Economic Survey 2020-21 Part - XIV

1) Consider the following statements with respect to *Banking Regulation (Amendment) Act, 2020*

1. Under the Act, the Reserve Bank of India (RBI) has been empowered to supersede the Board of Directors of an Urban Cooperative Bank (UCB).
2. The Board of UCBs would be required to have not less than 51% members having special knowledge/practical experience in specified areas.
3. The Act provides for winding up of a UCB by High Court at the instance of the Reserve Bank of India (RBI).

Which of the statements given above are correct?

    a. 1 and 2 only

    b. 1 and 3 only

    c. 2 and 3 only

    d. 1, 2 and 3

Answer : d

Banking Regulation (Amendment) Act, 2020

- The Banking Regulation Act, 1949 has been amended by the Banking Regulation (Amendment) Act, 2020.
- The key changes in the regulatory regime of Urban Cooperative Banks (UCBs) pursuant to the Banking Regulation (Amendment) Act, 2020 are as under:

1. The **Reserve Bank has been given powers** over the management of the UCBs, owing to which it can issue directions relating to the management of UCBs including approval for appointment of Chairman / MD / CEO, removal and remuneration of MD / CEO.
2. Further, the Board of UCBs would be required to have not less than 51% members having special knowledge/practical experience in specified areas.
3. The statutory restriction on grant of director-related loans / advances has been widened and common directorship across banks shall be prohibited as per the provisions of the amended Act.
4. The Reserve Bank has been vested with powers of approval of the appointment /removal of statutory auditors of UCBs.
5. Provisions of the revised Act will enable UCBs to raise capital by issue of equity/preference/special shares and debentures/bonds/like securities subject to such conditions as the Reserve Bank may specify in this behalf.
6. The Reserve Bank has been empowered to supersede the Board of Directors of a UCB; though in case of a UCB having operations confined to a single State, in consultation with the concerned State Government.
7. The Reserve Bank has been empowered to sanction voluntary/compulsory amalgamation and to prepare scheme for reconstruction of a UCB with the approval of the Central Government.
8. The amended Act provides for winding up of a UCB by High Court at the instance of the Reserve Bank.

2) Consider the following statements with respect to *Digital Payments Index (DPI)*

1. It is a composite index constructed by the Reserve Bank of India (RBI).
2. The index captures the extent of digitisation of payments across the country with March 2019 as the base period.

Which of the statement(s) given above is/are correct?

a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2

Answer : a

Digital Payments Index (DPI)

- Reserve Bank of India has constructed a composite ***Digital Payments Index (DPI)*** to capture the extent of digitisation of payments across the country.
- The RBI-DPI comprises of 5 broad parameters that enable measurement of deepening and penetration of digital payments in the country over different time periods.

These parameters are:

1. Payment Enablers (weight 25%)
2. Payment Infrastructure – Demand-side factors (10%)
3. Payment Infrastructure - Supply-side factors (15%)
4. Payment Performance (45%)
5. Consumer Centricity (5%)

- The RBI-DPI has been constructed with March 2018 as the base period, i.e. DPI score for March 2018 is set at 100.
- The DPI for March 2019 and March 2020 work out to 153.47 and 207.84 respectively, indicating high growth over the years.
- The index has grown more than 100 per cent in a span of 2 years.

3) With respect to *Insurance Penetration in India*, consider the following statements:

1. Insurance Penetration is calculated as ratio of insurance premium to population.
2. India has extremely low insurance penetration as compared to global average.

Which of the statement(s) given above is/are correct?

a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2

Answer : b

- The performance and potential of insurance sector is assessed using two indicators- Insurance penetration and Insurance Density.

Insurance penetration

- It is calculated as ***percentage of insurance premium to GDP***.

- In India, Insurance penetration which was 2.71 per cent in 2001 has steadily increased to 3.76 per cent in 2019.
- In contrast, insurance penetration in Asia, i.e., Malaysia, Thailand and China was 4.72, 4.99 and 4.30 per cent respectively in 2019.
- India has extremely low insurance penetration as compared to global average and other comparable countries.

Insurance density

- It is calculated as ratio of insurance premium to population.
- The insurance density in India which was US$ 11.5 in 2001 reached to approximately US$ 78 in 2019.
- The comparative figures for Malaysia, Thailand and China in 2019 were much higher at US$ 536, US$ 389 and US$ 430 respectively.

4) Consider the following statements with respect to *Consumer Price Index - Industrial Workers (CPI-IW)*

1. It measures the impact of price rise on the cost of living for working class families spread across certain select industries.
2. It is compiled and disseminated by the Labour Bureau on a monthly basis.
3. The base year of CPI-IW has been revised from its earlier 2001 to a more recent base year of 2016.

Which of the statements given above are correct?

a. 1 and 2 only

b. 1 and 3 only

c. 2 and 3 only

d. 1, 2 and 3

Answer : d

- The CPI-IW is compiled and disseminated by the Labour Bureau on a monthly basis.
- It measures the impact of price rise on the cost of living for working class families spread across certain select industries.
- The base year of CPI-IW has been revised from its earlier 2001 to a more recent base year of 2016.
- The new series of CPI-IW covers the industrial workers from the existing seven sectors viz. Factories, Mines, Plantation, Railways, Public Motor Transport Undertakings, Electricity Generating & Distributing Establishments and Ports & Docks.
- The new series has a wider coverage in terms of sample size, number of centres, markets/outlets, items etc.