



AIR SPOTLIGHT: DIGITAL BANK UNITS



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Context: Prime Minister Narendra Modi on Sunday (October 16) dedicated 75 digital banking units to the nation, taking forward an announcement that was made in the 2022-23 Union Budget by Finance Minister Nirmala Sitharaman. Speaking virtually at the event, Modi said that the digital banking units will “further financial inclusion” and “significantly improve banking experience for the citizens”.

Background:

- Availing banking services has traditionally been a struggle for people living in villages and small towns.
- Even as more than a billion bank accounts exist in India, people living in remote areas have had to typically take a day off from the work to visit a nearby city for their banking related work.
- The Digital Bank Units are being set up to ensure that the benefits of digital banking reach every nook and corner of the country and cover all states and union territories.

What was the initial announcement?

In the Budget for 2022-23, the Finance Minister said:

“In recent years, digital banking, digital payments and fintech innovations have grown at a rapid pace in the country. The government is continuously encouraging these sectors to ensure that the benefits of digital banking reach every nook and corner of the country in a consumer-friendly manner. Taking forward this agenda, and to mark 75 years of our independence, it is proposed to set up 75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks”.

What are these DBUs?

- A digital banking unit is a **specialised fixed point business unit or hub, housing a certain minimum digital infrastructure for delivering digital banking products and services as well as servicing existing financial products and services digitally in self-service mode at any time.**



- Digital Bank Units are brick-and-mortar outlets or specialised fixed point business units, that are equipped with tablets and internet services.
- This is **to help individuals and small businesses open their savings accounts, access government identified schemes, perform verifications, make transactions and avail loans and insurance.**
- In April this year, the Reserve Bank of India (RBI) announced the guidelines for DBUs, following the report of a working group of the Indian Banks Association (IBA).
- **Commercial banks (other than regional rural banks, payment banks and local area banks) with past digital banking experience are permitted to open DBUs in tier 1 to tier 6 centres, unless otherwise specifically restricted, without having the need to take permission from the RBI in each case.**
- As many as 11 public sector banks, 12 private banks and one small finance bank are participating in the endeavour.

Has the DBU concept picked up globally?

- Digital banks have been around since 2014-15 in markets such as Hong Kong, Singapore, Malaysia, China, the UK and the US.
- In the UK, regulators have recognised the Digital Banking business model by issuing banking licenses to banks offering 'digital-first'/'digital-only' propositions within existing regulations and without creating specialist regimes.
- In Singapore, Hong Kong, and Malaysia, however, there are special digital bank regulatory regimes.
- DBUs do not have legal personality and are not licensed under Banking Regulation Act, 1949. Legally, they are equivalent to "banking outlets" i.e., branches. Digital Banks will have a balance sheet and legal personality & are proposed to be duly licensed banks under Banking Regulation Act, 1949.
- DBUs improve existing channel architecture by offering regulatory recognition to digital channels. However, they are silent on competition. In contrast, a licensing and regulatory framework for Digital banks as proposed is more enabling along competition/innovation dimensions.

RBI guidelines:

- As per the RBI, each DBU must offer certain minimum digital banking products and services.
- Such products should be on both liabilities and assets side of the balance sheet of the digital banking segment. Digitally value-added services to conventional products would also qualify as such.
- The services include saving bank accounts under various schemes, current accounts, fixed deposit and recurring deposit accounts, digital kits for customers, mobile banking, Internet banking, debit cards, credit cards, and mass transit system cards, digital kits for merchants, UPI QR codes, BHIM Aadhaar and point of sale (PoS).
- Other services include making applications for and onboarding customers for identified retail, MSME or schematic loans.
- This may also include end-to-end digital processing of such loans, starting from online application to disbursement and identified government-sponsored schemes that are covered under the national portal.
- DBUs will spread Digital Financial Literacy and special emphasis will be given to customer education on cyber security awareness and safeguards.
- Also, there shall be digital mechanisms to offer real-time assistance and redress customer grievances arising from business and services offered by the DBUs directly or through business facilitators and correspondents

How will these DBUs compete with fintechs?

Currently, fintechs operating as neobanks offer digital banking services but they do so in partnership with non-banking financial companies (NBFCs). Some of the neobanks offering services in India are Jupiter, Fi Money, Niyo, Razorpay X.



Transactions one can do at a DBU- Recent announcements:

- Both ICICI Bank and HDFC have announced to set up DBUs.
- For example: ICICI bank DBU's will have 2 distinct features – a **Self-service Zone** and a **Digital Assistance Zone**.

Self-service Zone

- At the Self-service Zone, the customers can access ATM, a Cash Deposit Machine (CDM) and a Multi-Functional Kiosk (MFK) that offers services like printing of passbook, depositing cheque and accessing internet banking.
- It will also provide a digital interactive screen where customers can interact with a chatbot to know about products, offers and mandatory notices.

Digital Assistance Zone

- The Digital Assistance Zone will have branch officials to assist customers to undertake the services including opening of savings account, current account, fixed deposit and recurring deposit etc.
- The above services will be offered in a completely digital manner through a tablet device, using Aadhaar-based eKYC.

What are the Pros of DBUs?

- The Digital Banking Units are part of Government's efforts to serve people in the far-flung areas of the country.
- DBUs will enable customers to have cost effective, convenient access and enhanced digital experience of banking products and services all-round the year.
- DBUs **will also help bring financial services and literacy to more citizens.**
- The digital economy is growing rapidly. All parts of the economy, including commerce, financing and logistics, need next-generation solutions. The Government's focus on training human capital and launching courses in this direction is very welcome. This will also help in reskilling human capital for the new-generation economy

What are the cons of DBUs?

- The limitations of DBU include low public awareness and internet penetration in lower-tier cities.
- Further, challenges such as cyber security, data privacy and phishing need to be resolved if DBUs are to reach their full potential, experts say.

<https://indianexpress.com/article/explained/explained-economics/explained-digital-banking-units-prime-minister-narendra-modi-8211607/>



NEWS IN BRIEF: PRELIMS SPECIAL

NATIONAL MARITIME HERITAGE COMPLEX

Context: Prime Minister Shri Narendra Modi will review the site work progress of the National Maritime Heritage Complex at Lothal, Gujarat on 18th October 2022 at around 5 PM via video conferencing.

Details:

National Maritime Heritage Complex:

- **National Maritime Heritage Complex (NMHC) at Lothal is being developed as a one of its kind project to not only display India's rich and diverse maritime heritage and also help Lothal to emerge as a world class international tourist destination**
- The complex, work on which started in March 2022, is being developed at a cost of around Rs 3500 crore.
- It will have several innovative and unique features such as Lothal mini recreation to recreate Harappan architecture and lifestyle; four theme parks - Memorial theme park, Maritime and Navy theme park, Climate theme park and Adventure and Amusement theme park; world's tallest lighthouse museum; fourteen galleries highlighting India's maritime heritage starting from the Harappan times till now; Coastal states pavilion displaying diverse maritime heritage of states and UTs; among others.
- **It is one of the major projects under Sagarmala scheme of MoPSW which has an edutainment approach.**

About Lothal:

- Lothal was one of the southernmost sites of the ancient Indus Valley civilization, located in the Bhil region of the modern state of Gujarat.
- Construction of the city is believed to have begun around 2200 BCE.
- The Archaeological Survey of India (ASI), discovered Lothal in 1954.
- It had the world's earliest known dock, which connected the city to an ancient course of the Sabarmati river on the trade route between Harappan cities in Sindh and the peninsula of Saurashtra.
- It was a vital and thriving trade Centre in ancient times, with its trade of beads, gems, and valuable ornaments reaching the far corners of West Asia and Africa.
- The techniques and tools they pioneered for bead-making and in metallurgy have stood the test of time for over 4000 years.
- Lothal Findings: Dockyard, Port Town, Evidence of Rice, Fire Altar, Ivory weight balance, Copper dog

Must read:

<https://www.iasqyan.in/blogs/indus-valley-civilization>

<https://newsonair.gov.in/News?title=PM-Modi-to-review-site-work-progress-of-Maritime-Heritage-Complex-at-Lothal-in-Gujarat-today&id=449509>

INDIA-AFRICA DEFENCE DIALOGUE

Context: India-Africa Defence Dialogue to be held on October 18 on the sidelines of DefExpo 2022 in Gandhinagar, Gujarat.

Details:

- The broad theme of the dialogue is 'India-Africa: Adopting Strategy for Synergising and Strengthening Defence and Security Cooperation'.
- India's approach towards Africa is guided by the **Kampala Principles** enunciated by Prime Minister Shri Narendra Modi in 2018.
 - **The Kampala Principles** promote ownership of private sector engagement (PSE) through development co-operation by partner countries and ensure the alignment of PSE projects and programmes with national sustainable development priorities.
- The first-ever India-Africa Defence Ministers Conclave was held in Lucknow, Uttar Pradesh in conjunction with DefExpo on February 06, 2020.

<https://newsonair.com/2022/10/16/defence-minister-rajnath-singh-to-host-india-africa-defence-dialogue-iadd-for-cementing-military-ties/>

GLOBAL HUNGER INDEX 2022

Context:

- India ranked 107 out of 121 countries on the Global Hunger Index 2022. It fares worse than all countries in South Asia barring war-torn Afghanistan.

Global Hunger Index:

- The Global Hunger Index (GHI) is a tool that measures and tracks hunger globally as well as by region and by country, prepared by **European NGOs of Concern Worldwide and Welthungerhilfe**. The GHI is calculated annually.
- The index is based on four indicators — **under-nourishment, wasting, stunting and under-five mortality**.
- While undernourishment represents the share of the population with insufficient caloric intake, child stunting indicates the share of children under age five who have low height for their age, reflecting chronic undernutrition. Child wasting reflects acute undernutrition in children under age five with low weight for their height.
- Each set of GHI scores uses data from a 5-year period. The 2022 GHI scores are calculated using data from 2017 through 2021.

India's Performance:

- India slipped six places on Global Hunger Index 2022 to take 107th position out of 121 countries ranked.
- India has been ranked behind all south Asian countries except the war-torn Afghanistan.
- India's score of 29.1 places it **in the 'serious' category**.



- Neighbouring Pakistan, Sri Lanka, Bangladesh, Nepal, and Myanmar have been ranked 99, 64, 84, 81, and 71 respectively – all countries above India. As many as 17 countries have been collectively ranked between 1 and 17 with a score of less than five.
- India's child wasting rate (low weight for height), at 19.3%, is worse than the levels recorded in 2014 (15.1%) and even 2000 (17.15%), and is the highest for any country in the world and drives up the region's average owing to India's large population.
- Prevalence of undernourishment, which is a measure of the proportion of the population facing chronic deficiency of dietary energy intake, has also risen in the country from 14.6% in 2018-2020 to 16.3% in 2019-2021. This translates into 224.3 million people in India considered undernourished out of the total 828 million people undernourished globally.
- India has shown improvement in the other two indicators - child stunting has declined from 38.7% to 35.5% between 2014 and 2022 and child mortality has also dropped from 4.6% to 3.3% in the same comparative period.
- On the whole, India has shown a slight worsening with its GHI score increasing from 28.2 in 2014 to 29.1 in 2022.

Global Scenario:

- There are 44 countries that currently have "serious" or "alarming" hunger levels.
- Globally, progress against hunger has largely stagnated in recent years. The 2022 GHI score of 18.2 for the world is considered "moderate", but 18.2 in 2022 is only a slight improvement from 19.1 in 2014. This is due to overlapping crises such as conflict, climate change, the economic fallout of the COVID-19 pandemic as well as the Ukraine war, which has increased global food, fuel, and fertiliser prices and is expected to "worsen hunger in 2023 and beyond."

<https://newsonair.gov.in/News?title=India-rejects-Global-Hunger-Index-Report-2022&id=449423>

INS ARIHANT

Context: India successfully tested a nuclear-capable ballistic missile from its solitary nuclear-powered submarine INS Arihant, and promptly declared that having an 'assured retaliatory capability' was in tune with the country's 'credible minimum deterrence' against the first-use of nuclear weapons by an adversary.

Details:

About the test:

- A brief statement by the defence ministry did not identify the submarine-launched ballistic missile (SLBM) tested from the 6,000-tonne INS Arihant, which became fully operational in 2018
- **SLBM tested was the B-O5 or K-15 missile with a strike range of 750-km.**
- INS Arihant is armed with the short-range K-15 missiles. Developmental trials of the K-4 SLBM (with a 3,500-km range) have been completed but it is yet to be fully inducted.
- This is the first time the launch of an SLBM from INS Arihant has been announced by the government.

About Arihant:

- INS Arihant, a **6,000-tonne submarine is the lead ship of India's Arihant class of nuclear-powered ballistic missile submarines built under the Advanced Technology Vessel (ATV) project.**
- INS Arihant is propelled by an 83 MW pressurised light-water reactor at its core with enriched uranium fuel.

- It's India's **first indigenously built nuclear submarine**.
- It is a 'Ship Submersible Ballistic Nuclear Submarine' (SSBN). SSBN's are those class of submarines which can go deep beneath the ocean making them virtually undetectable for months, they also carry nuclear-tipped ballistic missiles.
- It is capable of carrying ballistic missiles with nuclear warheads.
- **It is presently armed with the K-15 Sagarika missiles with a range of 750 km.**
- Later, it will also be armed with K-4 missiles, being developed by the DRDO, which are capable of striking targets at a distance of up to 3,500 km. These 'K' series of missiles are named after former President APJ Abdul Kalam.

<https://newsonair.gov.in/News?title=INS-Arihant-carries-out-successful-launch-of-Submarine-Launched-Ballistic-Missile&id=449352>

PM-DevINE

In News:

- € The **Union Cabinet has approved Prime Minister's Development Initiative for North East Region (PM-DevINE)** for the remaining 4 years of the 15th Finance Commission (2022-23 to 2025-26).

About Prime Minister's Development Initiative for North East Region (PM-DevINE):

- € PM-DevINE was **announced in the Union Budget 2022-23, to address development gaps in the North Eastern Region (NER)**.
- € It is a **Central Sector Scheme with 100% central funding** and implementation by the Ministry of Development of the North Eastern Region (DoNER).
 - It will be implemented through North Eastern Council or Central Ministries/ agencies.
- € The Scheme will have an outlay of Rs.6, 600 crore for the four years from 2022-23 to 2025-26.
- € It will **create infrastructure, support industries, social development projects and create livelihood activities for youth and women, thus leading to employment generation and socio-economic development in the North-East region.**

Objectives of PM-DevINE:

- € To Fund infrastructure and create new economic opportunities.
- € Support social development projects based on local needs.
- € Provide livelihood activities for youth and women;
- € Fill the development gaps in different sectors.
- € To ensure that there is no duplication of project support under PM-DevINE with any of the other schemes of MDoNER or those of any other Ministry/Department.

<https://newsonair.com/2022/10/12/cabinet-approves-new-scheme-pm-devine-for-the-development-of-northeast/>

MULTI-STATE COOPERATIVE SOCIETIES (AMENDMENT) BILL, 2022

In News:

- € The **Union Cabinet approved the Multi-State Cooperative Societies (Amendment) Bill, 2022.**
- € The amendment bill aims to **make the governance of multi-State cooperative societies more democratic, transparent and accountable.**
- € The Bill has the provisions of the 97th Constitution Amendment act which provides Constitutional status and protection to cooperative societies.
- € It has the provision to set up a cooperative election authority, an information officer and an ombudsman.

Cooperative Societies in India

- € **A Cooperative Society can be defined as a voluntary association of individuals united voluntarily to meet their common economic, social, and cultural interests.**



- It aims to serve the interest of society through the principle of self-help and mutual help.
- ≠ **The roots of cooperative Societies in India were sown when the first Cooperative Societies Act was passed in 1904.**
- ≠ The Government Passed the Co-operative Societies Act of 1912.
- ≠ In 1958, the National Development Council (NDC) recommended a national policy on cooperatives and the setting up of Cooperative Marketing Societies.
- ≠ National Cooperative Development Corporation (NCDC) was set up under the National Cooperative Development Corporation Act, of 1962.
- ≠ **Union Government announced a National Policy on Cooperatives in 2002.**
- ≠ **The 97th Constitutional Amendment Act of 2011 granted constitutional status and protection to cooperative societies.** This Amendment introduced 3 changes in the constitution:
 - It made the right to form cooperative societies a fundamental right (Article 19).
 - It included a new Directive Principle of State Policy on the promotion of cooperative societies (Article 43B).
 - It added Part IX-B in the Constitution “The Co-operative Societies” (Articles 243-ZH to 243-ZT).
- ≠ **Provisions under Indian Constitution**
 - Indian Constitution under Part IX-B contains various provisions related to cooperative societies.
 - The state legislature may make provisions for the incorporation, election, regulation and winding-up of cooperative societies.
- **Organisation Structure**
 - The board shall consist of some directors as may be provided by the state legislature, but, the maximum number of directors of a cooperative society shall not exceed 21.
 - The state legislature shall provide for the reservation of one seat for the Scheduled Castes or the Scheduled Tribes and two seats for women on the board of every cooperative society having members from such a category of persons.
- The functional directors of a cooperative society shall also be the members of the board and such members shall be excluded to count the total number of directors (21).
- The term of office of elected members of the board and its office bearers shall be 5 years from the date of the election.

<https://newsonair.gov.in/Main-News-Details.aspx?id=449274>

INTERPOL

Context:

- India is hosting the 90th General Assembly of the International Criminal Police Organization, INTERPOL from 18th to 21st of October in New Delhi.
- The General Assembly is INTERPOL's supreme governing body, comprising representatives from each of 195 member countries. It meets once a year.
- India is one of the oldest members of Interpol and joined the organization in 1949. All member countries of INTERPOL have agreed to ensure and promote the widest possible assistance between all criminal police authorities in the prevention and suppression of ordinary law crimes.
- The role of INTERPOL is to enable police around the world to work together to make the world a safer place.

About INTERPOL:

- International Criminal Police Organization is an **international organization that facilitates worldwide police cooperation and crime control.**
- With 194 member states, it the world's largest police organization.
- **India is also a member state. India will host the 91st Interpol General Assembly in 2022.**
- It is the **world's largest police organization.**



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- Contrary to popular belief, **INTERPOL is itself not a law enforcement agency.**
- It provides **investigative support, expertise, and training to law enforcement** worldwide, focusing on following major areas
 - transnational crime: terrorism, cybercrime, organized crime, crimes against humanity, child pornography, drug trafficking and production, political corruption, intellectual property infringement, and white-collar crime.

<https://newsonair.gov.in/News?title=India-to-host-90th-General-Assembly-of-INTERPOL-from-18-to-21-Oct&id=449453>