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News Juice- 22nd June, 2022

1. Why RBI has stopped credit lines from fintech firms like Simpl and Amazon Pay

Relevant for GS Prelims & Mains Paper III; Economics

The Reserve Bank of India (RBI) has issued a notification disallowing non-bank prepaid wallets and prepaid cards from loading credit lines — preset borrowing limits — into these platforms. This comes in the backdrop of a boom in credit instruments such as fintech-driven credit cards and buy-now-pay-later wallets.

What has RBI said in its notification?

The banking regulator has clarified that its master direction on prepaid payment instruments (PPIs) does not permit loading of PPIs from credit lines — a practice being undertaken by several fintech credit card companies. These companies typically tie up with banks or NBFCs and offer credit lines into their prepaid wallets.

“Such practice, if followed, should be stopped immediately. Any non-compliance in this regard may attract penal action under provisions contained in the Payment and Settlement Systems Act, 2007,” the RBI noted.

What are PPIs?

The RBI defines prepaid payment instruments (PPIs) as payment instruments that facilitate the buying of goods and services, including the transfer of funds, financial services, and remittances, against the value stored within or on the instrument. PPIs are in the form of payment wallets, smart cards, mobile wallets, magnetic chips, vouchers, etc. As per the regulations, banks and NBFCs can issue PPIs.

What is a credit line?

A credit line is a preset borrowing limit that allows an individual or a business access to credit at any time, as per need. It can be tapped into by the customer till the limit offered is not exceeded. It is like a flexible loan as against a lump-sum loan where a fixed amount is borrowed.

Why has the RBI issued this notification?

With credit products infiltrating the market, there is a renewed push by the regulator to clampdown in the interest of consumer safety. While some fintechs tie up with banks like SBM

Bank, RBL Bank, Federal Bank, etc. to offer these products, some tie up with NBFCs. In some cases, the credit lines are also extended by the fintech's NBFC partners. Recently, RBI Governor Shaktikanta Das had said that the regulator would soon issue norms to regulate the digital payments space.

Which are the fintechs offering credit products in India?

Today, most fintechs offer a credit product alongside their main offerings. Companies like Paytm, Amazon Pay, LazyPay, Simpl, etc offer postpaid wallets with small credit lines. Others such as Slice, Uni, Fi, OneCard, etc. offer credit cards in partnership with banks and NBFCs.

Source: Indian Express

2. Why has the telecom PLI scheme been extended?

Relevant for GS Prelims & Mains Paper III; Economics

The Department of Telecommunications (DoT) has extended the production-linked incentive (PLI) scheme for telecom by one year, and has amended the scheme to raise the incentive rate by an additional 1 per cent, aimed towards incentivising design-led manufacturing in the sector.

The amendment comes days after the country took its first step towards 5G rollout as the Union Cabinet cleared a proposal to invite applications for spectrum auctions. "With the objective to build a strong ecosystem for 5G, the Union Budget 2022-23 has proposed to launch a scheme for design-led manufacturing as part of the existing PLI scheme.

What are the incentives under the amended telecom PLI?

The design-led manufacturing scheme is open for both medium and small-scale enterprises (MSMEs) and non-MSMEs, including domestic and global companies. The DoT also said applications for design-led manufacturing will be prioritised over other manufacturers. The scheme requires an investment threshold of Rs 10 crore for MSMEs and Rs 100 crore for non-MSMEs, excluding land and building cost.

The Centre will provide additional incentives of over Rs 4,000 crore under the amended scheme. The incentives will be based on incremental sales of the manufactured goods, and range between 4 per cent to 7 per cent for different categories over the years. MSMEs will get an additional 1 per cent incentive in the first, second, and third years. The DoT has also approved 11 new telecom and network products to the existing list of products that can be manufactured under the scheme.

"For promoting design-led manufacturing, DoT is inviting applications from Design-led manufacturers as well as others, for availing incentive under the PLI Scheme for five years commencing from 1st April 2022. Investment made by successful applicants in India from 1st April 2022 onwards and up to Financial Year 2025-2026 shall be eligible, subject to qualifying incremental annual thresholds," the Ministry of Communications said in a statement.

How has the telecom PLI fared so far?

The DoT notified the PLI scheme for telecom and networking products on February 24, 2021, with a financial outlay of Rs 12,195 crore, over five years. In October, it approved 31 proposals entailing an investment of Rs 3,345 crore over the next four and a half years. The shortlisted entities included the likes of Nokia India, HFCL, Dixon Technologies, Flextronics, Foxconn, Coral Telecom, VVDN Technologies, Akashastha Technologies, and GS India.

According to the government's dashboard, so far, Rs 451 crore has been invested in the scheme, led primarily by global companies who account for more than Rs 240 crore of the total investment. Additionally, the scheme has generated over 5,000 employment opportunities and sales worth more than Rs 9,000 crore have taken place under the scheme.

Source: The Indian Express

3. What are bird strikes and how they can affect flights

Relevant for GS Prelims & Mains Paper III; Science & Technology

Sunday saw at least two bird strike incidents happen — one involving a SpiceJet plane flying Patna-Delhi and the second on an IndiGo aircraft flying Guwahati-Delhi. Following both of these incidents, the aircraft had to return back to their origin airports and were grounded for maintenance.

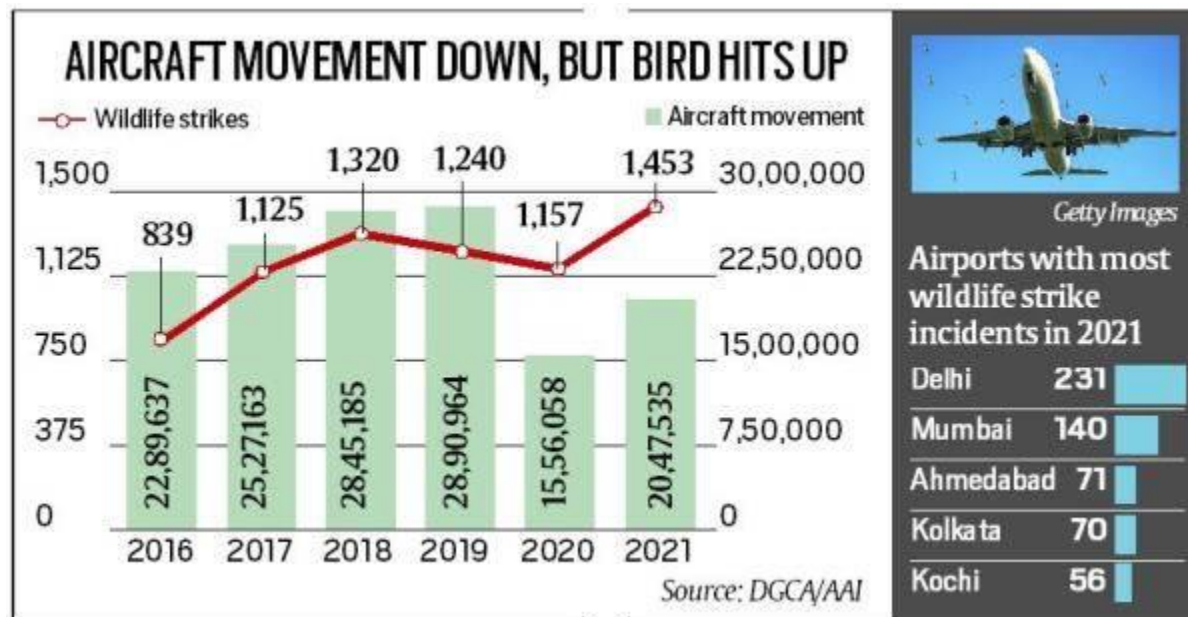
What happened on these flights?

An IndiGo A320neo aircraft took off from Guwahati on Sunday morning and its left engine was damaged after suffering a bird hit when it was at an altitude of 1,600 feet. The pilots then declared an emergency and returned back to Guwahati. The aircraft is being held on the ground there for necessary inspections. In the case of the SpiceJet flight on Sunday afternoon, the pilots of a Boeing 737-800 plane suspected a bird strike during the take-off roll but continued to climb. Following the take-off rotation, they were informed by the cabin crew of sparks emanating from the plane's left engine. Subsequently, the pilots were also informed of smoke coming from one of their aircraft engines by the air traffic control on the ground. This led to pilots declaring an emergency and landing back in Patna.

What are bird strikes and what can happen as a result of a strike?

Bird strikes are among the most common threats to aircraft safety, and they typically occur during the take-off or landing phases of a flight. Dozens of bird strike incidents happen each day but some can be more dangerous than others. Typically, when birds will collide with an aircraft's airframe, it is unlikely to cause significant problems for the pilots flying. But there are cases — like the ones that happened on Sunday — where the aircraft engine ingested the birds causing damage to the power plants. This can lead to a loss of thrust for the engine and cause manoeuvrability problems for the crew. In these cases, where a jet engine ingests a bird, procedures would generally call for pilots to get the plane on the ground at the closest airport.

However, while most airframe bird strikes are not considered critical to air safety, if the collision has happened with a window or a windscreen resulting in cracking of the structure, pilots will look to land the plane as early as possible.



Could bird strikes be critical to air safety?

Smaller planes would generally be more susceptible to the dangers of bird strikes than larger ones. Also, modern jetliners are built with a number of redundancies and common passenger aircraft like Boeing 737 or Airbus A320 are designed to safely land with even a single-engine. However, given that bird strikes mostly happen during take-offs and landings, these incidents could distract the pilots during what are highly critical phases of a flight that demand the complete attention of the crew.

What causes bird strikes and what are some of the solutions to this problem?

In the simplest of terms, the presence of birds around an airfield increases the chances of a bird strike. In monsoons, as water puddles emerge in open grounds attracting insects to breed, it also increases the presence of birds in these regions. In some cases, bird hits also happen at higher altitudes when a plane is cruising. These are more dangerous than the low-altitude hits given that they can cause rapid depressurisation of cabins. Other reasons for bird activity around an airfield could be the presence of landfills or waste disposal sites that attract a large number of birds.

For example, in 2019, the Ahmedabad airport saw 11 wildlife strike events every 10,000 flights. One of the key reasons behind this was the dismantling of a large garbage dump in Ahmedabad that was located almost directly in the trajectory of flights approaching the airport, a move that has caused the birds circling the landfill to disperse. The Ministry of Civil Aviation and the DGCA have recognised wildlife strikes, including bird and animal hits, to aircraft as one of the "State Safety Priority", and the aviation regulator regularly carries out aerodrome inspections that are



considered critical with regard to wildlife strikes. Aviation authorities, along with local agencies, work on reducing wildlife presence around airports from time to time.

Source : The Indian Express

4. What are the implications of French President Macron losing the majority in the National Assembly? Who is his main Opposition?

Relevant for GS Prelims & Mains Paper II; International Issues

President Emmanuel Macron has lost his majority in the National Assembly, the lower house of the French Parliament. In the legislative elections, which concluded on June 19, Ensemble, the centrist coalition led by Mr. Macron, could muster only 245 seats in the 577-member assembly. The number needed for an absolute majority is 289. At the same time, NUPES, the left-wing alliance led by Jean-Luc Melenchon, and the far-right National Rally of Marine Le Pen made substantial gains, finishing with 131 and 89 seats respectively. The mainstream conservatives, Les Republicains, managed to get 61 seats.

What is the significance of France's legislative elections?

Although the President's office is the most powerful of political posts in France, with scope to govern by decree, a majority in the National Assembly is still needed for passing new laws or amending the Constitution. In the 2017 legislative elections, Mr. Macron's party and his allies won an absolute majority of 350 seats, which meant he could push through whatever legislation he wanted in line with his policy goals. But this time, short of the majority needed to control the Assembly, he may be forced to make political compromises in order to cobble up the numbers.

Apart from having a say on key bills, members of the National Assembly, or 'deputies', also have the power to pose tough questions to cabinet Ministers, organise hearings, and set up enquiry committees.

How do the legislative elections work?

The legislative polls are held in two rounds, with one elected deputy for each of the 577 constituencies. The top two candidates with the most votes in the first round face off in the second round to determine the winner. But if a candidate wins more than 50% of the vote in the first round — which is rare — then she is declared elected without the need for a second round. This year, the first and second rounds were held on the 12th and 19th of June respectively. After the first round, the centrist Ensemble coalition and the leftwing NUPES were neck-and-neck with around 25% of the votes each, while the National Rally got 19% and Les Republicains, 10%.

Why did President Macron lose his majority, and which parties have gained at his expense?

Mr. Macron's pro-business policies, rising inequality, and growing discontent over inflation have been steadily eroding his support base, especially among left-leaning voters. One major factor in his comfortable win in the Presidential elections was the keenly felt political imperative to keep

the far-right Marine Le Pen out of the Elysee Palace. It delivered to Macron the votes of the left parties in addition to his own. But this factor was not in play in the legislative elections where the firebrand leftist Mr. Melenchon strung together a robust alliance of all the left and green parties and ensured they were not contesting against each other. As a result, the leftwing coalition increased its presence in the National Assembly from 45 to 131. Another big gainer from the disenchantment with Macron's policies — especially his forays into pension reform — seems to be the far-right Ms. Le Pen, whose party increased its tally more than ten-fold, from eight to 89.

What are the ideological differences between Mr. Macron and his main opposition in the National Assembly?

President Macron's main Opposition in Parliament would be the leftwing NUPES coalition led by Mr. Melenchon. NUPES, or New Social and Ecological People's Union, includes communists, socialists, Greens and different shades of leftwing groups that do not necessarily agree on every issue. Mr. Macron, a former investment banker, followed classic neoliberal policies in his first term as President — he lowered corporate tax rates from 33.3% to 25%, ushered in labour reforms that cut employment benefits and enabled easier lay-offs, and did away with the wealth tax.

He now wants to raise the retirement age — a move strongly opposed by the working classes and the vast bureaucracy. NUPES, on the other hand, has an agenda focused on social and climate justice. It is calling for the retirement age to be lowered from 62 to 60, the return of the wealth tax, and for the minimum wage to be hiked by 15%. While Mr. Macron already has — in the aftermath of the inflation fuelled by factors related to the Ukraine war — capped fuel and gas prices, NUPES wants a cap on the prices of all essentials. With regard to the EU, Mr. Melenchon has been speaking of France unilaterally disregarding EU treaties that interfere with its national policies, but he doesn't enjoy the support of all his coalition partners on this issue.

Lacking a majority in Parliament, what are Macron's options?

Political observers speculate that he might try to regain control of the Assembly by seeking an alliance with a broadly like-minded rival, such as Les Republicains, whose 61 seats would be enough to secure a majority. The other alternative would be to negotiate and build consensus with select parties on specific issues in order to get key legislation passed.

What does the reduced majority mean in terms of France's position with regard to the Ukraine war?

It is unlikely to matter in terms of France's foreign policy. However, the indirect political pressure on the Macron government on account of the war's impact on the domestic economy, especially inflation, is bound to go up with a higher representation of the Opposition in the Assembly and its enhanced power to block legislations.

Source: The Hindu

5. El Salvador's Bitcoin bet

Relevant for GS Prelims & Mains Paper II; International Issues

The crash in the price of Bitcoin and other cryptocurrencies has put El Salvador's government in trouble. The Central American country, led by President Nayib Bukele who is a self-proclaimed fan of cryptocurrencies, had adopted Bitcoin as an official currency in September last year. The crash in the price of Bitcoin has raised concerns over the government's ability to repay its debt.

What is the problem in El Salvador?

The crash in the price of Bitcoin from around \$69,000 in November last year to around \$20,000 this week has caused losses to investors around the world. According to some estimates, the average cryptocurrency investor is deep in losses after the significant correction in the prices of cryptocurrencies. The crash in Bitcoin's price has not spared the government of El Salvador either. President Bukele has been using taxpayer's money to bet on Bitcoin. In fact, a lot of times when the price of Bitcoin crashed steeply, he had gone on popular social media site Twitter to announce to the world that he was 'buying the dip' (this refers to purchasing an asset after it has dropped in price). Even during the current crash, he has plunged into the market to buy Bitcoin and has urged citizens of El Salvador to be patient. It is said that the El Salvador government's investment of over \$100 million in Bitcoin has lost more than half of its value till date due to the crash.

Why did El Salvador adopt Bitcoin as an official currency?

In 2001, El Salvador had adopted the U.S. dollar as its official currency. After Bitcoin was adopted as an official currency in September last year, both Bitcoin and the U.S. dollar have been used as official currencies. The El Salvador government has been trying to encourage citizens to primarily use Bitcoin for their daily transactions. It even came out with a payments wallet named Chivo which gave out for free Bitcoin worth \$30 initially to encourage people to use Bitcoin in transactions.

Analysts believe that the decision to adopt Bitcoin as an official currency may have to do with the El Salvador government's inability to borrow in U.S. dollars. El Salvador's public debt has risen to over 100% of gross domestic product and its recent attempt to borrow \$1 billion using bonds backed by Bitcoin failed. The government's bonds are trading at a steep discount and are classified as junk by investors. President Bukele has already had to rely on financial help from the International Monetary Fund (IMF) and the World Bank to meet his government's spending needs. It should be noted that while the El Salvador government can tax its citizens to meet its need for dollars, it could turn out to be an unpopular move among citizens. Many believe that the President has mismanaged funds received from abroad during the pandemic and this has made international organisations hesitant to lend any more dollars to his government. The IMF had also opposed President Bukele's decision to make Bitcoin an official currency.

Bitcoin offers a chance for the El Salvador government to cut down its reliance on the U.S. dollar to fund its spending. Greater adoption of Bitcoin in El Salvador will allow the government to tax

and spend in Bitcoins instead of U.S. dollars. This maybe why the government is making various attempts to encourage the use of Bitcoin over U.S. dollars by its citizens. Mr. Bukele has also set up geothermal plants to power his Bitcoin mining facilities. He can use the mined Bitcoins to directly fund his government's domestic spending if Bitcoin gains greater acceptance in the country. Otherwise, he can exchange his Bitcoin for U.S. dollars and use it to repay debt or even spend it on the domestic economy since the dollar is still the most commonly accepted currency in El Salvador. This is why the fall in the price of Bitcoin is worrying analysts. A crash in Bitcoin's price against the U.S. dollar means that the government will have to sell its Bitcoin for fewer dollars, thus affecting its capacity to repay dollar debt.

How well has Bitcoin done in El Salvador?

Most citizens of El Salvador have been reluctant to adopt Bitcoin as a medium of exchange, that is, as money. Many citizens, it is claimed, registered on the payments wallet Chivo that was pushed by the government simply to sell off their free Bitcoin in exchange for \$30. It should be noted that the acceptance of cryptocurrencies in general has been miniscule across the globe. This has been the case despite the fact that the supply of cryptocurrencies is limited by design, which could potentially help them maintain or increase in value over time. One big reason for the low acceptance of cryptocurrencies has been their extreme price volatility, making them an unreliable store of value. People in general are hesitant to accept something as money if they are not fairly sure about its likely value in the future.

Source: The Hindu

6. Indian interests at the WTO Ministerial Conference

Relevant for GS Prelims & Mains Paper III; Economics

On June 17, member countries of the World Trade Organization (WTO) wrapped up the Ministerial Conference's twelfth outing (MC12) securing agreements on relaxing patent regulations to achieve global vaccine equity; ensuring food security, according subsidies to the fisheries sector and continuing moratoriums relevant to e-commerce, among others. Together they constitute what WTO's Director-General Ngozi Okonjo-Iweala referred to as the "Geneva Package." India saw some successes at the MC12 with respect to the above mentioned sectors.

What is the WTO's Ministerial Conference?

The MC is at the very top of WTO's organisational chart. It meets once every two years and can take decisions on all matters under any multilateral trade agreement. Unlike other organisations, such as the International Monetary Fund or World Bank, WTO does not delegate power to a board of directors or an organisational chief. All decisions at the WTO are made collectively and through consensus among member countries at varied councils and committees. This year's conference took place in Geneva, Switzerland.

What were the debates around agriculture at the MC?



The agreements on the subject are of particular significance to India. Referring to its status as a significant contributor to the World Food Programme (WFP), India had earlier stated that it had never imposed export restrictions for procurement under the programme. It put forth that a blanket exemption could constrain its work in ensuring food security back home. In such a situation, it would have to keep its WFP commitments irrespective of its domestic needs. Negotiators agreed that member countries would not impose export prohibitions or restrictions on foodstuffs purchased for humanitarian purposes of the WFP. The decision would however not prevent member countries from adopting measures for ensuring domestic food security.

Negotiators could not reach agreements on issues such as permissible public stockholding threshold for domestic food security, domestic support to agriculture, cotton, and market access. The central premise of the agreements was to ensure availability, accessibility and affordability of food to those in need, especially in humanitarian emergencies. It encouraged member countries with available surplus to release them on international markets in compliance with WTO regulations. Moreover, it instituted a work programme to come up with measures to help LDCs (least-developed countries) and NFIDCs (Net Food Importing Developing Countries) enhance their domestic food security and bolster agricultural production.

What about fisheries related agreements?

India successfully managed to carve out an agreement on eliminating subsidies to those engaged in illegal, unreported and unregulated fishing. The only exception for continuing subsidies for overfished stock is when they are deemed essential to rebuild them to a biologically sustainable level. Overfishing refers to exploiting fishes at a pace faster than they could replenish themselves — currently standing at 34% as per the UN Food and Agriculture Organization (FAO). Declining fish stocks threaten to worsen poverty and endanger communities that rely on aquatic creatures for their livelihood and food security.

Further, the agreements hold that there would be no limitation on subsidies granted or maintained by developing or least-developed countries for fishing within their exclusive economic zones (EEZ).

Have the current moratoriums on electronic transmissions been extended?

Member countries agreed to extend the current moratorium on not imposing customs duties on electronic transmission (ET) until MC13 — scheduled to take place in December 2023. 105 countries which includes the U.S., the U.K., Australia, China and Japan among others, had sought an extension of the moratorium, with India and South Africa being in opposition.

Broadly, ETs consist of online deliveries such as music, e-books, films, software and video games. They differ from other cross-border e-commerce since they are ordered online but not delivered physically.

Proponents had put forth that the moratorium would help maintain certainty and predictability for businesses and consumers particularly in the context of the pandemic. On the other hand,

India and South Africa, citing data from the UN Conference on Trade and Development (which calculates the amount of printed matter, music and video downloads, software and video games), submitted that extending duty-free market access due to the moratorium resulted in a loss of \$10 billion per annum globally — 95% of which was borne by developing countries. Additionally, they had also sought more clarity on what constitutes electronic transmission.

Customs duties have been traditionally used to avert an undesired surge in imports, allowing nascent domestic industries to remain competitive. Developing countries would need to import sizeable equipment and services for upscaling their digital capabilities. Customs duties provide the necessary capital infusion for capacity building and in turn, attempt to address the digital divide — particularly high in low-income and developing countries, further exacerbated by the COVID-19 pandemic. It is in this context that India and South Africa had sought to preserve policy space for the digital advancement of developing countries by letting them generate more revenues from customs and thereby facilitate more investment.

What were the discussions on patent relaxations?

Member countries agreed on authorising the use of the subject matter of a patent for producing COVID-19 vaccines by a member country, without the consent of the rights holder. Further, it asks member countries to waive requirements, including export restrictions, set forth by WTO regulations to supply domestic markets and member countries with any number of vaccines. The agreement, however, comes too little, too late for economically poorer countries.

Several LDCs have suffered in their efforts to combat the now nearly three-year-old pandemic, owing to factors such as a stressed balance of payments situation, different levels of development, financial capabilities and varying degrees of import dependence on those products.

Within the next six months, members are expected to decide on increasing the scope of the agreement to cover the production and supply of COVID-19 diagnostics and therapeutics as well.

Source: The Hindu