



News Analysis (05 Nov, 2019)

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NBFC Liquidity Norms

The **Reserve Bank of India (RBI)** has introduced '**liquidity management framework**' for **Non-Banking Financial Companies (NBFCs)**.

The RBI move has come following **liquidity crunch** among some NBFCs in meeting their recent repayment obligations after the collapse of the Infrastructure Leasing and Financial Services (IL&FS) group.

Key Points

Liquidity Coverage Ratio

All non-deposit taking NBFCs (NBFC-NDs) with asset size of Rs 10,000 crore and above and all deposit-taking NBFCs have to maintain a liquidity buffer in terms of Liquidity Coverage Ratio (LCR).

- However **Type I - NBFC-ND** entities are exempt from the applicability of LCR norms.
- Type I - NBFC-ND entities are those which do not accept public funds and do not have customer interface and do not intend to engage in such activities.

Note

- LCR refers to the **proportion of highly liquid assets held by companies** to ensure their ongoing ability to meet short-term obligations.
- It will **promote resilience of NBFCs to potential liquidity disruptions by** ensuring that they have sufficient **High Quality Liquid Asset (HQLA)** to survive any acute liquidity stress scenario lasting for 30 days.
- **HQLAs** mean liquid assets that can be readily sold or immediately converted into cash at little or no loss of value, or used as collateral to obtain funds in a range of stress scenarios.

- The LCR requirement will be **binding on NBFCs from 1st December, 2020** with the minimum HQLAs to be held being 50% of the LCR, progressively reaching up to the level of 100% by 1st December, 2024.
- **Assets to be included as HQLA** include cash, government securities and marketable securities issued or guaranteed by foreign sovereigns. These assets should be free of any financial liability.
- **Significance:** The presence of liquid reserve will prevent a NBFC from going into a default loss if some inflows get delayed.

NBFCs should **adopt liquidity risk monitoring tools** and metrics in order to capture strains in liquidity position.

Source: IE

Punjab Water Law Responsible for Air Pollution in Delhi

Why in News

The severe **air pollution crisis in NCR-Delhi region** is found to be **related to the timing of stubble burnings** in the neighbouring states of **Punjab, Haryana**.

Farmers in these states have been setting fire to their fields after harvesting of paddy since the 1980s. But **“the timing”** of stubble burning has significantly **changed** after **Punjab Preservation of Subsoil Water Act, 2009 (PPSW)** came into effect.

Practice Prior to the PPSW Act, 2009

- The farmers in Punjab were **sowing paddy nurseries from mid-to-late April and transplanting the seedlings from mid-May to late-May**.
 - For the **first three weeks** after transplanting, the plants have to be **irrigated almost daily** to ensure **water-logged conditions** to **prevent weed growth**.
 - But nursery sowing and transplanting, during **peak summer**, led to **massive groundwater depletion**.
- As a result, the paddy, including **155-day varieties such as Pusa-44**, got harvested by **early October** — and the **burning of the stubble** used to get over around **mid-October**.

The **stubble burning period** and **the onset of winter in Northern India** had a considerable **time gap** which **avoided the air pollution crisis** in the area.

Implementation of PPSW Act, 2009

- The act was brought in **to prevent the groundwater crisis** during summer.
- The Act barred any nursery sowing and transplanting of paddy before May 15 and June 15, respectively.
- This ensured that a significant part of the **crop's water requirement is met from monsoon rains** and also, lesser water loss due to evaporation after mid-June.
- Late transplanting left farmers with little time between harvesting and preparing the field for the next crop and hence farmers are resorting to the burning of stubble.

Positives of PPSW Act, 2009

The delayed paddy transplantation has been helping to save 1,000 billion liters.

It is **equal** to the **total water consumption of Ludhiana**, an industrial town, for **two years**.

Impact of PPSW Act, 2009

- Implementation of the PPSW Act (2009) made the time period of stubble burning coincident **with the onset of winter** in Northern India.
- Also, **wind movement remains very slow** and **moisture levels** in the lower atmosphere remain high during this period.
- It creates a layer, due to which all the **particulate matter and gases** from the **burnt stubble**, as well as vehicles and industries, get **accumulated**, instead of moving away.
- At this time of the year, **winds in Punjab generally blow from the northwest to the southeast**.
 - **Haryana and Delhi** are to **the south and southeast of Punjab**.
 - Also, these **northwesterly winds** are **calm with a speed of less than 2 kmph** which results in **'air locking'** at many places.

Thus, the PPSW Act (2009) may have helped arrest the rapid decline in the groundwater table and aquifers, but it has contributed to the unprecedented deterioration in **Air Quality Index (AQI)** in the National Capital Region

Source: IE

ICEDASH and ATITHI

Why in News

The Ministry of Finance has launched two Information Technology (IT) initiatives - **ICEDASH and ATITHI**.

- **ICEDASH**- For improved monitoring of **customs clearance of imported goods**.
- **ATITHI** - For **facilitating** arriving **international passengers**.
- Both the initiatives have been developed by the **Central Board of Indirect Taxes and Customs (CBIC)**.

ICEDASH

- It is an **Ease of Doing Business (EoDB) monitoring dashboard** of the Indian Customs that will help public see the daily **customs clearance times of import cargo** at various ports and airports.
- It will help the businesses in comparing clearance times across ports and thus plan their logistics accordingly.
- It has been developed in collaboration with the **National Informatics Centre (NIC)**.

ATITHI

- It is an easy to use **mobile app** for international travelers **to file the Customs declaration** in advance.
- Passengers can use this app to file declaration of dutiable items and currency with the Indian Customs even before boarding the flight to India.
- It would **encourage tourism and business travel** to India.

Central Board of Indirect Taxes and Customs

- CBIC is a part of the Department of Revenue under the **Ministry of Finance**.
- It deals with the tasks of formulation of policy concerning levy and collection of Customs, Central Excise duties, **Central Goods & Services Tax**, Integrated GST (IGST) and prevention of smuggling.

National Informatics Centre

- NIC of the **Ministry of Electronics and Information Technology** provides network backbone and **e-Governance support** to the Central Government, State Governments and UT Administrations.
- It was established in **1976** and is located in **New Delhi**.

Source: PIB

World's First Drug for Alzheimer's Disease

Recently, China has approved the **world's first multi-targeting and carbohydrate-based drug GV-971 for Alzheimer's disease**.

Multi-target drugs hit several targets in the body, which is often necessary to do in order to yield a therapeutic effect in complex diseases like Parkinson's or Alzheimer's. This is different from most drugs which target only a single biological substance, like a protein or enzyme.

GV-971

- It has been extracted from **brown algae** and can treat **mild to moderate forms of the disease** and **improve cognition**.
- This is the **only drug out of more than 320** developed by pharmaceutical companies around the globe to survive clinical trials for treating Alzheimer's.
- The medicine can be taken **orally** by the patients.

Alzheimer's Disease

- It is an **irreversible and progressive brain disorder**.
- The disease slowly **destroys memory**, thinking ability and the capability to carry out simple tasks.
- The **possibility of Alzheimer's increases** as the **age of the population increases**.
- Nearly **50 million people** are affected by the disease and the number is expected to increase.

China has the **highest Alzheimer,s affected the population** in the world.

Source:BS
