volatility

Recently:

- ❖ India, which aims to be a global superpower, seems to have approached the subject of climate change half-heartedly, hiding behind the veil of protecting its growing economy.
- ❖ With hot summers, warm winters, increasing diseases, famines and droughts, and violent acts of nature, we can see how climate change is affecting our daily lives.

So what must India focus on?

- India must focus on reducing the carbon footprint.
- It needs to undertake a comprehensive approach to fight against climate change which is affecting our daily lives.

What is Emissions trading scheme?

- An ETS is a market-based mechanism where a cap is set on the amount of carbon dioxide or other greenhouse gases that can be emitted by covered entities.
- The emitters can either reduce their emissions to adhere to the cap or buy additional allowances from other entities to compensate for their deficiency.

How to regulate ETS?

- A separate and independent regulatory authority must be set up to implement the ETS.
- This would ensure that the ETS is insulated from the political influence of climate sceptics.
- The authority must strive to educate emitters about ETS and inform them of cheap methods to reduce their carbon footprint.
- It must act as a 'technical consultant' when the emitters submit their 'compliance plans'.
- It must also plan for contingencies and be ready to use the tools at hand to prevent market failure.
- Strategic decisions must be taken with respect to inclusion of industries under the ETS.
- Highly carbon-intensive industries (such as the coal sector) would have to be included under the ETS to maintain its effectiveness.
- With respect to the other industries, State governments must be empowered to add to the list of covered entities after giving due weight to factors such as area-specific emission profiles, financial position of the entities, impact on the economy, and administrative costs.

How to ensure compliance?

- The ETS must obligate the emitters to design a 'compliance plan', setting out its own medium and long-term goals.
- The big emitters must be required to adhere to their compliance plans, and sanctions must be imposed in case of any noncompliance.
- The price of the allowances should be maintained within a certain desirable range.
- If the price of the allowances is too high, it may result in increased non-compliance and force the emitters to reduce output, thereby hurting the economy.

Mechanisms to control price volatility:

- **Safety valve trigger-** A mechanism whereby, if prices touch a predetermined level, actions are initiated to drive them down.
- A mechanism whereby, if prices touch a predetermined level, actions are initiated to drive them down.
- **Price-based market stability reserve-** A certain number of allowances are released in the market if the price of the allowance hits a predetermined level.
- Once the additional allowances are released in the carbon market, the supply would increase, leading to a reduction in the price of the allowances.
- **Banking-** Banking offers respite to the emitters on an individual basis.



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- An emitter, in anticipation of high prices, would be allowed to ‘bank’ his unused allowances for the next compliance period.
- Such banking must be restricted to consecutive compliance periods and to a certain percentage of total emissions.

What could be the way forward?

- To join the war on carbon, India must establish the emissions trading scheme.
- With the skeletal framework, India can be part of the global mission to curb climate change.



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Relevancy:

- ✓ GS Prelims, GS Mains paper III
- ✓ Economy, CRISIL Inclusix, Financial inclusion

Recently:

- ❖ CRISIL Inclusix Financial Inclusion Index was released by CRISIL, a global analytical company providing ratings, research, and risk and policy advisory services

CRISIL Inclusix:

- CRISIL Inclusix is India's first financial inclusion index.
- It was launched in 2013 with the objective of becoming a crucial gauge and policy input.
- It is based on **four dimensions—branch penetration, deposit penetration, credit penetration and insurance penetration.**
- The last dimension was added for the first time this year.
- The data is provided by the RBI, the MicroFinance Institution Network, and the Insurance Information Bureau of India from all the 666 districts of the country.

Latest analysis on CRISIL Inclusix:

- The analysis shows that the Jan-Dhan, Aadhaar and mobile trinity is slowly but surely making a seminal difference to financial inclusion.
- As per the index's readings for fiscal 2016 (the latest period for which data is available), financial inclusion has improved significantly in India, with the all-India score rising to **58.0 in fiscal 2016**, compared with 50.1 in fiscal 2013.

What factors have been responsible for this improvement?

- The **Pradhan Mantri Jan Dhan Yojana** has had a significant impact on improving the financial inclusion.
- As many as **600 million deposit accounts** were opened between fiscals 2013 and 2016, or twice the number between 2010 and 2013. Nearly a third of this was on account of Jan Dhan.
- This gets well reflected in the **deposit penetration index** of CRISIL Inclusix, which surged over 16 points.
- **RBI** has been making steadfast efforts to include unbanked regions.
- On the **credit side**, there was an increase of 31.7 million in new credit or loan (banks and microfinance) accounts in the two years up to fiscal 2016, which is the most since fiscal 2013.
- **Microfinance institutions (MFIs)** contributed significantly to the financially under-penetrated regions.
- Among states, Kerala was well ahead with a CRISIL Inclusix score of 90.9, while Rajasthan moved up from "below average" to "above average" and Haryana from "above average" to "high".

Conclusion:

- Financial inclusion is the key to bridging the social divide and achieving a well distributed, robust and sustainable economic growth.
- The Digital India initiative, payments banks and small finance banks have all helped improve the reach of formal financial services to economically disadvantaged sections of the populace and geographically remote regions.
- Poverty, said Nobel laureate Amartya Sen, is not merely lowness of income, but deprivation of basic capabilities.
- This is a fair point. An inclusive financial ecosystem is quintessential to the social contract.
- It surmounts both physical and, more importantly, psychological barriers, and helps achieve sustainable economic growth.

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Genetic Discrimination

Relevancy

- ✓ G.S. Paper 2,3
- ✓ Recent Delhi HC ruling on genetic discrimination
- ✓ Relevancy of the decision by Delhi HC and its implications
- ✓ Indian context, American Precedent and other global examples

Recently:

- ❖ The Delhi High Court recently ruled against discrimination in health insurance by United India Insurance Company involving a person with a heart condition which was perceived to be a genetic disorder.
- ❖ The court held, “Discrimination in health insurance against individuals based on their genetic disposition or genetic heritage, in the absence of appropriate genetic testing and laying down of intelligible differentia, is unconstitutional.”

How relevant is the decision and what are its implications?

- This is a critical court decision around the broader question of discrimination on the basis of one’s genetic predisposition.
- As technology for genetic testing and tools to gather family history and compile them in databases become cheaper and more widespread, it becomes imperative that due social and ethical consideration be given to genetic discrimination as the implications are far-reaching and can affect everyone.

American precedent:

- In the U.S., researchers recorded hundreds of cases of misuse of genetic information obtained through family history, genetic tests, or by employers and insurers accessing personal data.
- There are many examples of employers and insurers using genetic information to engage in discriminatory policies.
- In the U.S., the Genetic Information Nondiscrimination Act (GINA) was signed into law in 2008.
- GINA provides strong protection against access to genetic information and genetic discrimination in the context of health insurance and employment.
- It prohibits insurers from “requesting or requiring” genetic tests from an individual or members of the person’s family, or using genetic information to determine eligibility or establish premiums.
- It also prohibits employers from “requesting or requiring” genetic information for hiring or promotional decisions, or when determining eligibility for training programmes.

Other global examples:

- Canada’s recent Genetic Non-Discrimination Act makes it illegal for insurers or employers to request DNA testing or results.
- Insurers in the U.K. are currently under a voluntary moratorium agreed upon between the Association of British Insurers and the government until 2019. Based on this agreement, results from genetic tests are not to be used for health or life insurance except for Huntington’s disease, which is dominantly inherited with a high penetrance.

A complex future:

- The situation is likely to get worse as people become more accepting of predictive genetic tests and insurance companies insist on them; at the moment, they generally use family medical history as the basis for determining premiums.
- In the medium term, there are also serious concerns related to the protection and privacy of medical and genetic data. Breaking into databanks is not impossible as even America’s Federal Bureau of Investigations and other secure firewalls have been breached.

Indian context:

- India too needs a law that prevents genetic discrimination.
- In this era of rampant genetic testing, we need to prevent discrimination and uphold “equal treatment under the law”. Equality under the law cannot have exceptions.

Conclusion:

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Everyone has genes for some predisposition or the other, this being the human condition. There should therefore be no discrimination based on genetic information.



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Green Good Deeds Movement

Relevancy:

- ✓ GS Mains paper III, the content may also be used in Essay paper
- ✓ Environment, Green Good Deeds Movement

Recently:

- ❖ The government has launched a digital mobile application in an effort to transform environment protection into a peoples' movement.

About the App:

- The App has been named “Dr Harsh Vardhan” (After the union minister of Science & Technology, Ministry of Environment, Forest and Climate Change and Ministry of Earth Sciences)
- It focuses on his social & public activities and involvement of citizens in “**Green Good Deeds**” movement, which urges people to perform at least one Green Good Deed every day.
- Some of the 500 Green Good Deeds listed in the Mobile App include – planting trees, saving energy, conserving water, use of public transport and promoting carpool.
- The objective of transforming Green Good Deeds into a peoples' movement can be best achieved by starting mass digital campaigns that can reach out to youth and children.
- A two-way digital communication tool - ‘**Connect with Me**’ is a unique feature of the Application.
- This provides six different ways of direct connection - Social Corner, Send Video/Photo, Join My Initiative, Cast Your Vote, Submit An Idea and Chat Room.
- It also affords citizens an opportunity to directly submit their feedback and suggestions on a variety of issues.
- The mobile application can also ‘Live stream’ important national and international events.

Some of the thoughts of Dr Harshvardhan:

- The whole world is concerned about the dangers of global warming and climate change.
- Everyone is looking up to India with expectation because they think that Indians have the DNA to protect the environment.
- Our ancestors had made protection of environment an integral part of their lifestyle.
- It was a ‘part-n-parcel’ of our culture – our ancestors worshipped the rivers, air, trees or forests and earth and existed in harmony with the land.
- It is not merely a technical issue, but a moral responsibility ‘to restore and return the clean and green environment to the next generation.
- We must understand our “Green Social Responsibility”, like “Corporate Social Responsibility”.



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India Needs An Independent Audit Regulator

Relevancy

- ✓ G.S. Paper 2
- ✓ Need for an independent audit regulator
- ✓ Replacement of ICAI
- ✓ Current status of audit agencies In India
- ✓ Issues faced and possible solutions

Recently:

- ❖ Multiple corporate scandals, seems to be reflecting the failure of the auditors, which calls for reforming the regulatory structure for the auditing profession.
- ❖ Failure of audit in recent scams exposes chinks in ICAI's armour.
- ❖ Notably, there are already plans for annulling the self regulatory role that is currently played by the "Institute of Chartered Accountants in India" (ICAI).

What will be the replacement for ICAI?

- NFRA is intended to become the regulatory body that will comprehensively replace ICAI's self regulatory role.
- ICAI will become merely an examining and certifying body.
- **NFRA** - The setting up of an external regulator namely "**National Financial Reporting Authority**" (NFRA) has been envisaged in the Companies Act 2013.
- NFRA hasn't been notified yet, it is being touted as a powerful body that will lay down accounting and auditing standards to be followed in India.
- It is also envisioned to monitor and enforce adoption of the stated auditing standards, and oversee the quality of the auditing profession.
- It will have the powers to investigate the misconduct by chartered accountants, either on its own or based on a reference made to it.

How has the ICAI fared in the past?

- ICAI has for long been serving the individual self interests of its top brass rather than the collective image of the auditing profession.
- It has long been ignoring the blows dealt to its reputation by fellow member's lapses and even downplayed them in the face of public anger.
- Notably, of the 1,972 disciplinary cases considered by the ICAI till now, only the auditors of Satyam have been permanently disqualified from membership.
- In a majority of cases where members have been found guilty, they've been merely reprimanded.
- Stock market regulator SEBI has alleged that ICAI hasn't cared to investigate the role of auditors in suspected stock price manipulation.
- Notably, SEBI had referred multiple cases to ICAI as early as 2015, for which action hasn't been taken.
- Also, Serious Fraud Investigation Office (SFIO) had referred 34 chartered accountants for suspected involvement in money laundering.
- In this reference too, there has been minimal action, with investigations commencing only against 5 auditors.
- The PNB fraud was indeed the pinnacle of failure as it got through multiple parallel audits like - the branch audit and statutory audit.
- Self Regulation is a concept where the regulated elect the regulator that governs the entire setup.
- This model works well only if there is a sense of collective accountability in sector, which clearly seems missing here.
- Hence, the current state of affairs was completely crafted by ICAI's own making, which hence justifies calls for an external regulator.

Why do we need an Audit regulator?

- ICAI needs to adopt global best practices to address such issues.



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- Almost all major economies today have independent audit regulators, with the most prominent ones being set up between 2000 and 2005.
- The Public Company Accounting Oversight Board (PCAOB) in the US is one of the earliest regulators, set up as a result of the Sarbanes-Oxley Act of 2002.
- To share knowledge and experiences, the International Forum of Independent Audit Regulators (IFIAR) was set up in 2006.
- Today, IFIAR has 52 independent audit regulators worldwide.

What is the status of audit agencies in India?

- In India, discussions on setting up an independent oversight body had commenced almost a decade ago, however it is only now that it is finally close to being implemented.
- The Institute of Chartered Accountants of India (ICAI) has sufficient safeguards to ensure that the process does not result in self-regulation.
- There are few practical concerns with the Quality Review Board coming into existence.
- The inclusion of an independent audit regulator, National Financial Reporting Authority (NFRA), in the Companies Act, 2013 was also failed due to various reasons.
- There is also lack of awareness regarding the extent of responsibilities of an auditor among non-auditors.

Why these difficulties?

- In India there are inadequate reporting and recognising the inherent weaknesses in self-regulation.
- It is difficult to demonstrate that a mechanism that is designed, managed and includes members of the professional body can ensure effective implementation of independent oversight.
- This is perhaps the reason why India is not yet a member of IFIAR.
- NFRA's extensive powers in terms of its ability to investigate, impose penalty and banning operations of auditors and audit firms have been the mainstay of most conversations around the topic.

What can be done?

- The Government need to and other agencies must involve in setting standards, monitoring compliance and, most importantly, suggesting measures for improvement in quality of audits.
- The structural and operational mechanisms that ensure following things must be made:-
 1. The body remains operationally independent and its decisions are subject to scrutiny and are transparent.
 2. Members maintain highest level of independence and prohibiting conflicts of interest.
 3. Clarity in the inter-se relationships with the professional bodies, clear distinction in the respective roles and responsibilities.
- Best practices of various countries need to be used by NFRA and that will be instrumental in ensuring a robust, world-class oversight mechanism.
- Thus the overarching objective of a regulator is to enhance audit quality which, in turn, will enhance investor protection and public interest.



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Mastering the Indian Ocean region

Relevancy

- ✓ G.S. Paper 3
- ✓ Recent developments by India for economic and diplomatic maritime relations in the Indian Ocean Region
- ✓ Current issues and India's laid back approach

Recently:

- ❖ Smartly playing its economic and diplomatic cards, China has established a chain of maritime footholds in Myanmar, Sri Lanka and Pakistan, and acquired its first overseas military base in Djibouti last year.
- ❖ China has decided to become a major player in the Indian Ocean Region (IOR).

What are the recent developments on India's part?

- India's recent agreement with Oman providing access, for "military use and logistical support" in the new Port of Duqm, has raised hopes that India is, belatedly, strengthening its maritime posture in the Indian Ocean Region (IOR).
- There have been other significant developments too; like President Ram Nath Kovind's visit to Djibouti and its recognition by India.
- The conclusion of an Indo-Seychelles agreement for creation of air and naval facilities on Assumption Island; and
- The agreement with the UAE for joint naval exercises.

What is the Issue?

- Lack of over-arching vision on India's part.
- China has been releasing defence white papers every two years.
- Accordingly, Beijing has built a powerful navy that will soon overtake the US navy in numbers, lagging behind only in capability.
- New Delhi, on the other hand, has shown no tangible signs of strategic thinking or long-term security planning, as evident from a total absence of defence white papers or security doctrines to date.
- The navy did spell out, in 2004-05, its own vision of India's maritime interests and challenges through a maritime doctrine and a maritime strategy.
- But, in the absence of higher strategic guidance in the form of a national-level document, they are of limited utility.
- Thus, the absence of an over-arching vision which conceptualises the IOR in a 50-75 year perspective that has led to the neglect of maritime issues critical to India's vital interests.

Examples of India's laid back approach:-

- The Chabahar port project should have been completed long ago, notwithstanding US sanctions;
- The offer of Agalega Islands from Mauritius should have been taken up years ago;
- The Maldives imbroglio should have been pre-empted.
- Our disregard of distant Mozambique and Madagascar remains a huge maritime "missed opportunity".
- The IOR strategic agenda may be soon taken out of India's hands as the chairmanship of two important bodies, the Indian Ocean Rim Association (IORA) and the Indian Ocean Naval Symposium (IONS) devolves on the UAE and Iran respectively.

What do we need to do?

We need to have a coherent Indian maritime grand strategy in order to herald a renewed impetus to India's maritime outreach and for the actualisation of Prime Minister Narendra Modi's 2015 "Sagar" vision.



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National Financial Reporting Authority

Relevancy:

- ✓ GS Prelims, GS Mains paper III
- ✓ Economy, National Financial Reporting Authority

Recently:

- ❖ The Union Cabinet has approved the proposal for establishment of **National Financial Reporting Authority (NFRA)**.
- ❖ Apart from this, one post of Chairperson, three posts of full-time Members and one post of Secretary for NFRA have also been approved.
- ❖ NFRA will act as an independent regulator for the auditing profession.
- ❖ Creation of NFRA was one of the key changes brought in by the Companies Act, 2013.

Impact:

- The decision is expected to result in improved foreign/domestic investments, enhancement of economic growth, supporting the globalisation of business by meeting international practices, and assist in further development of audit profession.

What is the need of NFRA?

- The decision to constitute NFRA, as envisaged in the Companies Act, 2013, comes at a time when auditors have come under the scanner for alleged lapses in various **corporate scams**, including the biggest banking sector fraud to the tune of Rs 12,700 crore at Punjab National Bank.
- It would be an **overarching watchdog** for auditing profession and once set up, the current powers of the **ICAI** (Institute of Chartered Accountants of India) to act against erring chartered accountants will be vested with the new regulator.
- As per the FinMin, NFRA would help in improving foreign and domestic investments as well as support globalisation of business by meeting international practices.
- The Institute of Chartered Accountants of India (ICAI) has not been in favour of setting up of the NFRA.

Jurisdiction and constitution of NFRA:

- As per section 132 of the Companies Act, 2013, the jurisdiction of the NFRA will extend to all **listed companies** as well as large **unlisted public companies**.
- The Central Government can also refer such other entities for investigation where **public interest** would be involved.
- The NFRA will have powers to debar an erring auditor or auditing firm for up to ten years besides slapping heavy penalties.
- The regulator will have 15 members, including a chairperson and three full-time members. Besides, there would be a secretary.
- The Quality Review Board (QRB) will continue quality audit in respect of private limited companies, public unlisted companies below prescribed threshold and also with respect to audit of those companies that may be delegated to QRB by NFRA.
- ICAI shall continue to play its advisory role with respect to accounting and auditing standards and policies by making its recommendations to NFRA.



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PSBs: Privatization's not the way to go

Relevancy

- ✓ G.S. Paper 2
- ✓ Privatization of PSBs
- ✓ Current Issues and possible solutions
- ✓ India's experience so far as well as international experience
- ✓ China's picture

Recently:

- ❖ Every crisis generates its own side business.
- ❖ The current one is the clamour for privatisation of public sector banks.
- ❖ The Punjab National Bank episode opened new wounds regarding the performance and prospects of PSBs.

What is the issue?

- The issue is of high level of NPAs with PSBs, scams and scandals which raise concerns that need to be addressed seriously.

Is Privatization the solution?

- The solution is not privatization.
- The huge amount of lucre awaiting the privatization process that offers rich pickings for investment banking, buying strategic stakes, and legal and advisory, valuation and intermediary services, provides enough ground for this high-pitched advocacy.
- But, looking at the evidence from emerging markets and the imperatives of public policy, the whole argument falls flat.

What has been India's experience so far?

- India's experience has not been encouraging.
- In 1991, the Narasimham Committee (on financial sector reforms) heralded the opening up of banking to the private sector, analysts had almost written off PSBs. What eventually emerged was something different.
- Of the ten private sector banks given licences in the new economic regime, three (Times Bank, Centurion Bank, Bank of Punjab) merged with other banks.
- Since no private sector bank was big enough in 2004 to take over Global Trust Bank, it was ultimately amalgamated with a PSB, the Oriental Bank of Commerce (OBC).
- Another, IDBI Bank was converted into a PSB.
- The argument that 20 PSBs is a large number runs contrary to the existence of 21 private sector banks, many of which are still on the fringes of Indian finance even all these years.

How has been the international experience?

- Not so impressive is the international experience.
- In September 1982, Mexico was forced to nationalise 58 of its 60 private banks. In 1991, it privatized many banks but had to rescue them once again in 1997 (post the Tequila Crisis of 1994-95) at a fiscal cost of nearly \$65 billion.
- A long stretch of sour episodes requiring huge rescue packages from respective governments — in some cases the rescue packages exceeded 40 per cent of GDP — continued thereafter with crises in South-East Asia (1997), Brazil and Russia (1998), and several other countries.
- A decade later, in 2008, it was the turn of pedigree private commercial and investment banks in developed markets that were on the verge of going belly up to be saved with public money.
- The number of banks that either failed, were distressed or were merged — all of which are private — since 2009 runs into several pages on the website of the US Federal Deposit and Insurance Corporation.

The picture in China

- In quite sharp contrast, China was able to reach the top of the global banking scene riding on state-owned banks.



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- The Industrial & Commercial Bank of China, the China Construction Bank, the Agricultural Bank of China and the Bank of China top the global league table of banks with an asset base of \$12 trillion.
- These four banks raised a phenomenal \$70 billion in new capital in global stock markets.
- It is not just China and India, but much of the BRICS community that too have a significant contingent of state owned financial institutions.

Has the PSBs always been problematic?

- It is also important to note that much of the problem in global banking did not come from state-owned banks.
- In the developed markets, the share of state owned banks in assets is less than 10 per cent of the banking system and in the developed economies it is just about double that.
- In the emerging markets, the share of state banks in assets declined from 67 per cent in 1970 to a little over 20 per cent now. These banks, however, are very critical for credit stabilization in time of a crisis.
- For instance, Brazilian Development Bank of Brazil and other government-owned banks in Mexico, Korea, Poland and some other countries were commended for their counter-cyclical role in ensuring credit flow when the crisis gripped the financial world. India is no exception.
- It is said that 95 per cent of countries experienced a contraction in bank credit for at least one month between September 2008 and May 2009.
- **'Phoenix Miracles'**, a scenario in which recovery in real output happens without recovery in credit flows, remains rare and sporadic in developing markets.
- The instances of PSBs turning out to be good tools to fight financial crises with, are many.
- It's not that public sector banks in India were always in a precarious situation.
- In the first of a comprehensive review of PSBs held in 1993, many were found to have been saddled with huge NPAs.
- With reasonable levels of fiscal support, opening them up to competition, evaluating them on efficiency parameters and providing access to public capital markets, India was able to revive and resurrect public sector banks.
- In a short period of time, they emerged as favourites of the stock markets with highly liquid indexes (Bank Nifty/Bankex) in India's bourses.

So what needs to be done?

- Look for the right mix!
- Once again, it is possible to put PSBs back in focus with the right mix of policy and reform.
- The robustness and vibrancy of the economy determines the health of domestic finance rather than issues of ownership.
- There are murmurs about some of the so-called savvy new private sector banks concealing bad debts till the central bank pulled them up.
- The World Bank in its maiden Global Financial Development Report (2013) on the role of state in banking, aptly sums up two building blocks for successful domestic finance:
- "First, there are sound economic reasons for the state to play an active role in financial systems.
- Second, there are practical reasons to be wary of the state playing too active a role in financial systems.
- The tensions inherent in these two building blocks emphasize the complexity of financial policies."
- The priority now surely is to strengthen the first building block while reforming the second one.



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Trafficking of Persons (Prevention, Protection and Rehabilitation) Bill, 2018

Relevancy:

- ✓ GS Prelims, GS Mains paper II
- ✓ Bills and Acts, Polity and Governance, Trafficking of Persons (Prevention, Protection and Rehabilitation) Bill, 2018

Recently:

- ❖ The Union Cabinet has approved the Trafficking of Persons (Prevention, Protection and Rehabilitation) Bill, 2018.

Need for the Bill:

- Despite “trafficking in human beings” being the third largest organized crime violating basic human rights, there is no specific law so far to deal with this crime.
- Trafficking is not only a global concern, but is also affecting a number of South Asian nations.
- Amongst them, India is now a pioneer in formulating a comprehensive legislation.
- UNODC and SAARC nations are looking forward to India to take lead by enacting this law.
- The Bill addresses one of the most **pervasive** yet **invisible** crimes affecting the **most vulnerable** persons especially women and children.
- The new law will make India a leader among South Asian countries to combat trafficking.

Salient features of the Bill:-

- It aims at **prevention, rescue and rehabilitation** of the vulnerable target group which includes women and children.
- It addresses **aggravated forms of trafficking**, which includes trafficking for the purpose of forced labour, begging, trafficking by administering chemical substance or hormones on a person for the purpose of early sexual maturity, trafficking of a woman or child for the purpose of marriage or under the pretext of marriage or after marriage etc.
- It provides for **punishment** for promoting or facilitating trafficking of person. Punishment ranges from rigorous minimum 10 years to life and fine not less than Rs. 1 lakh.
- The **confidentiality** of victims/ witnesses and complainants shall be maintained by not disclosing their identity. Further the confidentiality of the victims is maintained by recording their statement through video conferencing. This also helps in trans-border and inter-State crimes.
- **Time bound trial** and repatriation of the victims.
- The Bill provides for **immediate protection of rescued victims** and their rehabilitation. The Victims are entitled to interim relief immediately within 30 days to address their physical, mental trauma etc. and further appropriate relief within 60 days from the date of filing of charge sheet.
- **Rehabilitation Fund** created for the first time: To be used for the physical, psychological and social well-being of the victim including education, skill development, health care/psychological support, legal aid, safe accommodation etc.
- Speedy trials through **designated courts**.
- Dedicated institutional mechanisms at District, State and Central levels will be responsible for prevention, protection, investigation and rehabilitation work related to trafficking.
- **National Investigation Agency (NIA)** will perform the tasks of Anti-Trafficking Bureau at the national level present under the MHA.
- The Bill provides for the **attachment & forfeiture of property** and also the proceeds for crime in order to hit the organized nexus at national and international levels.
- The Bill comprehensively addresses the **transnational nature of the crime**. The National Anti-Trafficking Bureau will perform the functions of international coordination with authorities in foreign countries and international organizations; international assistance in investigation; facilitate inter-State and trans-border transfer of evidence and materials, witnesses and others for

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expediting prosecution; facilitate inter-state and international video conferencing in judicial proceedings etc.



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