

NITI AYOJ RELEASES REPORT ON DIGITAL BANKS

SYLLABUS: GS PAPER-III (MOBILIZATION OF RESOURCES, GROWTH & DEVELOPMENT)

CONTEXT: Recently, NITI Aayog has released a Report titled- '**Digital Banks: A Proposal for Licensing & Regulatory Regime for India**' which suggested setting up Digital Banks along with a licensing and regulatory framework for such Banks.

The report offers a **template and roadmap for licensing and regulatory regimes.**

It studies the **prevailing gaps, the niches that remain underserved**, and the global regulatory best practices in licensing digital banks.

HIGHLIGHTS OF THE REPORT

- In recent years, **India has made rapid strides in furthering Financial Inclusion (FI), catalyzed by the Pradhan Mantri Jan Dhan Yojana (PMJDY) and India Stack.**
- However, credit penetration remains a policy challenge, especially for the nation's 63-million-odd MSME (Micro, Small and Medium Enterprises).
- The **FI has been furthered by the Unified Payments Interface (UPI)**, which has witnessed extraordinary adoption.
- The FI also resulted in **Direct Benefit Transfer (DBT) through apps such as PM-KISAN and extending microcredit facilities to street vendors through PM-SVANIDHI.**
- India is at the cusp of operationalizing its own open banking framework.
- Creating a **blueprint for digital banking regulatory framework and policy offers India the opportunity to cement her position as the global leader in Fintech** at the same time as solving the several public policy challenges it faces.

RECOMMENDATIONS

- Issue of a **restricted digital bank license**, the license would be restricted in terms of volume/value of customers serviced and the like.
- Enlistment of the licensee in a **regulatory sandbox framework enacted by the Reserve Bank of India.**
- The issue of a **'full-scale' digital bank license**, contingent on satisfactory performance of the licensee in the regulatory sandbox, including salient, prudential and technological risk management.

ABOUT DIGITAL BANKS

- It will be defined in the **Banking Regulation Act, 1949**, and shall have its own balance sheet and legal existence.
- It will be different from the **75 Digital Banking Units (DBUs) -- announced by Finance Minister in Union Budget 2022-23** -- which are being set up to push digital payments, banking and fintech innovations in underserved areas.

- A DBU is a **specialized fixed point business unit or hub housing certain minimum digital infrastructure for delivering digital banking products and services** as well as servicing existing financial products and services digitally in self-service mode at any time.
- Digital banks will be **subject to prudential and liquidity norms** on a par with existing commercial banks.
- Digital Banks principally rely on **the internet and the other proximate channels like Near Field Communication to offer their services** and not physical branches.
- **Significance:** Improve outreach of financial inclusion, ease of transferring money within the country or internationally etc.
- **Concerns:** Prone to malware attacks or phishing, digital illiteracy, lack of internet connectivity etc.

ECO-SENSITIVE ZONES (ESZ)

SYLLABUS: GS PAPER-III (CONSERVATION)

CONTEXT: The Kerala State Assembly unanimously passed a resolution urging the Central government to exempt the State's human settlements, farmlands, and public institutions from the scope of the Eco-Sensitive Zones.

This is in response to a Supreme Court directive mandating an ESZ of at least 1 km from the boundary of every protected forest, including national parks and wildlife sanctuaries.

ABOUT ECO-SENSITIVE ZONES

- ESZs, also known as **Ecologically Fragile Areas (EFAs)**, are the areas notified by the Union Ministry of Environment, Forest & Climate Change (MoEFCC) within 10 km around **Protected areas, National Parks, and Wildlife Sanctuaries.**
- In the case of places with sensitive corridors, connectivity, and ecologically important patches, crucial for landscape linkage, even areas beyond 10 km width can also be included in the eco-sensitive zone.
- The purpose of declaring ESZs around national parks, forests and sanctuaries is:
 1. To create a **“shock absorber”** for the protected areas.
 2. To **act as a transition zone** from areas of high protection to those involving lesser protection.

ACTIVITIES ALLOWED IN ESZs

- **Prohibited activities:** Commercial mining, saw mills, industries causing pollution (air, water, soil, noise etc.), establishment of major hydroelectric projects (HEP), commercial use of wood, Tourism activities like hot-air balloons over the National Park, discharge of effluents or any solid waste or production of hazardous substances.
- **Regulated activities:** Felling of trees, establishment of hotels and resorts, commercial use of natural water, erection of electrical cables, drastic change of agriculture system (e.g., adoption of heavy technology, pesticides etc.), widening of roads.
- **Permitted activities:** Ongoing agricultural or horticultural practices, rainwater harvesting, organic farming, use of renewable energy sources, adoption of green technology for all activities.

STATUTORY BACKING

- **Section 3 of the Environment protection rules** gives power to the Central Government i.e., the Union Ministry of Environment and Forests to take all measures that it feels are necessary for protecting and improving the quality of the environment and to prevent and control environmental pollution.
- However, the Environment (Protection) Act, 1986 does not mention the word “Eco-Sensitive Zones”.
- Besides, **Rule 5(1) of the Environment (Protection) Act 1986 (EPA)** states that the central government can prohibit or restrict the location of industries and carry-on certain operations or processes based on certain considerations.
- The MoEFCC approves a comprehensive set of guidelines laying forth standards and criteria for declaring ESZs on a regular basis. These are: **Species based (Endemism, Rarity etc.), Ecosystem Based (sacred groves, frontier forests), and Geo-morphologic feature based (uninhabited islands, origin of rivers etc.)**.

WHY IS THE ESZ NOTIFICATION CONTENTIOUS IN KERALA?

- Nearly 30% of Kerala is forested land and the western ghats occupies 48% of the State.
- There is also a network of lakes, canals, and wetlands along a 590 km long coastline, which are all governed by a series of environmental conservation and protection legislations.
- This leaves little space for its 3.5 crore population with an average population density of 900 persons per square km (much higher than the national average).
- According to the resolution of the State Assembly, the demographic pressure on the available land is unusually high in the State.
- In this context, the SC’s notification will harm the State’s interests while also disrupting the lives of millions of people who live near protected areas.

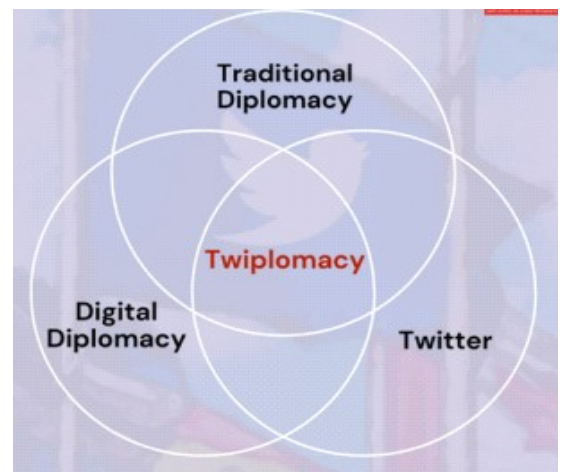
PRELIMS FACTS

TWIPLOMACY

- **Twitter diplomacy**, also called “**Twiplomacy**” or “**hashtag diplomacy**” is the **use of the social media website Twitter by heads of state, leaders of intergovernmental organizations (IGOs), and their diplomats to conduct diplomatic outreach and public diplomacy**.
- It has been observed recently that many world leaders use Twitter as a means to communicate and put out their views to the public.
- It is a tool for global influence on which most state media and national media are available.

ANEURYSM

- An aneurysm is a **bulging, weakened area in the wall of a blood vessel resulting in an abnormal widening or ballooning of the vessel's normal diameter (width)**.



- An aneurysm may occur in any blood vessel, but is **most often seen in an artery** rather than a vein.
- An aneurysm may be located in many areas of the body, such as blood vessels of the brain (cerebral aneurysm), the aorta (the largest artery in the body), the neck, the intestines, the kidney, the spleen, and the vessels in the legs (iliac, femoral, and popliteal aneurysms).
- The **most common location of an aneurysm is the aorta**, which carries oxygenated blood from the heart to the body.
- These are potentially fatal if they rupture.
- It may be caused due to **age, smoking, high cholesterol, obesity, hypertension, or tissue disorders**.

BIOPLASTICS

- A British firm recently claimed that it has produced the world's first **bioplastic vinyl record**, which it hopes will reduce the need for highly toxic polyvinyl chloride (PVC).
- Bio-based plastics means they are **developed from biomass (plants) such as corn, sugarcane, vegetable oil or wood pulp**.
- Biodegradable plastics are those which **possess the characteristics of biodegradability and composability**.
- They can be converted into natural substances like water, carbon dioxide, and compost by the action of micro-organisms in the environment.

TAJ MAHAL

- The Taj Mahal continued to be the most visited monument in India, raking in over rupees 25 crore in FY202, despite a 73% decrease in revenue compared to FY20 due to Covid-19 related restrictions.
- The Taj Mahal (Agra) is a **mausoleum of white marble built by the Mughal emperor, Shahjahan in memory of his wife Mumtaz Mahal**. It stands on the **banks of the river Yamuna**.
- The construction of the Taj Mahal was completed within a period of 17 years from 1631 to 1648 AD.
- The Taj Mahal was declared a **centrally protected monument of national importance in December 1920**.
- Considered as **one of the Seven Wonders of the World**, it was inscribed on the list of **World Heritage Sites in 1983**.
- It is famous for its unique layout, perfection in symmetry and inlay work.