



## Difference in the Functions OF NAA, CCI and CBIC?

### NAA:

- The National Anti-profiteering Authority (NAA) has been constituted under Central Goods and Services Tax Act, 2017.
- Function: To determine whether the reduction in tax rates or benefit of input tax credit is being passed on to the recipient by way of a commensurate reduction in prices.
- Term of NAA: NAA shall cease to exist after the expiry of two years from the date on which the Chairman enters upon his office unless the Council recommends otherwise.

### CCI:

- Competition Commission of India (CCI) eliminates practices having adverse effect on competition to promote and
- sustain competition to protect the interest of the consumers and to ensure freedom of trade.

### CBIC

- The Central Board of Indirect Taxes and Customs (CBIC) (Earlier CBEC- Central Board of Excise and Customs) deals with the task of formulation of policy and laws and implementing the same on the levy and collection of the following duties/taxes:
  - Customs duties;
  - Central excise duties on certain items;
  - Central tax on intra-state supplies of goods and services and
  - Integrated tax on inter-state supply of goods and services
  - Narcotics.



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## Issue of Ethics in banking sector

### Relevancy:

- ✓ GS Mains paper II and IV
- ✓ Ethics, Corporate governance, Transparency, Conflict of Interest, Financial Propriety

### Recently:

- ❖ The recent frauds in the Banking sector have invoked the question of propriety and ethics in the Banking Sector.
- ❖ The PNB fraud by Nirav Modi is a case of Public Sector Banking and ICICI Bank's CEO- Chanda Kochhar's involvement in an NPA loan is a matter of 'conflict of interest'.
- ❖ In both the cases, the common missing factor is the bank regulation and supervision.

### Banking is a non-transparent Business:

- Banking is a non-transparent business. Depositors do not know how their money is being invested.
- Loans are normally given on the basis of the bank management's judgement.
- The management assesses the health of a company and its business plans and on the basis of that, decides whether to give the company a loan or not.
- Regulation and supervision of banks have the objective of protecting bank consumers, reducing the risk of bank failure and limiting the systemic risk arising from the bank's operations to the financial system as a whole.
- Because of its non-transparency and huge financial implications for a large number of stakeholders, it is necessary to discuss the role of Bank Regulators, Supervisors and Management.

### What should have been done in order to avoid these two cases?

- Timely supervision and regulation:
  - The RBI has failed to spot stressed assets in time and created a huge burden for the tax payer.
  - The banking supervisor had allowed banks to hide bad news and permitted them to continue ever-greening loans; this led to rising NPAs.
  - In December 2017, gross NPAs in the Indian banking sector stood at Rs 8.4 lakh crore.
  - This crisis alone brought a recapitalisation bill of Rs 2.11 trillion to the taxpayer. The
  - NPA figures and the recapitalisation needed are likely to grow.
- Lack of Integration between CBS and SWIFT:
  - The PNB-Nirav Modi case and the ICICI conflict of interest case suggest further weaknesses in bank supervision.
  - The ICICI case revolves around a loan given to Videocon from whose promoter an immediate family member of Kochhar may have benefited.
  - The CEO was part of the committee that made the decision to give the loan.
  - The loan was one in which there could have been a possible conflict of interest.
  - It subsequently turned into a non-performing one.
  - There is a clear-cut lack of integration between the CBS (Core Banking Solution) and SWIFT (Society for Worldwide Interbank Financial Telecommunication), the system through which money was transferred abroad for Nirav Modi.
- Quick action should have been taken by the supervisor:
  - The bank supervisor appeared to have been inadequately apprised of the magnitude of the damage that this lacuna could bring upon the bank.
  - It did not promptly see the problem when it occurred and that allowed the beneficiaries to milk the system for many years before they were brought to book.
  - Both cases appear to have festered for many years before the CBI or the ED stepped in.
- Role of RBI:
  - In the ICICI case, the bank involved is designated by the RBI as a Systemically Important Bank.
  - This means that if the bank gets into trouble, the entire financial system of the country could be jeopardised. This also means that this bank would have received heightened supervision by the banking regulator.



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- Risk-based supervision implies that the RBI has a special framework for Systemically Important Banks and supervisors watch the bank more carefully.

## Conclusion:

- The common problem in both the cases is the lack of 'supervision' and 'regulation'.
- There should be red alerts in the Banking regulatory and supervisory framework, whenever there is a case of 'Conflict of Interest' (As in ICICI) or there is lack of integration between the CBS and SWIFT systems.
- This also calls for putting an end to the demand for privatisation of public sector banks.
- This is because ICICI, a private bank has also failed to avoid the problem of NPAs.

**Q. Critically examine the lacunae in 'corporate governance' in Indian Banking system while giving recent examples.**



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## Pradhan Mantri Ujjwala Yojana

### Relevancy:

- ✓ GS Prelims, GS Mains paper II
- ✓ Schemes of the government, Pradhan Mantri Ujjwala Yojana

### Recently:

- ❖ PM Ujjwala Yojana was inaugurated at Delhi.
- ❖ On this occasion, Union Minister for Petroleum and Natural Gas and Skill Development, Dharmendra Pradhan urged the rich families to sacrifice Gas Subsidy so as to enable the poor families to get gas connection.

### Background:

- As per WHO estimates, about 5 lakh deaths in India alone due to unclean cooking fuels.
- In India, the LPG based cooking system has been adopted mainly by the Urban middle or affluent class.
- But in the rural areas, cooking is done with fossil fuels or wood.
- These unclean cooking fuels lead to many non-communicable diseases and ultimately premature deaths at large scale.
- Young children are also affected due the indoor pollution created by these fuels.
- A viable solution to this problem lies in expanding the LPG connections to BPL households
- This measure will empower women and protect their health.
- It will also provide employment for rural youth in the supply chain of cooking gas.

### Beneficiaries of Ujjwala scheme:

- The Scheme would be implemented over three years, namely, the FY 2016-17, 2017-18 and 2018-19 across the country.
- The identification of eligible BPL families will be made in consultation with the State Governments and the Union Territories.
- BPL is a person/ household who suffers from at least one deprivation under the Socio-Economic Caste census (SECC) - 2011 Database.
- While the selection of beneficiaries would be from the BPL families only, preference would be given to SC/ST and weaker sections of society.
- While providing the new connections to BPL households, priority would be given to the States which have lower LPG coverage (compared to the national average) as on 1st Jan, 2016.
- Under the scheme, 5 crore LPG connections are to be provided to BPL households.
- Release of LPG connection under this Scheme shall be in the name of the women belonging to the BPL family.
- The Scheme provides a financial support of Rs 1600 for each LPG connection to the BPL households.

### The following categories are also covered under the Scheme :-

- All SC/STs households beneficiaries of Pradhan Mantri Awas Yojana(PMAY) (Gramin)
- Antyoday Anna Yojana (AAY)
- Forest dwellers
- Most Backward Classes (MBC)
- Tea & Ex-Tea Garden Tribes
- People residing in Islands
- People residing in river islands.



