UPSC CURRENT AFFAIRS NOTES 03-04-2024

Gross non-performing assets (GNPA)

The gross non-performing assets (GNPA) of banks are set to improve further upto 2.1 per cent by the end of the Financial Year 2025, said a report by rating agency Care Ratings.

What is Gross NPA?

Simply put, gross NPA refers to the gross non-performing asset. This term is used by commercial banks. It denotes the total sum of an unpaid debt classified as a non-performing loan.

Usually, a commercial bank offers loans to non-honored customers. Financial institutes need to classify them as non-performing assets within a span of ninety days since they don't get the net payment or its principal amount.

Net NPA

Net non-performing asset or net NPA is a term that most commercial banks use to indicate less allowance for any uncertain or poor debts. In simple words, commercial banks offer an amount to cover their debts. Suppose one deducts provisions for unpaid loans, the overall sum will relate to a net non-performing asset.

Gross NPA and Net NPA: Key Differences

Tabulated below is the list of the difference between gross NPA vs net NPA differences.

Point to Point comparison between Gross NPA and Net NPA

Definition-wise, gross NPA and net NPA are entirely different. While gross NPA refers to the number of debts an organization fails to collect, net NPA is the amount of loan resulting after deducting provision for unpaid or doubtful debts from the loan defaulted sum.
Net NPAs do not comprise a grace period, while gross NPAs have a grace period
Causes of gross NPA may be indecent government policies, natural calamities, industrial sickness, or willful defaults, net NPAs are the principal products of gross NPAs

Net NPAs may impact profitability as well as the liquidity of a company when compared to gross NPAs.

FATF Recommendations on Virtual Assets and VASPs

The Financial Action Task Force (FATF), a global watchdog for money laundering and terrorist financing, has identified gaps in the implementation of its standards concerning virtual assets and virtual asset service providers (VASPs).

Virtual Asset Service Provider (VASP)

A Virtual Asset Service Provider (VASP) is defined by the Financial Action Task Force (FATF) as a business that conducts one or more of the following actions on behalf of its clients:

Exchange between virtual assets and fiat currencies

Exchange between one or more forms of virtual assets

Transfer of virtual assets

Safekeeping and/or administration or virtual assets or instruments enabling control over virtual assets

Participating in and provision of financial services related to an issuer's offer and/or sale of a virtual asset

This definition encompasses a range of crypto businesses including exchanges, ATM operators, wallet custodians, and hedge funds. FATF further recommends that VASPs be subject to the same stringent AML/CTF and KYC requirements as traditional financial institutions.

FINDINGS

Survey and Roadmap:

The FATF conducted a survey on the implementation of its standards on virtual assets and VASPs.

A roadmap was established in February 2023 to enhance the implementation of these standards.

Publication of Findings:

The FATF has published a paper on "Recommendation 15 by FATF Members and Jurisdictions with Materially Important VASP Activity".

This paper outlines the status of implementation by FATF members and other relevant jurisdictions.

India's Compliance:

India has conducted a risk assessment on virtual assets and VASPs.

It has explicitly prohibited their use but is compliant with legislation/regulation requiring VASPs to be registered or licensed.

India has included VASPs in its supervisory inspection plan and has taken enforcement actions against them.

Global Snapshot:

China, Egypt, and Saudi Arabia have explicitly prohibited the use of virtual assets and VASPs.

Seychelles and Indonesia are in progress regarding the prohibition.

The table includes FATF members and 20 jurisdictions with materially important VASP activity.

Importance of Regulation:

The FATF emphasizes the importance of regulating VASPs due to their borderless nature.

Failure to regulate in one jurisdiction can have global implications, especially concerning money laundering and terrorist financing.

Recent incidents, such as ransomware attacks and financing of weapons of mass destruction, highlight the urgency of effective regulation.

The FATF's assessment underscores the need for robust regulation of virtual assets and VASPs to mitigate risks associated with money laundering and terrorist financing. Countries must collaborate to ensure comprehensive implementation of FATF standards in this rapidly evolving landscape.

AMRUT 2.0

The Minister of State for Housing & Urban Affairs stated in the Rajya Sabha that AMRUT 2.0 has been launched to focus on making the cities 'self-reliant' & 'water secure' & providing universal coverage of sewerage & septage management in 500 AMRUT cities.

AMRUT 2.0 was launched in October 2021 for a period of 5 years, i.e., Financial Year 2021-22 to 2025-26.

It is an extension of the AMRUT mission, which was launched in June 2015 and aims to provide every household with access to a tap with a guaranteed supply of water and a sewer connection.

The Ministry of Housing and Urban Affairs (MoHUA) is the nodal ministry for the scheme.

Objectives

To carry forward the objective of universal coverage of water supply from 500 cities covered under the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) to all the statutory towns across the country.

Providing comprehensive coverage of sewage and septage control in 500 AMRUT cities and making the cities "self-reliant" and "water secure." The mission has a reform plan that is centred on water sector changes, citizen comfort, and financial sustainability.

It will build on AMRUT's achievements in addressing water demands, reviving waterbodies, managing aquifers better, reusing treated wastewater, and encouraging a circular economy of water.

100% coverage of sewage and septic systems in 500 AMRUT cities.

Freshwater bodies shall be protected from pollution under the Mission to ensure the sustainability of natural resources. It is projected that recycled and reused treated wastewater will provide 40% of industrial demand and 20% of urban water demand.

Ensure fair water distribution, wastewater reuse, and the mapping of water bodies, Pey Jal Survekshan will be carried out in cities.

Present Status of the AMRUT

The Ministry of Housing and Urban Affairs (MoHUA) has approved State Water Action Plans (SWAPs) for 6,527 projects (including Operation & Maintenance Costs).

These initiatives are planned to result in 148 million new tap connections and 33.42 lakh new sewer connections.

Plans include the provision of 148 lakh new water connections and 33.42 lakh new sewer connections.

2,102 water body rejuvenation projects have also been approved under SWAPs.

Bridge Fuel

Natural gas has been called a ‘bridge fuel’ for countries looking to transition away from coal and oil dependency, and as they pursue a pathway towards renewables and electrification.

About Bridge Fuel

Bridge fuel is a commonly-used term for a fuel that will power society with the least environmental cost while we deploy non-polluting, renewable energy.

The goal of using a bridge fuel is to replace the bulk of today’s fossil-fuel-dependent energy sources as we transition to a cleaner and more renewable energy economy that is free of greenhouse gas emissions.

The length of the bridge and the energy source used to build the bridge are both topics of debate.

Many people consider natural gas a bridge fuel because it produces less greenhouse gas during the combustion process.

However, additional considerations for a bridge fuel include whether it increases national energy independence while reducing pollution-related costs.

Key Facts about Natural Gas

Natural gas is a fossil fuel. Like all fossil fuels, it is a nonrenewable resource.

It is a mixture of gases which are rich in hydrocarbons.

It is a colorless and odorless gas composed of 70-90% methane (CH4). Its other ingredients include ethane (C2 H6) and propane (C3 H8).

Possible impurities include carbon dioxide (CO2), hydrogen sulfide (H2S), and nitrogen (N).

How did natural gas form?

Millions to hundreds of millions of years ago, the remains of plants and animals (such as diatoms) built upin thick layers on the earth's surface and ocean floors, sometimes mixed with sand, silt, and calcium carbonate.

Over time, these layers were buried under sand, silt, and rock.

Pressure and heat changed some of this carbon- and hydrogen-rich material into coal, some into oil (petroleum), and some into natural gas.

Natural gas reserves are deep inside the earth, near other solid and liquid hydrocarbon beds like coal and crude oil.

Uses:

It is not used in its pure form; it is processed and converted into cleaner fuel for consumption.

Many by-products are extracted while processing of natural gas, like propane, ethane, butane, carbon dioxide, nitrogen, etc, which can be further used.

It is mainly used as a fuel for generating electricity and heat.

Natural gas in compressed form is used as fuel for vehicles, which is known as CNG.

It is used as fuel for boilers and air conditioners worldwide.

It is also used for making fertilizers also, mainly ammonia.

Natural gas has been called a ‘bridge fuel’ for countries looking to transition away from coal and oil dependency.

Hailed as a cleaner energy source than other fossil fuels, especially coal, natural gas has a lesser climate impact than coal because it emits 50 percent less CO2 into the atmosphere.

P-800 ONYX

Russian media reports , claim that the new upgrade to the Onyx can be taken to be an indication of the missile’s use being increased in the future, to strike land targets that support Ukraine’s kamikaze drone boat war in the Black Sea.

The P-800 Oniks anti-ship cruise missile is a supersonic cruise missile with variants that can be deployed from land or air.

Its development began in 1983, and it became operational in 2002.

Russian/NATO Designation

P-800 Oniks (Land-based Yakhont)/SS-N-26 Strobile

Variants

BrahMos

Mobility and Role

Surface-to-Surface Anti-Ship Cruise Missile

Max Speed 3000 km/h

Designer/Producer

NPO Mashinostroyeniya

Range

300km

Warhead Type and Weight

3000kg launch weight

HE warhead; Armor-Piercing Warhead

Other specification and capabilities

The missile launches from a vertical position and uses angular thrusters located near the nose to reposition it horizontally and begin its flight path toward the target.

The missile then flies at supersonic speeds, can maneuver to avoid air defense, and is resistant to electronic countermeasures.

Its ground-based variant, the Yakhont, is placed on a Bastion-P road-mobile launcher as part of a coastal defense system.

The Bastion-P, or a TEL vehicle, can carry two of the Yakhont missiles, which can be launched within five seconds of each other.

The P-800 Oniks is primarily an anti-ship missile, but has been seeing use against ground forces in Russia's ongoing fight in Ukraine.

Onyx Is BrahMos Analog

India's BrahMos missile is a derivative of the Onyx, particularly the latest BrahMos-Extended Range (ER) Land Attack Cruise Missile (LACM), which can reach 450 km, from its previous range of 290 km. The same missile can also be used for anti-ship roles.

The missile's supersonic speed causes severe damage to hardened targets, and some experts consider it the next best thing to the Kinzhal aeroballistic hypersonic missile.

Reserve Bank of India's (RBI) Guidelines on Penal Charges on Loan Accounts

Reserve Bank of India's (RBI) Guidelines on Penal Charges on Loan Accounts Blog Image

Overview:

The Reserve Bank of India's (RBI) latest guidelines on penal charges on loan accounts have come into effect recently.

About RBI Guidelines on Penal Charges on Loan Accounts

The norms prohibit commercial banks and finance companies from charging borrowers' penal rates on loan defaults or any other non-compliance event.

Under the new rules, penalty, if charged, for non-compliance of the material terms and conditions of the loan contract by the borrower should be treated as 'penal charges.

It cannot be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.

There should be no capitalisation of penal charges; that is no further interest computed on such charges.

The material terms and conditions will be defined as per the credit policy of the bank, and they may vary from one category of loan to another, and from bank to bank based on their own assessment.

There is no upper limit or cap for penal charges. However, the guidelines stipulated that the quantum of penal charges would bereasonable and commensurate with the non-compliance without being discriminatory within a particular loan category.

The guidelines had also mentioned that the penal chargesin the caseof loans sanctioned to individual borrowersfor purposes other than business will not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance.

Also, in order to prevent banks from imposing arbitrary rates of interest, they are meant to follow a board approved policy on penal charges on similar charges on loans.

These guidelines will not apply to credit cards, which are covered under product specific directions.

The key rationale of the guidelines was that the intent of levying penal charges is meant to inculcate a sense of credit discipline, and such charges are not meant to be used as a revenue enhancementtool over and above the contracted rate of interest.

A Scheduled Commercial Bank (SCB) is a commercial bank which has been included in the Second Schedule of the Reserve Bank of India Act, 1934 (RBI Act). Conditions for inclusion in the Second Schedule of the RBI Act are as stated in section 42(6)(a) of the RBI Act.

Every SCB enjoys two types of principal facilities: -

It becomes eligible for debts/loans at the bank rate from the RBI

It automatically acquires the membership of clearing house. SCBs include Public Sector Banks, Private Sector Banks, Foreign Banks, Regional Rural Banks, Scheduled Payments Banks, Scheduled Small Finance Banks and Scheduled Co-operative Banks.

Voter Verifiable Paper Audit Trail (VVPAT)

The Supreme Court recently sought responses from the Election Commission of India (ECI) and the Centre on a plea seeking a comprehensive count of Voter Verifiable Paper Audit Trail (VVPAT) slips in elections.

About Voter Verifiable Paper Audit Trail (VVPAT)

It was first introduced in India in the 2014 Lok Sabha elections.

It is an independent system that consists of two parts, namely, a VVPAT Printer and VVPAT Status Display Unit (VSDU) attachedto the Electronic Voting Machines (EVMs), that allow the voters to verify that their votes are cast as intended.

When a vote is cast, a slip is printed containing the serial number, name, and symbol of the candidate and remains exposed through a transparent window for 7 seconds.

Thereafter, this printed slip automatically gets cut and falls into the sealed drop box of the VVPAT.

How is VVPAT used for verification?

The results of EVMs can be verified using the slipskept in the drop boxes of VVPAT machines.

VVPAT can be accessed by the polling officials, but not by the voters.

The paper slips are deemed to be more authoritative than EVM tallies in cases where VVPAT slips are utilised to verify votes.

Voter verification, however, is only done in extreme circumstances, such as when there are accusations of fraud or miscalculation.

The ECI has the authority to request that votes be verified using VVPAT slips in response to such complaints.

At the moment, the VVPAT slips are counted in a randomly-selected polling station in each Assembly constituency or Parliamentary constituency, depending upon the nature of the elections being held.

The ECI has clarified that EVMs and VVPATs are separate entities and are not connected to any network.

These machines are developed by the Electronics Corporation of India Limited (ECIL) and Bharat Electronics Ltd (BEL).

India Meteorological Department

The India Meteorological Department (IMD) issued an updated Seasonal outlook for hot weather season (April to June) 2024 and Monthly outlook for April 2024 for rainfall and temperature in New Delhi.

About India Meteorological Department

It was established in 1875. It is the National Meteorological Service of the country and the principal government agency in all matters relating to meteorology and allied subjects.

The DirectorGeneral of Meteorology is the Head of this organization.

There are 6 Regional Meteorological Centres, each under a Deputy Director General with headquarters at Mumbai, Chennai, New Delhi, Calcutta, Nagpur and Guwahati.

Mandate

To take meteorological observations and to provide current and forecast meteorological information for optimum operation of weather-sensitive activities like agriculture, irrigation, shipping, aviation, offshore oil explorations, etc.

To warn against severe weather phenomena like tropical cyclones, norwesters, duststorms, heavy rains and snow, cold and heat waves, etc., which cause destruction of life and property.

To provide meteorological statistics required for agriculture, water resource management, industries, oil exploration and other nation-building activities.

To conduct and promote research in meteorology and allied disciplines.

Nodal ministry: Ministry of Earth Sciences (MoES)

Headquarter: New Delhi.