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Daily News Pedia

Govt penalizes insurers for delay in settling crop insurance claims

Government has proposed new guidelines for Pradhan Mantri Fasal Bima Yojna (PMFBY) to be implemented from upcoming Rabi season.

Need for renewed guidelines: Decline in enrolment of farmers under the scheme which is down by 15% from its inception. Delay in claim settlement to farmers by insurance companies. Delay by States, in giving their due share of premium. Insurance firms to pay farmers 12% penal interest for delayed claim settlement. Insurance firms can be removed from scheme for non-performance. Each insurance company will have to mandatorily spend 0.5% of gross premium per person for publicity and awareness of the scheme. 12% penalty for state government for delay in paying premium, subsidy share to the firms

Guidelines for farmers: Revamped scheme will now cover a wider variety of risks, such as hailstorms, cloudbursts and cases of fire destroying crops. Farmers will also get more time to inform the government about individual losses—from 48 hours earlier to 72 hours after crop damage.

Source: The Hindu.

E-Sahaj Portal

The Union Home Secretary has launched an online 'e-Sahaj' portal here today for grant of Security Clearance.

The portal will facilitate an applicant to submit application online and also to view the status of his application from time to time. The clearance has become standardized, resulting in a process which will be faster, transparent and easy to monitor. Various functionaries can access the application and documents online and take timely decisions. MHA has cleared about 1,100 cases of security clearance in the past one year. Although the given timeline is 90 days, MHA strives to decide Security Clearance cases in 60 days (average time per case in 2018 is 53 days), which is being reduced further.

National Security Clearance: MHA is the nodal Ministry for security clearances in certain sensitive sectors before issue of license/permit, permission, contract etc, to companies/ bidders/individuals by the administrative Ministry. The objective of national security clearance is to evaluate potential security threats, including economic threats, and provide risk assessment before clearing investment and project proposals in key sectors. The aim is to strike a healthy balance between meeting the imperatives of national security and facilitating ease of doing business and promoting investment in the country.

Source: The Hindu.

Akash missile

The upgraded version will include the seeker technology and possess a 360-degree coverage, and will be of compact configuration. It is operationally critical equipment, which will provide protection to vital assets. The DAC also gave approval for the development of an individual under-water breathing apparatus for the T-90 tank. The apparatus is used by the tank crew for emergency escape.

About Akash

- DRDO developed Akash as part of the Integrated Guided Missile Development Programme which was initiated in 1984.
- It is made by Bharat Dynamics Limited (BDL).
- Akash is a surface-to-air missile defence system
- Akash can fly at supersonic speeds, ranging from Mach 2.8 to 3.5
- Akash has a range of 25 km and can engage multiple targets at a time in all-weather conditions.
- It has a large operational envelope, from 30 meter to a maximum of 20 km.
- Each regiment consists of six launchers, each having three missiles.
- Akash missile has an indigenous content of 96 per cent.

Defence Acquisition Council (DAC): To counter corruption and speed up decision- making in military procurement, the government of India in 2001 decided to set up an integrated DAC. It is headed by the Defence Minister.

The objective of the DAC is to ensure expeditious procurement of the approved requirements of the Armed Forces, in terms of capabilities sought, and time frame prescribed, by optimally utilizing the allocated budgetary resources. It is responsible to give policy guidelines to acquisitions, based on long-term procurement plans. It also clears all acquisitions, which includes both imported and those produced indigenously or under a foreign license.

Source: The Hindu.

Bhavantar Bhugtan Yojna

The scheme is to compensate farmers in the event of a price crash and to that extent hedge the price risk, faced by them. There is no physical procurement of commodities

Farmers who register under the scheme are compensated only if their selling price (SP) is lower than the government set minimum support price (MSP). The actual amount of compensation or deficiency payment made to a farmer is determined by a Modal Price (marker of average market price within the state and markets outside the state where the commodity is traded).When a farmer's selling price is lower than MSP but higher than the modal price, then the difference between the MSP and actual price is paid to the farmer. If Selling price (SP) is lower than both MSP and modal price; the payout is capped at the difference between MSP and modal price.

Madhya Pradesh government was the first state to launch bhavantar bhugtan scheme (BBY) on pilot basis in 2017. The scheme was launched for 8 commodities they are, soybean, groundnut, sesame, *ramtil* (all oilseeds), maize (cereal), *moong*, *urad*and *tur* (pulses)

Madhya Pradesh ranks first both in terms of area and production of soybean in the country. Soybean, which is the main kharif crop in Madhya Pradesh, close to 50% of the area under the crop was covered under the scheme.

In terms of coverage, the scheme was a success: Price and arrival data shows that the modal price increase as the BBY scheme progressed, the maximum differential (MSP minus modal price) reduced by half between October 2017 and December 2017 in case of soybean. Despite the fact that there was almost 2.5 times additional arrival during November 2017 as compared to 2016, the price (of soybean) did not plummet southwards in November 2017.

Source: The Hindu.

Government panel recommends setting up an Independent Payments Regulatory Board

Finance Minister proposed about creation of Payment Regulatory Board (PRB**)** in Budget 2017-18. The government has set up *Subhash Garg committee* to re-examine the draft Payment and Settlement System Bill.

Objectives of the draft Payment and Settlement Bill: Foster competition, Consumer Protection, Systemic Stability, Resilience in payments sector, Establishment of an independent PRB, Treating non-banks as significant players in the payment ecosystem, To consolidate and amend the laws relating to payments.

Recommendations of the Committee: It suggested PRB to be an independent payments regulator. The committee supported the view that formal mechanism of coordination is required between the RBI and PRB to regulate payments to ensure financial stability, monetary policy and credit policy. As per the report, RBI wants the chairperson of PRB should be from RBI as well as RBI to have a casting vote. RBI wanted to be provided with sufficient powers in the context of monetary policy function but the committee rejected the view. The committee affirmed RBI that substantial provisions are included in the bill to give the central bank the powers to make a reference to PRB to consider any matter, which is related to monetary policy.

Source: The Hindu.

Paryatan Parv

This is an initiative of Ministry of Tourism (GoI), in collaboration with other Central Ministries, State Governments and Stakeholders this is the second edition of "Paryatan Parv, first was 2017Exhibition on the theme "Saaf Niyat Sahi Vikas" by Ministry of Information & Broadcasting All India Activities (across 32 States / UTs**)**. The three components of Paryatan Parv, are: Dekho Apna Desh, Tourism for All and Tourism & Governance.

Source: The Hindu.

EDITORIAL

TO READ

Why Bank of Baroda, Vijaya Bank and Dena Bank are being merged

Govt announces merger of Bank of Baroda, Vijaya Bank and Dena Bank, amid long-felt need for consolidation rather than fragmentation of state-owned banks. How does it help, and what challenges lie ahead?

It has been more than 27 years since a committee headed by Reserve Bank of India (RBI) Governor M Narasimham first made out a case for pruning the number of government or state-owned banks. That committee, which was appointed in 1991 by Manmohan Singh who was then Finance Minister, had recommended a restructuring of Indian banks, with three or four large banks including State Bank of India that could be positioned as global banks, besides eight to ten with a national footprint or presence, rather than having over two dozen state-owned banks. On Monday, after the weekend fire fighting measures on the rupee front, the government announced the amalgamation of three banks — Bank of Baroda, Vijaya Bank and Dena Bank — aimed at creating the country's third largest bank with a business of Rs 14.82 lakh crore and over 9,600 branches across the country.

The rationale

For long, it has been recognized that having several banks that are majority-owned by the government, virtually doing the same business, and competing for the same pie of customers wasn't a sensible strategy. It also meant a lower return on the capital employed by the government which has competing demands for funds, and growing competition. The government and banking regulator RBI have also emphasized the changing face of banking marked by technological changes; challenges to raising capital that the owner (the government) has to provide periodically; the need for consolidation in the sector and putting an end to fragmentation.

In the early phase of the UPA government, there were attempts to merge a couple of banks but the move had to be abandoned as the government baulked, anticipating political resistance. In 2016, Finance Minister Arun Jaitley said that the government would pursue consolidation after first pumping in more capital and putting back on track many banks weighed down by a huge pile of bad loans. To facilitate this, the government last year put in place an Alternative Mechanism on bank mergers, essentially a group of senior ministers led by the Finance Minister to approve mergers. The first such proposal was the one that was announced Monday.

Then & now

In a coalition like the UPA in the past, getting such a proposal through may have been difficult. The NDA government has the strength of numbers, and may also have been emboldened, perhaps, by the experience of the merger of five subsidiaries of the State Bank of India last year to create an entity with a size of over Rs 44 lakh crore — way ahead of the rest of the banking pack. More importantly, the weak state of some of the banks may have been the tipping point. That's the difference between the attempts in 2007-08 and now — at that time the proposal involved a merger of two strong banks riding the wave of growth, but this time it will feature at least one very weak bank — Dena Bank, which has severe restrictions on lending and expanding its business. For long, governments have said while they would welcome consolidation, they would prefer the banks themselves to make merger moves and get these approved by their boards. This time, the government appears to have made that decision; reports indicate that the bank managements were informed very late.

Precedents

When private lender GTB was in trouble over 15 years ago, the regulator and the government settled on state-owned Oriental Bank of Commerce to step in. There were also the case of United Western Bank and IDBI, Bank of Rajasthan and ICICI Bank, and HDFC Bank and Bank of Punjab. But in terms of scale and common ownership, the latest proposal stands out.

How it should help

Mergers are often advocated on the basis of synergies. These could be in terms of operational efficiency with a large pool of staff in a merged entity being put to work for boosting business, expanding reach and offering more services or products. On a standalone basis, Vijaya Bank had strength in the South while Bank of Baroda and Dena Bank had a stronger base in Western India. That would mean wider access for both the proposed new entity and its customers. From the government's and regulator's point of view, the move will lead to a lower NPA (non-performing assets) ratio for the new bank compared to the NPA ratios of 11.04 % for Dena Bank, 5.40 % for Bank of Baroda and 4.10% for Vijaya Bank. What this could mean down the line is lower requirements of capital from the government and also the ability of a large bank, like the one proposed, to lend more on the strength of its higher capital base (12.25 %) and to expand business, rather than being dragged down because of weak financials and being forced not to lend.

Next step

The boards of all three banks, being public listed entities, will meet soon and try and get approval for the government proposal. That should not be a problem given the government has the dominant shareholding in all three.

The challenge is integration in a new entity, whether in operations or culture. It helps that the three banks chosen have a common technology platform, which may make it work like in the case of the SBI and its subsidiaries. Human resources can often be a deal breaker: contrasting HR practices and aligning these with employee expectations or aspirations will also test the new management. The other major test will be leadership — choosing one of the CEOs to head the new bank and with a reasonable tenure. Besides that will be addressing the concerns of unions and shareholders.

<u>MAINS QUESTION</u>

Q: "Our Directive Principles envision the existence of a uniform civil code, but this remains an unaddressed constitutional expectation." Explain.