Current Affairs of the Day

What is the new framework to share financial data?

THE HINDU

What is the new framework to share financial data?

Why has RBI launched the account aggregator? Will the easier availability of information benefit the economy?

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The story so far: On September 2, the Reserve Bank of India launched the account aggregator framework aimed at making financial data more easily accessible. Under it, a number of fin-tech entities have been granted the licence to operate as account aggregators. Eight large banks have also agreed to share various financial data about their customers with account aggregators.

How will an account aggregator work?

The framework will allow financial data to be exchanged between the holders of data and its users. The RBI has allowed a number of companies like PhonePe to act as account aggregators to facilitate this process. Account aggregators will act as intermediaries who will collect data from one financial entity and exchange it with another. For example, a bank which is processing a loan application from a potential borrower may want to access a variety of financial data about the borrower. The lending bank can access details of the borrower's savings, past loan repayment record, mutual fund holdings and insurance holdings through an account aggregator. The borrower, however, will have to grant consent for the sharing of his data with the lending bank.

What are its benefits?

At the moment, the various financial data of an individual is scattered across the databases of several financial institutions. So a person's savings and loans data may be with a bank, his investments data may be with a mutual fund, while his insurance data may be with another financial entity. Under the account aggregator framework, all this data can be easily collated and shared through account aggregators with the consent of the individual. Proponents of the framework believe that the easier availability of data will have significant benefits for the economy. They believe the framework will help financial institutions make better assessment of the creditworthiness of individuals, and thus make better loan decisions. Even though mechanisms such as CIBIL already exist to assess the creditworthiness of individual borrowers, their scope is limited. An individual's PAN number, for instance, captures only a limited number of transactions which are of value higher than a certain minimum threshold amount. It is said the framework will offer a wider array of data to financial firms, making them more willing to serve creditworthy populations that they earlier ignored. Account aggregators can also make life easier for creditworthy customers by allowing them to share their financial data digitally with ease, it is believed. The availability of wider financial data may also help financial institutions offer better products tailored to the needs of individual customers.

Collected and sorted: Now the various financial data of an individual is scattered across the databases of several financial institutions. • GETTY IMAGES/ISTOCKPHOTO

What happens next?

The issue of the security of the financial data of individuals will be a looming concern going forward, given the risk of data theft. To protect the privacy of individuals, account aggregators are supposed to receive and share financial data in an encrypted form. The RBI has also said the data ownership will reside with individuals. More financial firms are expected to get on board the framework as offering access to their financial databases will help them gain access to the databases of other firms. Over time, financial institutions may also mandate access to data available through account aggregators as a condition for individuals to receive loans and other services. The eventual success of the framework, however, will depend on multiple factors. Some believe an individual's PAN number may be a better way to access his financial data as it serves as a common link between multiple accounts maintained by an individual. Further, the extent to which financial firms desire extensive, micro-level financial data from their customers and the enthusiasm among customers to share their data will also play a crucial role.

The story so far:

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Mains DAWP	The Reserve Bank of India launched the account aggregator framework aimed at making financial data more easily accessible. Discuss its need and challenges.

Will the new scheme help the textile industry?

The story so far:

The government has designed the scheme with a view to providing a big fillip to the man-made fibres and technical textiles segments of the industry.

What are the details of the scheme?

1. The scheme is aimed at promoting industries that invest in the production of 64 select products. The product lines include 40 in man-made fibre apparel, 14 in man-made fibre fabrics, and 10 technical textile segments/products.
2. The investment period is two years, and the incentive will be paid for five years after the first year of post-investment operation. The scheme is for two types of investments.
3. The first entails a minimum of ₹300 crores in plant, machinery, equipment and civil works in a unit that must register a minimum turnover of ₹600 crores once it commences operation.
4. The second is for a minimum of ₹100 crore, where the business achieves a minimum turnover of ₹200 crores. Thus, the incentive is based on a combination of investment and turnover.

5. Priority will also be given to investment in aspirational districts, Tier-3, Tier-4 towns, and rural areas.

Why the stress on man-made fibre?

1. The scheme focuses on the man-made fibre segment to enable the Indian textile and clothing sector to regain its dominant status in the global textiles trade.
2. Currently, Indian production and export of textile and clothing products are largely cotton-based. In 2018-19, while Indian textile and clothing exports amounted to about $36 billion, less than one-third was man-made fibre-based.
3. In contrast, of the total textile and clothing exports by China, it is estimated that almost 80% are man-made fibre-based. Similarly, of the total global fibre manufacturing and consumption, 70% is man-made fibre-related, while in India it is just about 35%.
4. Annual textile and clothing exports have remained largely stagnant over the last seven years and stuck in the range of $30 billion-$35 billion. India is ranked sixth in the global trade in this sector.
5. Added to this, in recent years, countries including Bangladesh and Vietnam have gained a sizeable share in the man-made fibre segment of the global textile trade, making it all the more vital for India to provide policy support to ensure the country remains competitive internationally.
6. Though the final list of products eligible for the scheme is yet to be notified, it is expected that most of the top globally traded man-made fibre product lines in which India's share is less than 5% will be covered.

How will it impact traditional textiles such as jute?

1. The scheme will not impact traditional textile segments such as jute or cotton. It has minimum investment thresholds and select product lines and hence targets a limited number of players.
2. The traditional segments have a large number of industries spread across micro, small and medium enterprises and large-scale operations. They will continue to invest and grow in the fields they are strong in.

Will the scheme help lower dependence on imports?

1. During 2018-19, the import of man-made fibre garments jumped 39% from the previous year, while the import of man-made fibre yarn, fabrics, and made-ups rose 16%.
2. With the government recently removing the anti-dumping duty on viscose staple fibre and Purified Terephthalic Acid, most man-made fibre is now available in India at internationally competitive prices.

3. With an incentive to invest in production too, Indian manufacturing of man-made fibre value-added products is expected to increase and thus bring down imports, especially of man-made fibre apparel and fabrics, from countries such as China and Bangladesh.

What lies ahead?

1. The government has said the scheme will help attract ₹19,000 crores of fresh investments and generate 7.5 lakh jobs. The expectation is that it will motivate industries to make fresh investments in the select product lines and scale-up capacities.
2. Global retail brands, which are present in India and sourcing man-made fibre-based apparel from other countries, are likely to start sourcing from India once the garments become available at internationally competitive prices.

Sheltered vultures now at home with nature

1. In October 2020, eight critically endangered Oriental white-backed vultures were released into the wild for the first time in India from the Jatayu Conservation and Breeding Centre (JCBC) situated at the Bir Shikargah Wildlife Sanctuary in Shivalik ranges of the Himalayan foothills in Haryana's Pinjore.
2. A year later, they have blended well into the untamed habitat outside the aviary, offering hope to conservationists. But the grave threats to the survival of vultures are far from over.

On verge of extinction:

1. Once very common, vultures are on the verge of extinction in India. Uncontrolled veterinary usage of non-steroidal anti-inflammatory drugs (NSAID), including Aceclofenac, Ketoprofen and Nimesulide, and the illegal use of the drug Diclofenac, are toxic to vultures if they feed on carcasses within 72 hours of the drugs' administration to such livestock.

Sheltered vultures now at home with nature

New lease of life for the birds brings hope to conservationists

A white-backed vulture at the Jatayu Conservation Breeding Centre in Haryana's Pinjore.

2. The vulture population in India was estimated at 40 million once. Populations of three species of vultures have declined by over 97% since the 1990s, and that of the Oriental white-backed vultures by a drastic 99.9%.
3. It has been established that the vulture population was decimated by the veterinary usage of Diclofenac in India.

Edible Oil Mission is a good idea. But more is needed

The incentive structure that favours rice, wheat and sugar cultivation must be ended.

New Signals:

1. Last week, the government announced the minimum support prices (MSP) of rabi crops for the marketing season 2022-23. The MSP for wheat is up by 2 per cent while that of rapeseed-mustard is up by 8.6 per cent, perhaps indicating that the government wants to focus more on edible oils/oilseeds than on wheat.
2. This is the right approach given, on the one hand, the bulging stocks of wheat at home and the massive imports of edible oils on the other. But the profitability of MSP over the projected cost (A2+FL) is 100 per cent both in the case of wheat as well as rapeseed-mustard.
3. Given that the government has a massive procurement programme for wheat, but a very meagre one for rapeseed-mustard even when the prices rule below MSP, the relative incentive structure remains in favour of wheat.
4. So, we doubt if farmers will switch from wheat to mustard in any meaningful manner to bridge the edible oil deficit.

National Edible Oil Mission-Oil Palm (NEOM-OP)

1. This is a bold step to augment domestic edible oil supplies, given that 60 per cent of the edible oil consumed in the country is imported — more than half of this is palm oil followed by soybean and sunflower.
2. In FY 2020-21, edible oil imports touched $ 11 billion or about Rs 80,000 crore (for 13.5 million tonnes). Despite these imports, edible oil inflation in July 2021 (on a year-on-year basis) was 32.5 per cent.
3. In this backdrop, the move to promote oil palm is a step in the right direction. It is the only crop that can give up to four tonnes of oil productivity per hectare under good farm practices.
4. But it is a water-guzzling crop, loves humidity (requires 150 mm rainfall every month) and thrives best in areas with temperatures between 20 and 33 degrees Celsius.

5. The National Re-assessment Committee (2020) has identified 28 lakh hectares suitable for oil palm cultivation in the country — the actual area under oil palm cultivation, as of 2020, is only 3.5 lakh hectares. A large potential is thus waiting to be tapped.
6. Much of this (34 per cent) is in the Northeastern states, including Assam, followed by Andhra Pradesh (19 per cent) and Telangana (16 per cent).

Target areas:

1. NEOM-OP aims to bring an additional 6.5 lakh hectares under oil palm by 2025-26, of which 3.25 lakh hectares will be in the Northeast and the remaining in other parts of the country, most prominently in the irrigated tracts of Telangana. Thus, by 2025-26, the government hopes to cover an area of a million hectares under oil palm.
2. We feel the government could have been bolder and attempted to cover 2 million hectares by 2025-26, given the huge deficit in edible oil production in the country.
3. Achieving self-sufficiency in edible oil production through the other oilseeds complex would require adding about 45 million hectares under oilseed cultivation.
4. This is not possible without drastically cutting down the area under cereal crops. The best alternative is, therefore, to ensure proper care of palm oil crops, provide good planting material, better irrigation management, fertilisers and other inputs to raise productivity to four tonnes of oil/hectare.

MEOM-OP

1. The NEOM-OP intends to focus on productivity and area expansion by supporting the farmers in the following ways:
   - Input assistance of Rs 20,000-29000/ha for planting material, additional assistance of Rs 12,500/ha for four years to cover maintenance/opportunity costs of farmers, with no limits on acreage, a Rs 5-crore assistance to industries that plan to set up a five tonnes/hour processing unit, the assistance of Rs 100 lakh to seed gardens in the Northeast for 15 hectares (up to Rs 80 lakh in rest of India); and support for vermiculture, irrigation and farm mechanisation.
2. This comprehensive assistance package will, hopefully, attract farmers as well as incentivise the industry to work with agriculturists and augment edible oil production in a globally competitive manner, thereby reducing the import bill.
3. A critical element of the strategy is the pricing formula for fresh fruit bunches (FFB) of oil palm. There will be no MSP, but the FFB price for farmers would be fixed at 14.3 per cent of the average landed CPO price of the past five years, adjusted with the wholesale price index.

4. This is the most critical part of the pricing policy and the formula needs to be carefully calibrated. However, the litmus test of pricing will be dovetailing with the import tariff policy to protect the farmers in case landed prices fall below the cost of production.
5. In its 2012 report, "Oil Palm: Pricing for Growth, Efficiency & Equity", the Commission for Agricultural Costs and Prices recommended that India should keep an import duty trigger at $800/tonne — if the import price falls below $800/tonne, the import tariff needs to go up in a countercyclical manner.
6. Thus, import duty needs to be in sync with rational domestic price policy. It is a necessary condition to give a fillip to Aatmanirbharta in edible oils.

But the sufficient condition would be revisiting the existing incentive structure that unduly favours rice, wheat and sugarcane through heavy subsidisation of power, fertilisers and open-ended procurement. The need is to devise a crop-neutral incentive structure where cropping patterns are aligned with demand patterns, and the crops are produced in a globally competitive manner.

Battle of Saragarhi explained: When 21 men fought thousands

The Battle of Saragarhi is considered one of the finest last stands in the military history of the world. Twenty-one soldiers were pitted against over 8,000 Afridi and Orakzai tribals but they managed to hold the fort for seven hours. Though heavily outnumbered, the soldiers of 36th Sikhs (now 4 Sikhs), led by Havildar Ishar Singh, fought till their last breath, killing 200 tribals and injuring 600.

Saragarhi was the communication tower between Fort Lockhart and Fort Gulistan. The two forts in the rugged North-West Frontier Province (NWFP), now in Pakistan. were built by Maharaja Ranjit Singh but renamed by the British. Though Saragarhi was usually manned by a platoon of 40 soldiers, on that fateful day, it was being held by only 21 soldiers from 36th Sikh (now 4 Sikh) and a non-combatant called Daad, a Pashtun who did odd jobs for the troops. Saragarhi helped to link up the two important forts which housed a large number of British troops in the rugged terrain of NWFP.

Indebted India: Over half of farm households are still under debt

Down To Earth — Science and Environment Fortnightly

More than half of India's agricultural households were in debt, with an average outstanding of Rs 74,121, according to the latest 'Situation Assessment of Agricultural Households and Land Holdings of Households in Rural India, 2019' released September 10, 2021.

The National Statistical Office (NSO) report

1. The percentage of households in debt, however, reduced slightly from 51.9 per cent as seen in the previous survey in 2013; but the average debt jumped 57 per cent from Rs 47,000 in 2013.
2. The National Statistical Office (NSO) reported the data based on its 77th round of surveys of more than 45,000 such households.
3. The data represents the situation before the onset of the novel coronavirus disease (COVID-19) pandemic in early 2020.
4. The countrywide lockdown has marred economic prospects since the first quarter of the 2020-21 financial year. Though agriculture did not take much of a hit last year, households dependent on migrant workers have faced prolonged periods of joblessness.
5. The 2019 survey found Andhra Pradesh to have the highest average outstanding loan, at Rs 2.45 lakh, among 28 states. The state also had the highest proportion (93.2 per cent) of agricultural households under debt, followed by Telangana (91.7 per cent) and Kerala (69.9 per cent).
6. Those four states, along with Haryana, Punjab, Karnataka, Rajasthan and Tamil Nadu reported loans above Rs 1 lakh per household on an average. For at least 11 states, the amount exceeded the national average of Rs 74,121.

Agricultural Household:

1. An agricultural household is defined as one receiving more than Rs 4,000 as the value of produce from agricultural activities (cultivation of field crops, horticultural crops, fodder crops, plantation, animal husbandry, poultry, fishery, piggery, bee-keeping, vermiculture, sericulture, etc) and that has at least one member self-employed in agriculture (either in principle or in subsidiary status) in the last 365 days.
2. The average income of agricultural households increased to Rs 10,218 in 2019 from Rs 6,426 in 2013, the survey claimed. The highest share in the total average income was of income from wages at Rs 4,063.
3. It estimated the total number of agricultural households in India at 93.09 million (July 2018-June 2019).

Practice MCQ	Q1. Consider the following statements about the latest 'Situation Assessment of Agricultural Households and Land Holdings of Households in Rural India, 2019' report of the National Statistical Office (NSO) 1. According to the report the average monthly income of agricultural households more than doubled between 2013 and 2019 2. It estimated the total number of agricultural households in India at 493.09 million 3. An agricultural household is defined as one receiving more than Rs 4,000 as the value of produce from agricultural activities and that has at least one member self-employed in agriculture in the last 365 days Which of the above statements is/are correct? a. 1 and 2 only b. 2 and 3 only c. 2 only d. 1, 2 and 3