



News Analysis (06 May, 2020)

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## Co-operative Banks Under Sarfaesi Act

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### Why in News

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Recently, the Supreme Court held that **Co-operative banks** established under a State law and multi-State level co-operative societies come within the ambit of the **Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (Sarfaesi) Act** of 2002.

### Key Points

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- **Conflicting decisions by high courts:** The judgment came in view of several conflicting decisions by high courts on the issues of
  - Whether the Co-operative banks can be called 'Banks (financial Institution)' under the Banking Regulation Act of 1949 or,
  - Whether the Parliament has legislative competence to regulate financial assets of cooperative banks formed under state law.

The argument was that under **Lists I and II of the 7<sup>th</sup> Schedule**, the Constitution provides for distinct fields of legislative entries for the state legislature and Parliament and once there is already a valid law made by the state referring to its own field, there should not be a parallel parliamentary law on the same topic.

- **Supreme Court verdict:**

- Upholding the central government notification of January 28, 2003 which brought co-operative societies within the purview of the Sarfaesi Act, the Supreme court said **Co-operative banks come within the definition of “Banks”** under the Banking Regulation Act, 1949 for the purposes of the Sarfaesi Act.

The recovery procedure under the Sarfaesi Act is also applicable to co-operative banks and there is no clash with the Banking Regulation Act, 1949.

- The court also ruled that the **Parliament has legislative competence to provide procedures for recovery of loans under the Sarfaesi Act** with respect to cooperative banks.
- The court was of the opinion that **recovery of dues would be an essential function of any financial institution** and co-operative banks cannot carry on any activity without compliance of provisions of the banking Act and any other legislation applicable to such banks and the RBI Act.

## Sarfaesi Act

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- Banks utilize Sarfaesi Act as an **effective tool for bad loans (Non Performing Asset) recovery.**
- The Sarfaesi Act is **effective only against secured loans** where banks can enforce the underlying security.
- Following are the main objectives of the Sarfaesi Act.
  - Provides the legal framework for securitization activities in India.
  - It gives the procedures for the transfer of NPAs to asset reconstruction companies for the reconstruction of the assets.
  - Enforces the security interest without Court’s intervention.
  - Gives powers to banks and financial institutions to take over the immovable property that is pledged to enforce the recovery of debt.
- Major feature of Sarfaesi is that it **promotes the setting up of asset reconstruction companies (ARCs) and asset securitization companies (SCs)** to deal with NPAs accumulated with the banks and financial institutions.

- The Act provides three alternative methods for recovery of non-performing assets, namely:
  - **Securitisation**  
Securitization is the practice of pooling together various types of debt instruments (assets) such as mortgages and other consumer loans and selling them as bonds to investors.
  - **Asset Reconstruction**  
Asset reconstruction is the activity of converting a bad or non-performing asset into performing asset with the help of Asset reconstruction companies.
  - **Enforcement of Security without the intervention of the Court.**  
If the borrower defaults, the bank may enforce security interests by:
    - Take possession of the security;
    - Sale or lease or assign the right over the security;
    - Appoint Manager to manage the security;
    - Ask any debtors of the borrower to pay any sum due to the borrower.

**Source: IE**

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## MSMEs and Covid-19

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### Why in News

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The Covid-19 pandemic has left its impact on all sectors of the economy including the **Medium, Small and Micro Enterprises (MSMEs)** sector.

Earlier the government had declared the relief package namely, the **PM Garib Kalyan Yojana** for the poor to help them fight the battle against **Coronavirus (Covid-19)**, the second package is expected to primarily focus on the MSME sector.

### **MSMEs in India**

## NEW LOOK MSMEs

- Definition of MSMEs:

<b>CURRENT: LINKED TO INVESTMENT</b>		
	Manufacturing	Services
<b>Micro</b>	Up to ₹25 lakh	Up to ₹10 lakh
<b>Small</b>	Over ₹25 lakh to ₹5 crore	Over ₹10 lakh to ₹2 crore
<b>Medium</b>	Over ₹5 crore to ₹10 crore	Over ₹2 crore to ₹5 crore
 <b>MANUFACTURING:</b> Plant & machinery investment		 <b>SERVICES:</b> Investment in equipment
<b>PROPOSED: LINKED TO TURNOVER</b>		
Micro: <b>Up to ₹5cr</b>	Small: <b>Over ₹5cr to ₹75cr</b>	Medium: <b>Over ₹75cr to ₹250cr</b>

- In February 2018, the Union Cabinet decided the **criterion of an annual turnover (in line with the imposition of GST)** for defining MSMEs. Formally, **MSMEs were defined in terms of investment in plant and machinery/equipment.** But this criterion for the definition was criticized because credible and precise details of investments were not easily available by authorities.
- According to the proposed definition (which is yet to be formally accepted), the categorisation would be:
  - **Micro Enterprise :** An annual turnover **less than Rs 5 crores.**
  - **Small Enterprise :** An annual turnover **between Rs 5 crores and Rs 75 crores.**
  - **Medium Enterprise:** An annual turnover **less than Rs 250 crores.**

- **Statistical Data about MSMEs in India:**

- **Total Number of MSMEs:** According to the Annual Report of the Department of MSMEs (2018-19), there are **6.34 crore** MSMEs in the country.
- **Rural-Urban Distribution:** Around 51% of these are situated in rural India and 49% of them are situated in urban India.
- **Employment:** Both rural and urban MSMEs together employ over 11 crore people but 55% of the employment happens in the urban MSMEs.
- **Category-wise Distribution:** 99.5% of all MSMEs fall in the micro category. While micro enterprises are equally distributed over rural and urban India, small and medium ones are predominantly in urban India.
- **Social Distribution of MSMEs:** About 66 % of all MSMEs are owned by people belonging to the Scheduled Castes (12.5%), the Scheduled Tribes (4.1%) and Other Backward Classes (49.7%).
- **Gender Ratio in MSMEs:** The gender ratio among employees is largely consistent across the board at roughly 80% male and 20% female.
- **Geographical Distribution:** Seven Indian states account for 50 % of all MSMEs. These are Uttar Pradesh (14%), West Bengal (14%), Tamil Nadu (8%), Maharashtra (8%), Karnataka (6%), Bihar (5%) and Andhra Pradesh (5%).

## Problems Faced by MSMEs in India

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- **Too Small to get Registered:**

Being out of the formal network, these MSMEs do not have to maintain accounts, pay taxes or adhere to regulatory norms etc., which brings down their costs. But in a time of crisis, it also constrains a government's ability to help them.

- **Lack of Financing:**

- Most of the MSME funding comes from **informal sources** and it explains why the **Reserve Bank of India's** efforts to push more liquidity towards the MSMEs have had a **limited impact**. Also, the **government has launched schemes** in this regard.
- Further, banks dither from extending loans to MSMEs due to the **high ratio of bad loans**.
- According to a 2018 report by the **International Finance Corporation (part of the World Bank)**, the formal banking system supplies less than one-third (or about Rs 11 lakh crore) of the MSME credit need that it can potentially fund.

- **Delays in Payments to MSMEs:**

- It is one of the biggest reasons for financial turmoil in the MSME sector.
- MSMEs face delays in payment from their buyers which also includes the government. It also faces delays in GST refunds.

## Problem Aggravated due to Covid-19

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- **Declining Revenues: MSMEs are already struggling** — in terms of declining revenues and capacity utilisation — in the lead-up to the Covid-19 crisis.
- **Unavailability of Cash:** The total lockdown has raised an issue of the **existence of MSMEs** primarily due to **unavailability of cash** which subsequently will result in the **job losses**.
- **Lack of Labour Availability:** The return of migrant labourers will create an issue of **lack of labour availability**.
- **Loan Against Collateral :** Loans to MSMEs are mostly given against property (as collateral) but in times of crisis, property values fall and that inhibits the extension of new loans.
- **Steps Taken:** To ease the firms' financial distress during this period, the Reserve bank of India has announced several measures such as a moratorium on term loans, and easier working capital financing. Some public sector banks have also opened up emergency credit lines for businesses.

## Way Forward

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- The government can provide tax relief (GST and **corporate tax**), give swifter refunds, and provide liquidity to rural India (may be through **PM-Kisan**) to boost demand for MSME products.
- A credit guarantee by the government can help as it assures the bank that its loan will be repaid by the government in case the MSME falters. If such defaults happen, credit guarantees are shown as a departmental expense in the Budget.

**Source: IE**

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## Currency Change in Iran

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## Why in News

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Iran's parliament has passed a bill allowing the government to **slash four zeros from the rial** and authorizing its **replacement** with another basic unit of currency called the **toman**



- Under the bill, Iran's national currency will be changed from the rial to the **Toman, which is equal to 10,000 rials.**
- **Redenomination:**
  - It is the process whereby a country's **currency is revalued due to significant inflation and currency devaluation**, or when a country **adopts a new currency** and needs to **exchange the old currency for a new one at a fixed rate.**
  - In simpler words, it is exchanging old currency for new currency, or changing the face value of existing notes in circulation.

## Key Points

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- Eliminating the four zeros was a **necessary action to simplify financial transactions.**

It would vastly simplify financial calculations by eliminating the need for Iranian shoppers to carry loads of rials to make purchases, which they have to do because of **inflation.**
- According to the **Iran's Students News Agency (ISNA)**, the bill needs to be approved by the **Guardian Council, a body of conservative clerics that supervises the Parliament.**
- After its approval, the **Central Bank of Iran** will have **two years to implement** the change for removing rial from circulation and issuing toman instead.

## Background

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- This move comes after a **sharp fall in the value** of the currency as a result of **crippling US sanctions.**

- The currency has been **devalued 3,500 times since 1971**. It declined steadily since the **Iranian Revolution, 1979** brought the religious government to power.
- The idea of removing four zeros has been floated since 2008 but gained strength after **2018** when the **US exited Iran's 2015 nuclear deal and reimposed sanctions** and the **rial lost more than 60% of its value**.

## Chronology of US-Iran Relations

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- **1953: Overthrow of Mossadeq**
  - The US and British intelligence agencies planned a coup to oust Iran's democratically elected Prime Minister, Mohammad Mossadeq.
  - He sought to nationalise Iran's oil industry, which was against the US's capitalist interests.
- **1979: Iranian Revolution**
  - The **US-backed Shah of Iran**, Mohammed Reza Pahlevi was **forced to leave the country** in 1979, following months of demonstrations and strikes against his rule by secular and religious opponents.
  - This led to the return of Islamic religious leader Ayatollah Khomeini from exile and following a referendum, the **Islamic Republic of Iran** was proclaimed on 1st April 1979.
- **1979-81: US Embassy Hostage Crisis**
  - The US embassy in Tehran was seized by protesters in November 1979 and American hostages were held inside for 444 days.
  - The final 52 hostages were freed in January 1981, the day of US President Ronald Reagan's **inauguration** (ceremony to mark the commencement of a new 4-year presidential term).
- **2002-13: Nuclear Fears and Sanctions**
  - In 2002 an Iranian opposition group revealed that Iran was **developing nuclear facilities including a uranium enrichment plant**.
  - In pursuance of this, several sanctions are imposed by the **United Nations** (UN), the US and the **European Union** (EU) against Iran.
    - US President George Bush denounces Iran as part of an **"axis of evil"** with **Iraq** and **North Korea**.
  - This causes Iran's **currency to lose two-thirds of its value** in two years.



- **2013-16: Closer ties and a nuclear deal**

- In September 2013, Iran's new moderate President Hassan Rouhani took office.
- In 2015, after a flurry of diplomatic activity, Iran agreed on a long-term deal on its nuclear programme- **Joint Comprehensive Plan of Action** (JCPOA) with a group of world powers known as the **P5+1** - the US, UK, France, China, Russia and Germany.
- Under the accord, Iran **agreed to limit its sensitive nuclear activities** and allow in international inspectors in return for the lifting of crippling economic sanctions.

- **2018-19: US-Iran Tensions in current times**

- **Policy of maximum pressure:** In May 2018, the US abandoned the nuclear deal and reinstated economic sanctions against Iran.
- **Policy of strategic patience:** Iran acted with restraint, with thinking that by abiding by the nuclear deal it could get economic favour from the EU. However, this policy failed to work for Iran and thereby it began a counter-pressure campaign.
- In June 2019, **Iranian forces shot down a US military drone over the Strait of Hormuz** and then began the cycle of response and escalation between the two countries.

**Source: TH**

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## Silent Hypoxia

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### Why in News

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Amidst the ongoing **Covid-19** pandemic, medical practitioners have reported a condition called **silent or happy hypoxia**, in which patients have **extremely low blood oxygen levels**, yet they do not show signs of breathlessness.

It has left medical practitioners confused and many of them are now advocating for its early detection as a means to avoid a fatal illness called **Covid pneumonia**.

### Key Points

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- **Hypoxia**

- It is a condition wherein there is **not enough oxygen available to the blood and body tissues.**
- Hypoxia can either be **generalised**, affecting the whole body, or **local**, affecting a region of the body.
  - **Normal arterial oxygen** is approximately **75 to 100 millimetres of mercury (mm Hg)** and **normal pulse oximeter readings** usually range from **95 to 100%.**
  - Values under 90% are considered low.
- When levels fall below 90%, patients could begin experiencing lethargy, confusion or mental disruptions because of insufficient quantities of oxygen reaching the brain.

Levels below 80% can result in damage to vital organs.

- **Silent Hypoxia**

- It is a form of oxygen deprivation that is **harder to detect** than regular hypoxis because **patients appear to be less in distress.**
- **Covid pneumonia**, a serious medical condition found in severe Covid-19 patients, is **preceded by silent hypoxia.**
- Many Covid-19 patients with oxygen levels below 80% look at ease and alert. There have been a few cases of oxygen levels below 50% as well.

Those with such low levels of oxygen would normally appear extremely ill but not in silent hypoxia cases.
- In many cases, Covid-19 patients with silent hypoxia **did not exhibit symptoms such as shortness of breath or coughing until their oxygen fell to acutely low levels**, at which point there was a risk of **acute respiratory distress (ARDS)** and **organ failure.**
- **Reasons:**
  - The reason why people are left feeling breathless is **not because of the fall in oxygen levels** itself but **due to the rise in carbon dioxide levels** that occur at the same time, when lungs are not able to expel this gas efficiently.
  - In some Covid-19 cases, this was not the response and patients did not feel breathless.
  - It happened because in patients with Covid pneumonia, the **virus causes air sacs to fall**, leading to a **reduction in levels of oxygen.** However, the **lungs initially do not become stiff or heavy with fluid** and **remain compliant** meaning they are **able to expel carbon dioxide** and avoid its buildup. Thus, **patients do not feel short of breath.**

- A medical device called a **pulse oximeter** can be used in the early detection of silent hypoxia.
  - Active Covid-19 or suspected cases can check their oxygen levels early on by using the device.
  - A fall in oxygen levels can serve as a signal for seeking additional treatment immediately.
  - Concerns have been raised against it arguing that the frequent use of the device would lead to increased anxiety.

## Pulse Oximeter

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- It is a **test used to measure the oxygen level** (oxygen saturation) of the **blood**.
- The device measures the saturation of oxygen in **red blood cells** (RBCs) and can be attached to a **person's fingers, toes, nose, feet, ears or forehead**.
- The method is **easy and painless** and the device can be reused or disposed of after use.
- It is generally used to check the health of patients with known conditions that affect blood oxygen levels like heart and lung conditions.

## Covid Pneumonia

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- It is a **potentially deadly condition** in Covid-19 patients which affects the **lungs' ability to transfer oxygen** and **causes breathing difficulties**.
- When a person cannot inhale enough oxygen and exhale enough carbon dioxide, the pneumonia can lead to death.
- Covid pneumonia is **especially severe because it is viral** and it **completely affects the lungs instead of small parts**.
  - **Other kinds of pneumonia** which are **caused mainly by bacteria** and can be treated using antibiotics are **less severe** than Covid pneumonia.
- Patients are required to be **put on ventilator support** in such severe cases to ensure adequate circulation of oxygen in the body.

**Source: IE**

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## Long March 5B' Rocket by China

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### Why in News

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Recently, China has successfully launched the **Long March 5B' rocket** and prototype spacecraft.

- It is being considered as China's successful step to operate a permanent space station and send astronauts to the Moon.
- India is also planning to launch its own space station.
  - A space station is a spacecraft capable of supporting crew members, designed to remain in space for an extended period of time and for other spacecraft to dock.
  - One fully functional space station in the Earth's lower orbit is the International Space Station and astronauts conduct different experiments in it.



- **Long March 5B' Rocket:**
  - It was launched from the Wenchang launch site in the southern island of Hainan.
  - It weighs 849 tonnes.
- **Unmanned Prototype Spaceship:**

It is expected to transport astronauts to a space station that China plans to complete by 2022 — and eventually to the Moon. It will have capacity for a crew of six.
- **Future Missions by China:**
  - The assembly of the Tiangong space station is expected to begin in 2020 and finish in 2022.
  - China plans to send an astronaut to the Moon in about a decade and then build a base there.
 

The United States is so far the only country to have successfully sent humans to the Moon.

## International Space Station (ISS)

- ISS is a habitable artificial satellite - the single largest man-made structure in low earth orbit. Its first component was launched into orbit in 1998.
- It circles the Earth in roughly 92 minutes and completes 15.5 orbits per day.
- The ISS programme is a joint project between **five** participating space agencies: **NASA (United States), Roscosmos (Russia), JAXA (Japan), ESA (Europe), and CSA (Canada)** but its ownership and use has been established by intergovernmental treaties and agreements.
- It serves as a microgravity and space environment research laboratory in which crew members conduct experiments in biology, human biology, physics, astronomy, meteorology, and other fields.
- Continuous presence at ISS has resulted in the longest continuous human presence in the low earth orbit.
- It is expected to operate **until 2030**.

**Source:TH**

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## 50th Foundation Day of DST

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### Why in News

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Recently, the **Department of Science and Technology (DST)** conducted a webinar on **'Fighting Corona - Leveraging Scientific Research & Innovation'** on the occasion of its **50<sup>th</sup> foundation day**.

The webinar also mentioned some of the schemes implemented by the DST namely, SUPRA, IRHPA, NIDHI, SATHI and MANAK.

### Schemes

- **SUPRA:** The Scientific and Useful Profound Research Advancement (**SUPRA**) intends to fund exploration of new scientific and engineering breakthroughs with global impact.
- **IRHPA:** The Intensification of Research in High Priority Areas (IRHPA) program of the Science and Engineering Research Board (SERB) supports proposals in high priority areas from the viewpoint of advances in fundamental science.
  - SERB was set up as a statutory body in 2009 under the Department of Science and Technology to promote and fund research in different scientific disciplines.
- **NIDHI Scheme:** National Initiative For Developing And Harnessing Innovations (NIDHI) is an end to end plan for startups to double the number of incubators and startups in the last five years.

- **MANAK Scheme:** MANAK (Million Minds Augmenting National Aspirations and Knowledge) intends to trigger innovations from annually 10 lakh school children throughout the country to convert their ideas into prototypes, preparing the children for challenges of future like innovation and entrepreneurship and helping them harness the power of their ideas.
- **SATHI Scheme:** Sophisticated Analytical & Technical Help Institutes (**SATHI**) intends to create centres housing equipment dedicated to the needs of MSMEs and startups for rapid prototyping developed at the cost of Rs 125 crore each to connect industry with academia.

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## Department of Science and Technology

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- The foundation of DST was laid on **3<sup>rd</sup> May 1971** along the model of National Science Foundation (NSF), USA.
- It provides **funding and also makes policies** and co-ordinates scientific work with other countries.
- It empowers scientists and scientific institutions and also works with a highly distributed system permeating stakeholders ranging from school college, PhD, Postdoc students, young scientists, startups and NGOs working in Science & Technology.
- DST's budget has increased over the years by 100%, which has allowed initiation of new programmes in a wide range of areas.

**Source:PIB**

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## Indian Photojournalists Won Pulitzer Prize

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### Why in News

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Recently, five Indian photojournalists won the 2020 Pulitzer Prize for **feature photography**.

### Key Points

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- Pulitzer Prize is awarded for outstanding **public service** and **achievement in American journalism, letters, and music**.
- It is awarded in the name of **Joseph Pulitzer**, a newspaper publisher who gave money **in his will** to Columbia University to launch a journalism school and establish the Prize.
- It was established in 1917 and is administered by **Columbia University and Pulitzer Prize Board**.

- Each winner receives a certificate and a US\$15,000 cash award. The winner in the public service category is awarded a gold medal.

**Source: IE**

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