Prelim Bits 12-08-2022 | UPSC Daily Current Affairs

Digital Lending Norms

The Reserve Bank of India (RBI) unveiled a regulatory framework to make digital lending safe in the backdrop of its gaining traction.

- The framework is focused on the digital lending ecosystem comprising RBI Regulated Entities (REs) and the Lending Service Providers (LSPs).
- LSPs are engaged by Regulated Entities to extend various permissible credit facilitation services.
- ***Norms -*** All loan disbursals and repayments are required to be executed only between the borrower's bank accounts and the RE, without any intervention from LSP or any third party.
- Any fees or charges, payable to LSPs in the credit intermediation process shall be paid directly by RE and not by the borrower.
- A standardized Key Fact Statement (KFS) must be provided to the borrower before executing the loan contract.
- Annual Percentage Rate (APR), an all-inclusive cost of digital loans is required to be disclosed to the borrowers. It should also form part of KFS.
- It prohibits automatic increases in credit limits without the explicit consent of the borrower.
- It prescribes a cooling-off period during which the borrowers can exit digital loans by paying the principal and the proportionate APR without any penalty, which shall be provided as part of the loan contract.

Digital lending increased 12 times between 2017 and 2020, with personal loans leading the way, followed by SME loans - RBI's working group on digital lending

- **Grievance Redressal -** LSPs engaged by Res should have a suitable nodal grievance redressal officer to deal with FinTech/digital lending-related complaints.
- Such a grievance redressal officer should also deal with complaints against their respective Digital Lending Applications (DLAs).
- **Data Privacy –** Data collected by DLAs should be need-based, should have clear audit trails, and should be only done with the prior explicit consent of the borrower.
- Borrowers could be provided an option to accept or deny the consent for the use of specific data, including an option to revoke previously granted consent, and an option to delete the data collected from borrowers by the DLAs/LSPs.
- Any lending sourced through DLAs is required to be reported to Credit Information Companies (CICs) by REs irrespective of its nature or tenor.
- All new digital lending products extended by REs over merchant platforms involving

short-term credit or deferred payments are required to be reported to CICs by the REs.

Reference

1. https://www.thehindubusinessline.com/money-and-banking/rbi-issues-digital-lending-norms-to-curb-malpractices/article65754860.ece

Atal Pension Yojana

Following a recent amendment by the Finance Ministry, Income-tax payers will not be eligible to join Atal Pension Yojana from October 1, 2022.

- Atal Pension Yojana is a voluntary, periodic contribution-based pension scheme, under which the subscriber would receive a pension at 60 years of age.
- It was launched on May 9, 2015, and operationalized on June 1, 2015.
- It is open to all citizens of India between 18-40 years of age, who have a savings account in a bank or post office.
- Under the APY, the subscribers would receive a fixed pension ranging from Rs. 1000 - Rs. 5000 per month, after the age of 60 years until death, depending on the contribution chosen.
- Initially, the Central Government co-contributed 50% of the subscriber's contribution or Rs. 1000 per annum, whichever is lower for a period of 5 years from 2015-2020.
- This co-contribution was made to subscribers who joined the scheme between June 1, 2015, and March 31, 2016, and who are not beneficiaries of any social security schemes and are not income taxpayers.
- The minimum pension would be guaranteed by the Government
    - If the accumulated corpus based on contributions earns a lower than estimated return on investment and
    - It is inadequate to provide the minimum guaranteed pension.
- Alternatively, if the returns on investment are higher, the subscribers would get enhanced pensionary benefits.
- Subscribers can make contributions to APY on a monthly/quarterly/half-yearly basis.
- Subscribers can voluntarily exit from APY subject to certain conditions, on deduction of Government co-contribution and return/interest thereon.
- On the death of the subscriber, the same pension would be paid to the spouse of the subscriber.
- On the demise of both the subscriber and spouse, the nominees of the subscriber will be entitled to receive the pension wealth, as accumulated till age 60 of the subscriber.

Pension Fund Regulatory and Development Authority (PFRDA) reported that 4.32 crore subscribers were enrolled in the APY up to July 21, 2022.

Reference

1. https://www.thehindubusinessline.com/economy/policy/income-tax-payers-will-not-be-eligible-to-join-atal-pension-yojana-from-october-1/article65757238.ece

2. https://financialservices.gov.in/pension-reforms-divisions/Atal-Pension-Yojana

Global Employment Trends for Youth 2022 report

The report is released by the International Labour Organisation which highlighted the deterioration of Youth employment in India.

- **Unemployment scenario** - India experienced severe working-hour and employment losses in 2020 and 2021.
- Indian youth employment deteriorated in 2021 compared to 2020.
- The recovery in youth employment is still lagging globally, confirming that COVID-19 has hurt young people more than any other age group.
- Youngsters in the age group of 15-24 years experienced a much higher percentage loss in employment than adults since early 2020.
- The youth employment participation rate in 2021 declined by 0.9% points relative to the 2020 time period.
- The report warns that the unemployment rate of young people in the Asia and Pacific region is projected to reach 14.9% in 2022, the same as the global average.
- **Women unemployment** - India has a very low youth female labor market participation and Indian young women experienced larger relative employment losses than young men in 2021 and 2022.
- Young Indian men account for 16% of young men in the global labor market, while the corresponding share for young Indian women is just 5%.
- Domestic work is a highly informal sector in India, wages are extremely low, and young women and girls are vulnerable to verbal and physical abuse and sexual exploitation.

> "The total global number of unemployed youth is estimated to reach 73 million in 2022, a slight improvement from 2021 (75 million), but still six million above the pre-pandemic level of 2019"

- **MGNREGA -** It has played an important role in providing paid employment, particularly for women.
- Its focus on natural resources, such as land, water, and trees provided adaptation benefits in carbon sequestration techniques.
- **Online education –**Only 8% of school-going children in rural areas and 23% in urban areas had adequate access to online education.
- School closures that lasted 18 months not only prevented new learning but also led to the phenomenon of "learning regression", that is, children forgetting what they had learned earlier.
- The report highlighted that in India, 92% of children on average lost at least one foundational ability in language and 82% lost at least one foundational ability in mathematics.
- **Teachers** in non-state schools are often paid significantly less than those in state schools.
- Teachers in low-fee private schools in India, Kenya, Nigeria, and Pakistan are paid

between one-eighth and one-half of what their counterparts in the state sector receive.

Reference

1. https://www.thehindu.com/news/national/youth-employment-deteriorated-in-india-ilo-report/article65758652.ece

Difference between EPFO and EPS

Pensioners informed the apex court that asking the employees to contribute 1.16% of salaries above Rs. 15,000 was against the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

Employees' Provident Fund Organization (EPFO)

- EPFO is one of the World's largest Social Security Organizations in terms of clientele and the volume of financial transactions undertaken.
- At present, it maintains 24.77 crore accounts (Annual Report 2019-20) pertaining to its members.
- The Employees' Provident Fund came into existence with the promulgation of the Employees' Provident Funds Ordinance on the 15th November 1951.
- It was replaced by the Employees' Provident Funds Act, 1952.
- The Employees' Provident Funds Bill was introduced in Parliament in the year 1952 as a Bill to provide for the institution of provident funds for employees in factories and other establishments.
- The Act is now referred to as the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 which extends to the whole of India.
- The Act is administered by a tri-partite Board known as the Central Board of Trustees, Employees' Provident Fund, consisting of representatives of Government (Both Central and State), Employers, and Employees.
- The Central Board of Trustees administers a contributory provident fund, pension scheme, and insurance scheme for the workforce engaged in the organized sector in India.
- The Board is assisted by the Employees' PF Organization (EPFO), consisting of offices at 138 locations across the country.
- The EPFO is under the administrative control of the Ministry of Labour and Employment, Government of India.
- The Board operates three schemes - EPF Scheme 1952, Pension Scheme 1995 (EPS), and Insurance Scheme 1976 (EDLI).

Employees Pension Scheme (EPS)

- The Employees Pension Scheme is a social security scheme run by the Employees' Provident Fund Organization (EPFO) for the employees of the organized sector.
- An employee contributes 12% of his/her pay towards the EPF account.
- A matching contribution is also made by the employer.
- 8.33% of the employee's pay is remitted by the employer to EPS.
- The Central Government also contributes at the rate of 1.16 percent of the pay of the members to the Employees' Pension Scheme.

- A minimum pension of Rs.1000/- per month is given to the member/disabled/widow/widower/ parent/nominee pensioners and Rs.250/- per month for children pensioners and Rs.750/- per month to orphan pensioners.
- Eligibility
    1. Be a member of the Employees' Provident Fund Scheme (EPFS), 1952.
    2. Have rendered eligible service of 10 years or more where contribution to EPFS has been made.
    3. Pension to be received by the member on attaining 58 years of age and provision of withdrawal benefit also exists.
    4. A member, who is permanently and totally disabled during employment is also eligible for a pension.
    5. The Family of the member is eligible to receive the pension following the date of death of the member.

Reference

1. https://www.business-standard.com/article/economy-policy/difference-between-epfo-eps-needs-to-be-assessed-says-supreme-court-122081100001_1.html
2. https://www.epfindia.gov.in/site_en/index.php

Peninsular Rock Agama

The study of rock agama gives insights into urbanization and conservation.

- The Peninsular Rock Agama (Psammophilus dorsalis) which is a type of garden lizard has a strong presence in southern India.
- It is also known by the name South Indian rock agama and is found on rocky hills in South India.
- Habitat loss and other such features of urbanization have affected the presence of animals in urban centers.
- This lizard is a large animal, strikingly colored in orange and black.
- They do not generate their own body heat, so they need to seek warmth from external sources like a warm rock or a sunny spot on the wall.
- They are found mainly in rocky places and warm spots.
- They are important in ecology from different aspects, they can indicate which parts of the city are warming, and their numbers show how the food web is changing.
- These lizards eat insects and are in turn eaten by raptors, snakes, and dogs, they cannot live in places where there are no insects.
- The rock agama is a species that is dependent on rocky scrub habitats which are being converted into buildings and plantations.
- Smaller fauna and flora could be key indicators of the health of the ecosystem and need to be preserved.

Reference

https://www.thehindu.com/sci-tech/study-of-rock-agama-gives-insights-into-urbanisation-conservation/article65728840.ece