



News Analysis (19 Jan, 2019)

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Mohan Reddy Committee Recommendations Accepted

All India Council for Technical Education (AICTE) has accepted the recommendations of the committee headed by **BVR Mohan Reddy**.

The committee was set up to provide **Short and Medium Term Perspectives for Engineering Education**.

Committee Recommendations

- **No new engineering institutes** should be allowed to set up **from 2020**.
- Concessions should be made for applications already in the pipeline.
- Only requests from existing engineering institutes to either **start programmes in new technologies or convert current capacity in traditional engineering disciplines to emerging new technologies like artificial intelligence or robotics** should be entertained.
- Creation of **new capacity in colleges should be reviewed** every two years.
- Committee found that the **current capacity utilization in traditional disciplines is just 40% as opposed to 60% seat occupancy in branches such as computer science and engineering, aerospace engineering and mechatronics**.

The committee had urged the AICTE to **introduce undergraduate engineering programmes** in emerging technologies like **artificial intelligence, the blockchain, robotics, quantum computing, data sciences, cybersecurity, 3D printing, and design**.

- The committee found that the **innovation, incubation, and start-up ecosystem is lacking in educational institutions**. Thus, every education Institution should be mandated for the following:
 - **Entrepreneurship should be a minor elective for Undergraduates**.
 - Tinkering Laboratories similar to **Atal Innovation Laboratories** to be in every educational Institution.

- Educational Institutions need to set up **incubation centers, mentoring clubs,** and accelerator programs.
- As for approving additional seats in existing institutions, the committee has suggested that the AICTE should only give **approvals based on the capacity utilization of concerned institute.**

Background

- Over the last couple of decades primarily in the post-liberalization phase, **India faced the challenge of meeting the fast-growing demand of skilled workforce** emanating from various key sectors of the economy.
- Since the requirement could have been met only through **widening the infrastructural base of the education sector by increasing the number of specialized technical institutions,** the country went into institution overdrive.
- The **government took the lead by setting up several technical institutions.** The policy continued unabated for about two decades, without any meaningful appraisal or evaluation of institutions being established, **resulting in mushrooming of engineering institutions.**
- In 2003, the **UR Rao committee** had warned of the rise in the number of engineering colleges and **suggested that a five-year moratorium on approving undergraduate technical institutions** be put in force in states where the annual student intake exceeded the national average of 150 per million population.
- A 2017 study by **Aspiring Minds** found that **95% of engineering graduates were unemployable for the software industry, which accounts for the bulk of engineering jobs.**
- In December 2017, an **investigation by The Indian Express** has found there were **no takers for 51% of the 15.5 lakh B.E/B.Tech seats in almost 3,200 engineering colleges** in 2016-17.
- The investigation found glaring **gaps in regulation,** including alleged **corruption;** a vicious circle of **poor infrastructure,** labs, and faculty; **non-existent linkages with industry** and the **absence of a technology ecosystem** to nurture the classroom. All this led to **low employability of graduates.**

UK Sinha Panel on “Group Insolvency”

The Insolvency and Bankruptcy Board of India (IBBI) has set up a **11-member working group under the Chairmanship of former SEBI chief UK Sinha** to go into the concept of ‘Group Insolvency’ and suggest a suitable framework.

- At present, the **Insolvency and Bankruptcy Code (IBC)** provides for the resolution or liquidation of only individual stressed companies. So a framework within the IBC is

sought to be created for the resolution/liquidation of an entire stressed corporate group having several entities in **multiple National Company Law Tribunal (NCLT) jurisdictions**.

- 'Group Insolvency' process may be useful where two or more applications are pending in the same court against debtors in the same Group, such debtor group or creditors of such debtor group can seek joint proceedings.
- The Insolvency and Bankruptcy Code, 2016 has been the **most successful mechanism to recover debt**.

According to a recent RBI report, the average recovery by banks, based on the **amount filed through the IBC, was 41.3% in FY18**, against just 12.4% through other mechanisms such as the SARFAESI Act, Debt Recovery Tribunals and Lok Adalats.

Insolvency and Bankruptcy Board of India

- The Insolvency and Bankruptcy Board of India was **established on in 2016** under the Insolvency and Bankruptcy Code, 2016 (Code).
- It is responsible for implementation of the Code that consolidates and amends the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of the value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders.
- It regulates a profession as well as processes.
- It has **regulatory oversight** over the Insolvency Professionals, Insolvency Professional Agencies, Insolvency Professional Entities and Information Utilities.

Existing Laws for Recovering Debts

- Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI): Lender can take possession of the assets kept as security over non-repayment of loans.
- Prevention of Money Laundering Act (PMLA): Proceeds of the crime are attached by the Enforcement Directorate.
- Recovery of Debts due to Banks and Financial Institutions Act, 1993: A debt recovery tribunal can pass orders for the attachment of assets that were given as security on nonpayment of dues/loans.

Earlier in January 2019, the Reserve Bank of India (RBI) had set up an eight-member expert committee under former **SEBI chairman U.K. Sinha** to understand the structural bottlenecks and factors affecting the performance of the Micro, Small and Medium Enterprises (MSME).

Pradhan Mantri Awas Yojana (Grameen) Behind Target

The Pradhan Mantri Awas Yojana (Grameen) scheme to provide housing for the rural poor has achieved only 66% of its target to complete one crore houses by 2019.

According to data provided, some of the most laggard States as of July 2018 were Maharashtra, which had provided land for only 890 of 1.39 lakh landless beneficiaries and Assam, which had provided land for 574 of 48,283 landless beneficiaries.

Pradhan Mantri Awas Yojana – Gramin (Ministry of Rural Development)

- Objective: To help rural people below the poverty line (BPL) in construction of dwelling units and upgradation of existing unserviceable kutchha houses by providing assistance in the form of a full grant.
- Beneficiaries: Beneficiaries are people belonging to SCs/STs, freed bonded labourers and non-SC/ST categories, widows or next-of-kin of defence personnel killed in action, ex servicemen and retired members of the paramilitary forces, Disabled persons and Minorities.
- Selection of Beneficiaries: Beneficiaries are chosen according to data taken from the Socio-Economic Caste Census (SECC) of 2011.
- Timeline: The project will be implemented in a span of three years and expected to boost job creation in rural areas.

Pradhan Mantri Awas Yojana – Urban (Ministry of Urban Affairs)

- The Mission is being implemented during 2015- 2022 and will provide central assistance to Urban Local Bodies (ULBs) and other implementing agencies through States/UTs.
- All statutory towns as per Census 2011 and towns notified subsequently would be eligible for coverage under the Mission.
- It has the following provisions:
 - In-situ Rehabilitation of existing slum dwellers using land as a resource through private participation
 - Credit Linked Subsidy
 - Affordable Housing in Partnership
 - Subsidy for Beneficiary-led individual house construction/enhancement
- In the spirit of cooperative federalism, the mission provides flexibility to the States for choosing the best options amongst the above four verticals to meet the demand of housing in their states.
- Process of project formulation and approval in accordance with the mission Guidelines has been left to the States so that projects can be formulated, approved

and implemented faster.

Mechanism to Prevent Insider Trading

The Securities and Exchange Board of India (SEBI) has prescribed internal controls on sharing of information.

- It has decided to **hold company promoters**, irrespective of their shareholding status, **responsible for violation of insider trading norms** if they possess **unpublished price-sensitive information (UPSI)** regarding the company without any 'legitimate' purpose.
- SEBI has specified that the term **"legitimate purpose" will include sharing of the UPSI** in the ordinary course of business by an insider with partners, collaborators, lenders, customers, suppliers, merchant bankers, legal advisors, auditors, insolvency professionals or other advisors or consultants, provided that such sharing has not been carried out to evade or circumvent the prohibitions of these regulations.
- Simply put, a promoter who is not an advisor in official capacity or does not hold any position on the board will not be considered a person having **"legitimate purpose"** to hold the UPSI.
- It has recommended that the board of directors shall **ensure that a structured digital database** is maintained containing the names of such persons or entities, as the case may be, with whom the information is shared.
- SEBI's decision is based on the recommendations of the **TK Viswanathan committee on fair market conduct**.

Insider Trading

- Insider trading refers to the **practice of purchasing or selling** a publicly-traded company's securities while in possession of **material information that is not yet public information**.
- Material information refers to any and all information that may **result in a substantial impact on the decision of an investor** regarding whether to buy or sell the security. E.g.:

A government employee acts upon his knowledge about a new regulation to be passed which will benefit a sugar-exporting firm and buys its shares before the regulation becomes public knowledge.

Corporate Governance

- Corporate governance is the system by which **companies are managed and controlled**. It involves a set of systems, processes and principles which ensure that a company is governed in the **best interest of its stakeholders**.

- **'Good corporate governance'** ensures:
 - Adequate **disclosures** and effective **decision making** to achieve corporate objectives.
 - **Transparency** in business transaction.
 - Statutory and legal **compliances**.
 - **Protection** of shareholder interests.
 - Commitment to **values** and **ethical conduct** of business.
- The **Global Financial Stability report** recently published by the **International Monetary Fund (IMF)** suggests that while corporate governance norms have improved across emerging markets, it **fell in India between 2006 and 2014**.
- **Recent initiatives** to improve corporate governance:

Kotak Panel report

- The panel constituted by **Securities and Exchange Board of India (SEBI)** under the chairmanship of **Uday Kotak** has suggested a host of changes for improving corporate governance standards of firms.
- **Chairman** of the board **cannot** be the **Managing Director/ CEO of the company**.
- Boards should have minimum **of six directors**. Of these 50% **should be independent directors** including at least one woman independent director.
- Mandate minimum qualification for independent directors and disclose their relevant skills.
- Create a formal channel for sharing of information between the company and its promoters.
- Public sector companies should be governed by listing regulations, not by the nodal ministries.
- Auditors should be penalized if lapses are found.
- SEBI should have powers to **grant immunity to** whistle blowers. Companies should disclose medium-to-long term business strategy in annual reports.

The recommendations of **TK Viswanathan committee on fair market conduct** which submitted its report in August, 2018 are:

- Among a number of recommendations on **insider trading**, is the creation of **two separate codes of conduct**.
 - Minimum standards on dealing with insider information by listed companies.
 - Standards for market intermediaries and others who are handling price-sensitive information.
- Companies should maintain details of immediate relatives of designated persons who might deal with sensitive information and of people with whom the designated person might share a material financial relationship or who share the same address

for a year.

- **Such information** may be maintained by the company in a searchable **electronic format**. It may also be shared with the SEBI when sought on a case-to-case basis.
- The committee has recommended **direct power for SEBI to tap telephones** and other electronic communication devices. This is to **check insider trading** and other frauds.

Currently, SEBI has the **power to only ask for call records** including numbers and durations.

Important Facts for Prelims (19th January 2019)

Saturn Rings

- Scientists have found that the rings of Saturn are younger than previously thought.
- The rings are not more than 100 million years i.e. the period when dinosaurs used to walk on earth.
- Previously, it was predicted that the ring system formed along with the planet from icy debris remaining in orbit after the formation of the Solar System.
- NASA's Cassini spacecraft to Saturn after completing its mission fell into Saturn's gravity. The fall allowed the orbiter to act as a probe and it was able to take the close up data of the planet and the rings.

Saturn

- It is the second largest planet after Jupiter in our Solar System.
- Saturn is a Jovian planet i.e. it is completely made up of gas.
- Along with Uranus and Neptune, Saturn is the only planet which has rings.
- As of now, Saturn has 62 confirmed natural satellites or moons orbiting it.

Cassini

- Launched: Oct. 15, 1997
- End of Mission: Sept. 15, 2017
- Significance: Cassini orbited and studied the Saturn and its moons in detail.
Cassini mission also landed the Huygens probe on Saturn's largest moon, Titan, in January 2005.

District Mineral Fund

The Ministry of Mines has requested State governments to complete the audit of District Mineral Fund (under Pradhan Mantri Khanij Kshetra Kalyan Yojana) spends till the financial year 2017-18 before the current financial year (2018-19) ends.

Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY)

- **Objective:** To minimize/mitigate the adverse impacts, during and after mining, on the environment, health and socio-economic conditions of people in mining districts and also to ensure a sustainable livelihood for the affected people.
 - It is implemented by the **District Mineral Foundations (DMFs)** of the respective districts that use the funds collected from the miners.
 - District Mineral Foundation (DMF) is a **trust set up under Mines and Minerals (Development & Regulation) Amendment Act (MMDRA) 2015** as a non-profit body in those districts affected by the mining operations.
 - **60% of the funds will be utilized for high priority areas such as drinking water supply, health care, sanitation, education, skill development, women and child care, the welfare of aged and disabled people and environment conservation.**
 - **40% of the fund** will be utilized for physical **infrastructure, irrigation, energy, and watershed development.**
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