Prelim Bits 27-08-2021 | UPSC Daily Current Affairs

Greater Malé Connectivity Project

Maldives government signed an agreement with Indian company AFCONS, for the construction of the Greater Malé Connectivity Project by 2023.

- This is a follow-up agreement worth of 500 million US Dollar signed by India and Maldives in 2019.
- This project was funded by India in a grant of $100 million, with a line of credit of $400 million.

> Line of Credit is not a grant but a 'soft loan' provided on concessional interest rates to developing countries, which must be repaid by the borrowing government.

- This infrastructure project is the largest-ever by India in the Maldives, and also the biggest infrastructure project in the Maldives overall.
- It involves the construction of a 6.74-km-long bridge and causeway link that will connect the Maldives capital Malé with the neighbouring islands of Villingli, Gulhifalhu and Thilafushi.
- **Significance** - This project is significant because it facilitates inter-island connectivity in the country.

Covid-19 to Become Endemic

The World Health Organization Chief Scientist said that Covid-19 may be entering a stage where it will become endemic.

> Endemic refers to the constant presence and/or usual prevalence of a disease or infectious agent in a population within a geographic area.
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> Epidemic refers to a scenario when the number of cases of the disease increases, often suddenly, which means the cases are more than the expected levels.

- This announcement means that some people will get infected but the levels at which it will circulate will be low to moderate, depending upon
  1. Natural immunity,
  2. Vaccine-induced immunity and
  3. Geographical area's population
- When epidemics become endemic, they become "increasingly tolerated" and the responsibility of protecting against it shifts from the government to the individual.
- A modelling study said that in a few years, SARS-CoV-2 may be no more virulent than the common cold.
- The virus needs a host to survive, in the present case, it requires a human host to sustain its

own survival.
- Therefore as more people get infected or get vaccinated, the virus should become less life threatening, but it will still keep infecting people.

Resolution Framework 2.0

According to the Crisil Ratings report, barely 1% of eligible corporates have opted for or are looking for debt restructuring under the RBI's Resolution Framework 2.0.

- This shift is due to the fact that there is a **recovery in demand** after moderation during the 2nd Covid-19 wave and there is a growing confidence in **economic growth**.
- The more localised and less stringent nature of restrictions during the 2nd wave has meant relatively lower disruption in business activities compared to the first wave.
- The RBI's Resolution Framework 2.0 was announced for borrowers, including individuals, small businesses, and MSMEs with an aggregate exposure of up to Rs. 50 crore, with some caveats.
- These borrowers should not have availed any restructuring to be eligible under Resolution Framework 2.0.
- For individuals and small businesses who have availed restructuring of loans under Resolution Framework 1.0, lending institutions can now extend residual tenure up to a total period of 2 years.

Committee on Urban Co-operative Banks

The RBI's expert committee on urban co-operative banks (UCBs) has suggested a four-tiered structure to regulate them, based on size of deposits.

- **Umbrella Organisation** - The committee suggested setting up an Umbrella Organisation (UO) to oversee co-operative banks.
- UO should be financially strong and be well governed by a professional board and senior management, both of which are fit and proper.
- As an alternative to mandatory consolidation, the Committee preferred smaller banks acquiring scale via the network of the UO.
- **Merger** - The Committee has suggested that the UCBs should be allowed to open more branches if they meet all regulatory requirements.
- If the UCBs don't meet the prudential requirements, the RBI should mandatorily merge or reconstruct the UCBs to resolve them.
- **Four-Tiers** - UCBs may be categorised into 4 tiers for regulatory purposes, based on the banks' cooperativeness, availability of capital and other factors,
    a. Tier 1 with all unit UCBs and salary earner's UCBs (irrespective of deposit size) and all other UCBs having deposits up to Rs 100 crore,
    b. Tier 2 with UCBs of deposits between Rs 100 crore - 1,000 crore,
    c. Tier 3 with UCBs of deposits between Rs 1,000 crore - 10,000 crore
    d. Tier 4 with UCBs of deposits more than Rs 10,000 crore.
- The Committee has suggested that the minimum Capital to Risk-Weighted Assets Ratio (CRAR) for them could vary from 9% to 15% and for Tier-4 UCBs the Basel III prescribed norms.
- It has also prescribed separate ceilings for home loans, loan against gold ornaments and unsecured loans for different categories of UCBs.
- **SAF** - The Supervisory Action Framework (SAF) should follow a twin-indicator approach instead of triple indicators at present in order to find a time-bound remedy to the financial stress of a bank.

- So, the asset quality and capital should be measured only through two indicators NNPA and CRAR.
- If a UCB remains under more stringent stages of SAF for a prolonged period, it may have an adverse effect on its operations and may further erode its financial position.

Minervarya Pentali

It is a new frog species that was discovered from the globally recognised biodiversity hotspot, the Western Ghats.

- This new species is **endemic** to the southern Western Ghats - Kerala and Tamil Nadu.
- It is also among the smallest known Minervarya frogs.
- It is a species of frog in the fork-tongued frog family, Dicroglossidae.

Source: PIB, The Hindu, The Indian Express, Business Standard

