



CURRENT AFFAIRS PROGRAM

PRE-CUM-MAINS 2024

OCT 2023: BOOKLET-6

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1) SOCIAL JUSTICE: MEDICAL TERMINATION OF PREGNANCY/ ABORTION

- **Why in news recently?**
 - SC disallows abortion of a 26-week pregnant women (Oct 2023)
- **Example Questions**
 - Discuss the key reasons for increasing unsafe deliveries in the country. In this light discuss how the 2021 amendment to the Medical Termination of Pregnancy Act, 1971 resolve these issues. [15 marks, 250 words]
- **Introduction**
 - **Abortion** refers to the removal or expulsion of an embryo or fetus from the uterus, resulting in, or caused by, its death. In India, abortion is allowed only in some cases. This has led to large number of unsafe abortions in the country.
- **Legal Provisions Regarding Abortion in India**
 - **Section 312 of IPC** made abortion under any circumstances, except danger to a pregnant woman's life, as illegal in India and prescribed a punishment of 3 years for the offence.
 - **Medical Termination of Pregnancy (MTP) Act, 1971** overrides the section 312 of IPC. Key Provisions include (after 2021 amendment):
 - **For pregnancies upto 20 weeks**, termination is allowed under the opinion of one registered medical practitioner if:
 - A. The continuance of the pregnancy would involve a risk to the life of the pregnant woman or of grave injury to her physical or mental health; or
 - B. There is a substantial risk that if the child was born, it would suffer from any serious physical or mental abnormalities.
 - The 2021 amendment replaced the term 'married woman and her husband' with the term 'woman and her partner'. Hence now unmarried women can also terminate her pregnancies within gestational limits under the act.
 - The explanation to the provision states that termination within 20 weeks is allowed if the pregnancy was caused by failure of contraceptive which was used for limiting the number of children or for preventing pregnancy. The anguish caused by such unwanted pregnancy may be presumed to constitute a grave injury to the mental health of the pregnant women.
 - **For pregnancies between 20-24 weeks**, the Rules attached to the law prescribe certain criteria in terms of who can avail termination. It also requires opinion of two registered practitioner in this case.
 - **Medical Termination of Pregnancy (Amendment) Rules, 2021** notified in Oct 2021.
 - The gestation limit for termination of a pregnancy in India has been increased from 20 to 24 weeks for some categories of women.

- **Section 3B of the Rules list seven categories** which include survivors of rape/incest; minors; change in marital status during the ongoing pregnancy (widowhood, divorce); women with physical disabilities (major disabilities as per the criterias of PwD Act, 2016); Mentally ill women; cases of foetal malformation; women with pregnancy in humanitarian settings or disaster or emergency situation as may be declared by the government.
- **Abortion beyond 24 weeks** is allowed only in cases of **substantial foetal abnormalities** diagnosed by a **medical board**.
 - All states/UT governments will constitute a **medical board** consisting of gynecologist, pediatrician, radiologist/sonologist and other members notified by the state government.
- **Abortion at any stage** will be allowed if needed immediately to **save women's life**. Here only **opinion of one registered medical practitioner would be needed**.
- **Protection of Privacy:** Name or other details of a woman whose pregnancy has been terminated shall not be revealed except to a person authorized in any law for the time being in force. Violation of this privacy norm is punishable with imprisonment up to a year, a fine or both.
- **Global Scenario:**
 - Globally there has been a trend towards liberalization of abortion laws and increased access to abortion services.
 - Since the early 1990s, nearly 60 countries across the world eased abortion laws to expand the grounds under which abortion is legal.
 - Only four countries, namely El Salvador, Nicaragua, USA and Poland have removed legal grounds for abortion during this time. Most notably, the US Supreme Court eliminated the constitutional right to abortion in 2022.
- **Problems that still remain:**
 - Despite various laudable steps, the law didn't go far enough to change the landscape of abortion rights in India:
 - Experts believed that extension of abortion permission till 24 weeks should be for all women rather than a few categories.
 - **Women still hasn't been given complete control over her body** - Over the years, the understanding and appreciation of the need for women to have complete control over their bodies has increased. This is evident from various Supreme Court verdicts (e.g. the Puttaswamy Judgment) and International Conventions (e.g. the Convention on Elimination of All Forms of Discrimination against women). But, the amendment still leaves the decision of termination in the hands of doctors.
 - **Various SC verdicts** had supported this argument:
 - In 'Suchita Srivastava vs Union of India' case, the SC held that a women's right to make reproductive choices is also a dimension of personal liberty guaranteed under Article 21 of the Constitution.
 - In 'Puttaswamy verdict' the court held that a women's constitutional right to make reproductive choices and the right to "abstain from

procreating" was read into the right to privacy, dignity and bodily autonomy.

- Allowing **termination of pregnancy beyond 24 weeks in case of only "foetal abnormalities"** would mean that a woman would still need to file a writ petition before the court if she wishes to undergo termination for a reason other than the existence of "foetal abnormalities".
- Similarly, in case of "**sex workers**", having a provision for "**partner**" in the framework for abortion, would be a challenge.
- Finally, **very restrictive laws**, promote **backstreet abortions/ illegal abortions** or leads to abandonment of child.
- **Some operational issues:**
 - **Accountability of the medical practitioners and hospitals** for providing the sanction needed for abortions. There is **no onus on the doctors to respond within a clearly specified timeframe, preferably in matters of hours.**
 - The law also doesn't deal with situations where **the two doctors are of contrasting opinion.**
- **POCSO and MTP contradictions**
 - MTP requires doctors to protect confidentiality of person getting abortion, whereas POCSO and the CrPC require mandatory reporting of sexual offences against children.

A) SUPREME COURT VERDICT: X V NCT (SEP 2022)

- **Background:**
 - **Provision 3B** of the Medical Termination of Pregnancy Rules, 2003 allowed **only some categories of women** to seek termination of pregnancy between 20-24 weeks under certain extra ordinary categories.
 - The Challenge to the provision was made in July 2022 when a **25 year old unmarried woman who moved the court seeking an abortion** after Delhi High Court declined her plea to terminate **pregnancy in the 24th week**. The woman's case was that **she wished to terminate her pregnancy as "her partner had refused to marry her at the last stage"**. She also argued that continuation of pregnancy would involve a risk of grave and immense injury to her mental health.
 - **However**, the law allowed such change in circumstances only for "married" relationships.
 - The Supreme Court, holding that the law had to be given a **purposive interpretation**, had allowed the petitioner to terminate her pregnancy in an **interim order**. However, the larger challenge to the law, which would benefit other women as well, was kept pending.
- **Key Highlights and significance of the verdict:**

- The Court held that "the distinction between married and unmarried women under the abortion law through its rules is "artificial and constitutionally unsustainable" and perpetuates the stereotype that only married women are sexually active.
 - Rights available to married women under Medical Termination of Pregnancy Act, 1971, to abort foetus will be available to all women (married or in consensual relationships, and including "persons other than cis-gender women").
- The court **also expanded on Rule 3B(a)** - "Survivors of sexual assault or rape or incest" - to include married women in its ambit. Although it doesn't have the effect of striking down the marital rape exception under the IPC, the ruling said that the women who have suffered "marital assault" can be included in the provision. It is not inconceivable that married women become pregnant as a result of their husbands having "raped" them.
- **Clarification on POCSO vs Right to Privacy norms:**
 - The court acknowledged that adolescent girls who have indulged in consensual sex and are seeking abortion face problems while accessing safe and legal MTP due to provision of mandatory reporting to the police under the POCSO. The judgment clarified that while the need to report mandatorily remains, the identity of the pregnant person need not be disclosed in the cases of consensual sexual activity and where the minor and/or her guardian request the medical service provider to maintain confidentiality.
- **Constitutional values**, such as the right to reproductive autonomy, the right to live a dignified life, the right to equality, and the right to privacy has led court to reinterpret the contours of the MTP Act and the MTP rules.
 - The ruling "**recognizes**" the right of unmarried women; expands and enlarges women's reproductive right.
 - The Court said "Article 21 of the Constitution "recognises and protects the right of a woman to undergo termination of pregnancy if her mental or physical health is at stake. Importantly, it is the woman alone who has the right over her body and is the ultimate decision-maker on the question of whether she wants to undergo an abortion... Depriving women of autonomy not only over their bodies but also over their lives would be an affront to their dignity"
 - While recognizing right to equality, the court also said that her agency and choice is equally important.
- The apex Court has thus created a progressive jurisprudence which interprets the law from the point of view of rights of persons accessing the services.
 - The verdict interprets the provisions of the law/rules as per the changing social mores.
 - The verdict said "transformative constitutionalism promotes and engenders societal change by ensuring that every individual is capable of enjoying the life and liberties guaranteed under the Constitution" and "the law must remain cognizant of the fact that changes in society have ushered in significant changes in family structures"
- The judgement also makes Indian legal system in compliance with international norms which obligates India to provide safe and legal access to sexual and reproductive health and rights that include abortions.

- Report by UN population Fund in 2022 - nearly 67% of abortions in India are deemed unsafe killing eight women on an average daily.

B) SUPREME COURT VERDICT (OCT 2023): REJECTED A 26-WEEK PREGNANT WOMEN'S PLEA FOR ABORTION:

- A married women 26 weeks pregnant had approached the SC seeking to terminate her pregnancy citing inability to take care of the child due to post-partum depression and other health issues. She has two other children and the new pregnancy had gone undetected due to lactational amenorrhea. Her last pregnancy was an year ago and she is being treated for postpartum psychosis.
- The Supreme Court rejected the woman's plea for abortion.
- **Reasons why court denied the request:**
 - The AIIMS **medical board in its report found no cause for immediate concern:** the foetus was healthy and viable.
 - The court also added government would bear the cost and woman may give the child for adoption post delivery.
 - It said that there are rights of unborn child too and it should be balanced.
- **Analysis:**
 - **Rights of women vs Foetal Rights**
 - While in X v NCT the court declared that 'it is woman alone who has the right over her body' and is the ultimate decision maker. However, in practice, when individual women come before courts, a discourse on foetal rights has begun to emerge.
 - **Pro-Life and Pro-choice debate:**
 - This conversation is largely alien to India. But now, court has initiated this debate and thus it has to be engaged with.
 - A pro-choice discourse however, is not materially and politically conducive argument for Indian Society.
- **Way Forward:** Apex Court's decision (Sep, 2022) is only the first step forward in the Indian women's fight for reproductive and bodily autonomy. Much more needs to be done:
 - The true measure of the success of the amendment and the 2022 SC judgment would be its effective implementation and how it is able to bridge the access gaps.
 - Focus on increasing access - increase th number of gynaecologists and obstetricians in community health clinics in rural areas.
 - Take strict action against illegal abortion clinics.
 - Put in place a rights-based approach, telemedicine etc.
 - **Bring clarity on the "Rights of a foetus"**

- The rights of foetus under the Indian Constitution is unclear - there is no upfront articulation about it. Whether the foetus possesses rights, or simply interests is also ambiguous.
 - A 2016 Bombay High Court decision relied on international human rights law to hold that the foetus doesn't have rights till birth.
- **In essence**, the state of law is jumbled, and **requires urgent deliberation**, especially if foetal interests (or, rights) are being used to restrict abortion rights.
- **Make the wording of the law more inclusive by replacing "Women" with "Person"**.
 - Many people who don't identify as women but can experience pregnancy. They also require access to safe abortions.
- **Some other amendments** which could further make MTP progressive include:
 - Allowing abortion upto 12 weeks at the will of the pregnant women.
 - Extending the option of abortion beyond 24 weeks to survivors of sexual abuse/rape.
- **Increased Awareness** about the law and the SC Verdict:
 - This is needed as abortion still remains a stigma, especially in the lower rungs of society with motherhood constantly being looked through a moral prism.
- **Mainstream medical curriculum** as well as **Society** -> needs to be sensitized towards women's right and their freedom of choice to either keep or terminate her pregnancy, which would ultimately affect her entire life by interrupting her education, her career, or affecting her mental health.

1) S&T: FUSION REACTIONS:

- **Why in news?**
 - US scientists repeat fusion ignition breakthrough for 2nd time in July 2023.
 - Scientists at the California-based lab repeated the fusion ignition breakthrough in an experiment in the National Ignition Facility (NIF) on July 30 that produced a higher energy yield than in December.
- **Example Questions:**
 - “Use of fusion process for generating electricity at a commercial scale is decades away, but the latest experiment by US scientists is still a big deal. Elaborate. How is their method different from the one being used by ITER?
- **Introduction:**
 - **Fusion** is the energy source of the Sun and Stars. A fusion reaction occurs when two atoms of lighter nuclei combine to form an atom with heavier nucleus. The mass of the resulting atom is slightly less than the combined mass of the constituent atoms, and this lost mass is released in the form of energy as per Einstein’s mass-energy equivalence relation ($E=mc^2$)
 - **Fusion takes place** at very high temperature (for e.g. Sun’s core has a temperature of 15 million degree C)
 - What is the **need of extremely high temperature?**
 - » to **overcome the electrical repulsive force**
 - Till date we don’t have any stable fusion reactor.
 - **Development of thermonuclear energy power plants has been difficult:**
 - **Three conditions must be fulfilled** to achieve fusion in a laboratory:
 - » **Very High Temperature** (on the order of 15 million degrees C)
 - » **Sufficient Plasma particle density** (to increase the likelihood that collisions do occur)
 - » **Sufficient confinement time** (to hold the plasma, which has the propensity to expand, within a defined volume)
 - **Note:** Twentieth century fusion science identified the most efficient fusion reaction in the laboratory setting to be reaction between two hydrogen isotopes, deuterium (D) and tritium (T), as the D-T reaction produces the higher energy gain at the “lowest temperatures”.
- **Why nuclear fusions are important as an energy source?**
 - **Easily available raw material**
 - **Most efficient known form of energy production in the universe** – it produces four times more energy than a standard Uranium-based fission reaction.

- Nuclear Fusion is a clean and green route to produce energy, as it doesn't involve any remnant waste products.
 - Long term energy security
- **USA's Attempt:**
 - In Dec 2022, an experiment at US National Ignition Facility (NIF), within the Livermore National Laboratory, Livermore, California, achieved a **fusion ignition** by successfully conducting a fusion test that produced 153% (1.53 gain) as much energy as went into triggering it.
 - In July 2023, in a repeat of the above experiment, scientists were able to generate more energy with nearly a factor of 2 in gain compared with energy of the incoming lasers.
- **Types of Fusion Reactions:**
 - **What happens in Sun's Core?**
 - Class discussion
 - For fusion reaction to happen in reactors, the high temperature must be created artificially. There are **two different ways** of achieving this: **Inertial Confinement Method** and **Magnetic Confinement Method**:
 - 1) **Inertial Confinement Method**: In this method, high energy laser beams are focused onto a pellet of the fuel (D-T), which creates extreme temperatures required for fusion inside it. The outer mass of the pellet explodes and is responsible for confining the reaction.
 - E.g., **The NIF reactions**
 - 2) **Magnetic Confinement Fusion (MCF)**: It uses a magnetic field to contain plasma, which prevents the particles from hitting the reactor walls which could otherwise cause them to slow down.
 - **Magnetic confinement** uses a torus-shaped reactor called tokamak, in which a hydrogen plasma is heated to a high temperature and the **nuclei are guided by strong magnetic fields to fuse**. **ITER** is a famous example of an experiment trying to achieve fusion using magnetic confinement.
 - 3) **Some other variants** also exist such as those which use a combination of these methods (**Magnetized Target Fusion**) and those that combine fission with fusion (**Hybrid Fusion**)
 - **The NIF Breakthrough:**
 - » In **Dec 2022**, NIF was finally able to achieve 'breakeven', or a net positive energy gain.
 - » In **July 2023**, it was able to replicate its efforts, but now with a bigger gain (almost 2)
 - » In both these achievements **inertial confinement was employed**.

- In NIF's set up, high-power lasers fire pulses at a 2 mm wide capsule inside a 1-cm-long cylinder called **hohlraum**, in less than 10 billionths of a second. The capsule holds deuterium and tritium atoms.
 - As the pulse strikes the hohlraum's inside, the latter heats up and releases x-rays, which **heat the nuclei to millions of degrees centigrade** and compress them to **billions of Earth atmosphere.** This **technique is called inertial confinement method** because the nuclei's inertia creates a short window between implosion and explosion in which the strong nuclear force dominates, fusing the **nuclei.**
 - Specifically, when two hydrogen-2 nuclei fuse, they yield a helium-4 nucleus, a neutron and **17.6 MeV** of energy.
- **Significance:**
 - » **Fusion ignition** is one of the most impressive feats of the 21st century and is an engineering marvel beyond belief.
- **Some Caveats:**
 - » **First:** NIF experiment is highly sophisticated and required very high precision. Even small changes in the experiment may negatively impact the output. So, for long term use, **they will have to reproduce these results again and again.**
 - » **Second:** For fusion reaction to be truly gainful, the **energy released by the reactions needs to be greater than the energy going into the lasers,** about 300 megajoules, and not just the energy delivered to the hohlraum. This hasn't been achieved yet. The energy transferred to plasma is just 1%, the rest is all lost in other processes. **"Future research will need to focus on reaching the next major milestone – a target gain of $G > 100$,** which is required to run a power plant efficiently.
 - » **Third:** The road to a power plant from the NIF's current achievement isn't well understood.
- **India and Fusion:**
 - India has become one of the major players in fusion technology and has been one of the pioneers in its development.
 - The **Plasma Physics Program** was initiated by the GoI in 1982 to conduct research at MCF, which later evolved into the **Institute for Plasma Research (IPR)** in 1986 and led to the creation of India's own **tokamak, ADITYA,** in 1989.
 - Subsequently, it also developed a large semi-indigenous tokamak called the **Steady State Superconducting Tokamak (SST-1)** which was fully commissioned in 2013. IPR has also revealed its plans for a successor, the SST-2, due in 2017.
 - In 2005, India became the 7th member to join the **International Thermonuclear Experiment Reactor (ITER) project,** a global initiative attempting to build the world's largest tokamak reactor.
 - **ITER-India** has been set up under the supervision of IPR and is responsible for fulfilling India's commitment to the project. It has already provided the world's largest **cryostat,** a vacuum application stainless steel vessel, to house the reactor, along with a host of other equipment.

- **Key Limitations for India:**

- Lack of **Private Investment**: it is primarily because of Atomic Energy Act, 1962, which puts the brunt of developing and running nuclear power stations on the government.
 - **However**, a recent government panel convened by NITI aayog has recommended overturning the ban of foreign investment and allowing greater participation of private players.

- **Conclusion:** The NIF experiment has opened up a new avenue for achieving nuclear fusion through the means of inertial confinement and it would be fruitful for India to take notice and invest in this technology since it's clear that this is where the future lies.

2) NON-PERFORMING ASSETS (NPAS)

- **Non-Performing Assets - Basics**

- » Assets in a banking system comprises of loans given and investments (in bonds etc.) made by banks as these earn interest/profit for banks.
- » If the interest/ principal instalment of a loan is not paid until due date, it is called **bad loan**.
- » An asset including a leased asset, becomes non-performing when it ceases to generate income for the bank.
- » According to RBI **A Non-Performing Asset** is a loan or advance where instalment/interest is due for more than 90 days in case of a term loan or overdraft account/ credit account. Similarly in case of **agriculture loans** an account becomes an NPA if the instalment/interest remains overdue for two crop season for a short duration crop, or one crop season for a long duration crop.

- **Stressed Assets** refers to all NPAs plus restructured assets plus written off assets.

- **NPAs of Indian Banking System had reached 11.18% in 2018.**

- **Why had NPAs increased so much in the last decade?**

- Credit Boom in mid 2000s and then the global financial crisis:** In Mid 2000s large corporates were granted loans based on extrapolation of their recent growth and performance. But with stagnating economic growth due to Global financial crisis, their loan returning capabilities decreased.
- Indian creditors used the strategy of "Giving time to time" and hoped that economic revival will reduce NPAs -> this only led to evergreening of NPAs.**
- Poor Recognition:** Banks were initially reluctant to recognize NPAs. The true extent of NPA problem only started becoming clear once the RBI initiated the Asset Quality Review in 2015.
- Poor Governance and Regulation of Banks - Crony Capitalism - Poor Recovery**
- Lack of specialization of banks in recovering bad loans / NPAs**
- Other Factors which negatively impacted businesses**
 - **Key Judicial Decisions**
 - Judicial decisions like abrupt cancellation of coal mines and spectrum allocation led to reallocation through expensive auctioning procedure and thus proved to be a fatal burden on respective business models of power, steel and telecom.

- **Land Acquisition and environmental clearance issues** also blocked a number of projects and contributed towards increasing NPAs.
- VII. **Insolvency and Bankruptcy Procedure** has not proved very effective yet.
- VIII. **Absence of strict action against bank frauds of high magnitude**
- This is because of absence of a strong law against wilful defaulters and fraudsters

– **IMPACT Of High NPAs**

» **On Banking Sector**

- Decreasing income/Increasing losses for the banks
- Reduces effective internal source of increasing capital which is even under a lot of pressure on account of impeding BASEL-3 guidelines.
- Downgrading of ratings as asset quality deteriorates, this would make international operation and funding difficult.

» **Hinders Economic Growth**

- Accumulation of NPAs in the banking system, specifically in the PSBs, had adverse effects on credit disbursement. Reduction in credit available for market and individual customers led to slowing down of economy.
- The Rise in NPAs occurred with the deterioration of the balance sheet of non-financial firms, and this **twin balance sheet problem** contributed significantly to the deceleration of growth in late 2000s.

» **On Government**

- Increasing **fiscal burden** on government as it has to recapitalize these banks to ensure their proper functioning.

» **On Individuals/ Society**

- **Relatively expensive loans** and decreased interest on deposits.
 - This means that performing borrowers and depositors were effectively being taxed in order to subsidize the non-performing borrowers.
 - Only after demonetization, the interest rates went down because of the flux of cash with the banks
- Less budget/credit available for social welfare programs.
- Eventually its common man's money in the form of deposits which have been lend by banks and is put at risk in case the bank fails.

– **Balance Sheet Syndrome with Indian Characteristics:** High NPAs (TBS problem) have derailed growth in other countries. But huge NPAs have not had as huge an impact as in case of other countries. This is being considered 'Balance Sheet Syndrome with Indian Characteristics.'

- This is because the NPA's are concentrated in public sector banks which not only hold their own capital but are ultimately backed by the government who would eventually come to save these banks in case situation gets out of hand. Therefore, creditors have retained confidence in the banking system and there has been no bank runs, no stress in the inter-bank market etc.
- Mid 2000s boom had created enough infrastructure (in India's severe supply constraint economy), that there was ample room for the economy to grow after the GFC.

- **4 Key steps in solving the NPA problem** (As suggested by Economic Survey of India 2015-16)
 - **4Rs, Recognition, Recapitalization, Resolution, Reform**
 - » **Recognition:** Banks must value their assets as far as possible close to true value (recognition) as the RBI has been emphasizing
 - Asset Quality Review by RBI has done this and brought the real numbers forward.
 - » **Recapitalization:** Once the true value of the assets is recognized, the capital position must be safeguarded via infusion of equity (recapitalization).
 - Bank recapitalization has been a regular feature of the Union Budget since 2016-17. Between FY17 and FY21, the centre has infused about 3.31 lakh crore into banks.
 - » **Resolution:** The underlying stressed assets in the corporate sector must be sold or rehabilitated (resolution) as the government has been desiring.
 - **IBC** has played an important role in increasing recovery.
 - » **Reform:** Future incentives for private sector and corporates must be set-right to avoid repetition of the problem.
 - Reform is one area where least progress has been made.
 - Governance structure of the banks have almost remained the same

– **Steps Taken:**

1. **Know your customer (KYC)** norms have been strengthened
2. **Early identification and reporting of stress** - Special Mention Account (As per revised framework for resolution of stressed assets - Feb 2018)

- Lenders are required to identify incipient stress in loan accounts, immediately on default, by classifying assets as Special Mention Account (SMA) as per the following categories

SMA Subcategory	Basis for classification - principal or interest payment or any other amount wholly or partly overdue
SMA-0	1-30 days
SMA-1	31-60 days
SMA-2	61-90 days

- This has to be reported to Central Repository of Information on Large Credit (CRILC) on all borrowers' entities having aggregate exposure of Rs 5 crore and above with them.
3. **Asset Quality Review by RBI**
 - To deal with the cases of divergences in identification of NPAs or addition provisioning across banks at the central office level
 4. **Indradhanush Scheme**
 - Improving 7 different areas of banks (including capitalization)
 5. **Insolvency and Bankruptcy Code (IBC-2016)**
 - To fast track insolvency resolution process and increase the % recovery. This was a more direct path to handle bad loan.
 - It allowed lenders to take defaulting borrowers to NCLT and trigger off bankruptcy proceedings against them.

6. **Fugitive Economic Offenders Act, 2018**, is also acting as a deterrent and may prevent future offenders from running to other countries.

7. **Project Sashakt (July 2018)**

- It is a five pronged strategy to resolve bad loans outline - SME resolution approach, bank led resolution approach, AMC/AIF led resolution approach, NCLT/IBC approach and asset trading platform
 1. **SME Resolution Approach (SRA):** Bad loans of upto 50 crore will be resolved at the bank level, with a deadline of 90 days. For this approach, the committee has also suggested setting up of a steering committee by banks for formulating and validating the schemes, with a provision for additional funds.
 2. **Bank led resolution approach:** For loans between 50-500 crore, banks will enter an inter-creditor agreement, authorizing the lead bank to implement a resolution plan in 180 days, or refer the asset to NCLT. Here, an independent steering committee appointed by the Indian Banks Association (IBA) will validate the process. The resolution plan has to be approved by lenders holding at least 66% of the debt.
 3. **AMC/AIF led resolution approach:** For loans above 500 crore, the panel envisages one or more Independent Asset Management Company (AMC), supported by institutional funding through the Alternate Investment Fund (AIF).
 - The committee suggested that the bidding process should follow a market-led approach, inviting bids from AMCs, ARCs, and AIF.
 - Existing players, such as ARCIL and the national AMC, will be allowed to set the floor price for the bad assets while other players will be asked to either match the price or better it.
 - The AMC has to redeem security issued to banks by ARCs within 60 day
 4. **Asset trading platform** for performing and non-performing loans
 5. **NCLT/IBC approach**
 - If none of the above approaches work, NCLT will take over under the IBC provisions.

8. **Prompt Corrective Action (PCA) Framework**

- **What is PCA?**
 - It is a framework under which banks with weak financial matrices are put under watch by RBI.
 - The framework uses **three parameters** to measure the weakness of a bank:
 - **Capital Ratio**
 - **Asset Quality**
 - **Profitability**
- **RBI's revised PCA framework for banks applicable from 1st Jan 2022.**
 - The framework would apply on all banks operating in India, including foreign banks operating through branches or subsidiaries based on breach of risk thresholds of identified indicators.
 - **Three parameters** to measure the weakness of the bank: Capital, Asset Quality and Leverage Ratio.

- **Indicators to be tracked** for capital, asset quality and leverage would be CRAR/Common Equity Tier-1 Ratio, Net NPA Ratio, and Tier 1 Leverage Ratio.
- **Breach** of any risk threshold may result in invocation the PCA.
- **Entry:** A bank will generally be placed under PCA framework based on the Audited Annual Financial Results and the ongoing Supervisory Assessment made by RBI.

PCA matrix – Parameters, indicators and risk thresholds				
Parameter (1)	Indicator (2)	Risk Threshold 1 (3)	Risk Threshold 2 (4)	Risk Threshold 3 (5)
Capital (Breach of either CRAR or CET 1 ratio)	CRAR - Minimum regulatory prescription for Capital to Risk Assets Ratio + applicable Capital Conservation Buffer (CCB)	Upto 250 bps below the Indicator prescribed at column (2)	More than 250 bps but not exceeding 400 bps below the Indicator prescribed at column (2)	In excess of 400 bps below the Indicator prescribed at column (2)
	and/or Regulatory Pre-Specified Trigger of Common Equity Tier 1 Ratio (CET 1 PST) + applicable Capital Conservation Buffer (CCB)	Upto 162.50 bps below the Indicator prescribed at column (2)	More than 162.50 bps below but not exceeding 312.50 bps below the Indicator prescribed at column (2)	In excess of 312.50 bps below the Indicator prescribed at column (2)
	Breach of either CRAR or CET 1 ratio to trigger PCA			
Asset Quality	Net Non-Performing Advances (NNPA) ratio	>=6.0% but <9.0%	>=9.0% but < 12.0%	>=12.0%
Leverage	Regulatory minimum Tier 1 Leverage Ratio	Upto 50 bps below the regulatory minimum	More than 50 bps but not exceeding 100 bps below the regulatory minimum	More than 100 bps below the regulatory minimum

- **RBI's corrective action plan based on risk threshold**

- RBI can put **mandatory restrictions** on dividend distribution, branch expansion, and management compensation based on the risk threshold.
 - In an extreme situation, breach of third threshold, would identify bank as likely candidate for resolution through amalgamation, reconstruction or winding up.
- Further there can be **discretionary restrictions** on bank's lending limit, special audit etc.
- RBI can supersede the bank's board, under the PCA.

- **Idea behind PCA:**

- Handle problems before they attain crisis situation.
- Essentially PCA helps RBI monitor key performance indicators of banks, and taking corrective measures, to restore financial health of a bank.

9. UDAY Scheme (for state power discoms)

- As they were one of the largest NPA holders.

10. Governance Reform in banks

- E.g., Separation of the post of CMD and Chairman

– **Impact: Current Situation:**

- » Since 2015-16, RBI and the government have made dedicated efforts in terms of calibrated measures like strengthening the regulatory and supervisory framework, implementation of 4R's

approach of **Recognition, Resolution, Recapitalization, and Reforms** to clean and strengthen the balance sheet of the banking system. These continuous efforts have culminated in the enhancement of risk absorption capacity and a healthier banking system balance sheet in terms of asset quantity and quality over the years.

- » **Indian Banks' NPA** has fallen to a **10-year low and is expected to improve further: RBI**
 - **Gross NPAs** of Indian Banks is **3.9%** as of March 2023.
 - **Net NPAs** had dropped to a ten year low of 1.3% in Sep 2022.
- » **Why decrease:**
 - Lower slippages and reduction in outstanding GNPA through recoveries, upgrades, and write offs led to this decrease.

– **What more can be done:**

- » **Governance Reform in Banks and exit of poorly performing banks.**
 - Financial sector is undergoing structural changes (fintech and other NBFCs) are challenging existing business models.
 - Governance reforms and cost reduction through innovation should be the key to survive in this environment and therefore it is important that inefficient banks should be wind up.
 - Banks have to come up with robust credit worthiness evaluation mechanism.
 - Process of consolidation of banking sector should continue.
- » **Strengthening Insolvency and Bankruptcy Code** as and when loopholes emerge
 - Currently NCLT faces huge work load and hence its resources needs improvement.
- » **Bring back developmental financial institutions.**
- » **Robust and Transparent Secondary market** should be promoted to deal with bad loans.
 - For e.g., in USA, almost a trillion dollar of bad debt is handled every year through an active secondary market which includes ARCs.
 - A robust and transparent secondary market, unhindered by excessive regulation, is an essential element in the vital process of transferring risk from the banks to the capital markets.
- » **Strengthening legal system** to deal with willful defaulters.
 - Currently, willful defaulters are mostly able to go scot free. This will inculcate discipline among the borrowers.

– **Conclusion**

- » Though NPA issue has been resolved, but if the core issues of the banking sector like poor governance, political interference, etc are not resolved, the problem may re-emerge in future.

3. PRELIMS FACTS

1) PLACES IN NEWS: GULF OF GUINEA

It is the north easternmost part of the tropical Atlantic Ocean from Cape Lopez in Gabon, north and west to Cape Palmas in Liberia.

The intersection of Equator and Prime Meridian (Zero degree longitude and Zero degree latitude) is in the gulf.

It borders eight African countries - Ghana, Togo, Benin, Nigeria, Cameroon, Equatorial Guinea, Gabon, Sao Tome & Principe.

Note: Some definitions of Gulf of Guinea also include Cote d'Ivoire and Liberia as the border countries of Gulf of Guinea.

River: the main river dispersing its water in the Gulf are the Niger River and the Volta river.

Note: Volta is the main river system in the country of Ghana.

In Oct 2023, India conducted joint drills with warships from the EU in **Gulf of Guinea**, including flying exercises and tactical manoeuvres off the coast of Ghana.

This is the **first time** Indian ships have taken part in such a drill in the Gulf of Guinea with EU.

Indian Navy's INS Sumedha, an offshore patrol vessel, was joined by naval ships of three EU member states - Italian ship ITS Foscari, French Ship FS Ventose and Spanish Ship Tornado



Earlier, in Sep 2022, INS Tarkash, which is deployed in Gulf of Guinea for anti-piracy operations took part in joint maritime exercise with Nigeria Navy Patrol Ships. This exercise marked the first joint operational deployment by India and Nigeria, in support of anti-piracy operations, in the Gulf of Guinea.