

**DAILY  
CURRENT  
AFFAIRS  
ANALYSIS**

 LAKSHYA ACADEMY®

**23 SEPTEMBER 2023**

## 1 – SCO:

### GS II

#### Topic → International Relations:

- **Context:**

- Under the auspices of the Shanghai Cooperation Organization (SCO), an unprecedented conference on "Shared Buddhist History" was held last week in India. Academics and experts from Pakistan, Tajikistan, Belarus, Bahrain, Burma, the United Arab Emirates, and Kazakhstan attended. According to the organisers, India will also host the International Buddhist Conference in the upcoming months.

- **About:**

- The SCO is a long-standing, multinational, intergovernmental organisation.
- The objective of this Eurasian political, economic, and military institution is to maintain peace, security, and stability in the region.
- It was established in 2001.
- The SCO Charter was signed in 2002 and went into force in 2003.

- **Genesis:**

- Prior to the creation of the SCO in 2001, the Shanghai Five, which comprised Tajikistan, China, Kyrgyzstan, Kazakhstan, and Russia, existed.
- The Shanghai Five (1996) was the outcome of numerous border delineation and demilitarisation talks between China and the four former Soviet republics in order to maintain peace along the borders.
- Uzbekistan joined the Shanghai Five in 2001, and the organisation later adopted the name SCO.
- India and Pakistan joined in 2017.
- According to rumours, Iran will become a full member of the SCO on September 17, 2021.

- **Objectives:**

- fostering a sense of cooperation and neighbourliness among the member states.
- promoting effective cooperation in the areas of trade, the economy, research, and culture.
- developing ties in industries like tourism, energy, transportation, and environmental protection.

- maintain and uphold the peace, security, and stability of the region.
- the establishment of a new, democratic, equitable, and rational world political and economic order.
- **Membership:**
- Iran, China, India, Pakistan, Tajikistan, Kazakhstan, Kyrgyzstan, Russia, and Uzbekistan are the other countries mentioned.
- **Structure:**
- The SCO's governing body, the Heads of State Council, makes decisions regarding how the group will function internally, engage with other States and international organisations, and address global challenges.
- The Heads of Government Council discusses issues pertaining to the interaction of economic sectors within the SCO and approves the budget.
- ponders issues pertaining to day-to-day operations in the Council of Foreign Ministers.
- The Regional Anti-Terrorist Structure (RATS) was established to combat terrorism, separatism, and extremism.

Source → *The Hindu*

## 2 – One Rank One Pension Scheme:

### GS II

#### Topic → Government Policies and Interventions:

- **Context:**
- The government was given permission on March 20 by the Supreme Court to pay the veterans' arrears under the One Rank One Pension (OROP) system in a series of installments totaling 28,000 crore.
- The OROP arrears payment would be dispersed to a total of 21 lakh eligible retirees in various categories between April 2023 and February 2024.
- **About:**

- OROP refers to the payment of the same pension to military officers for the same rank and the same amount of service, regardless of the date of retirement.
- Before OROP, retirees from the armed forces were given pensions in accordance with the Pay Commission's recommendations.
- The states having the most OROP recipients are Punjab and Uttar Pradesh.
- It applies to former members of the armed forces who had retired as of June 30, 2014.
- Prior to the program's execution, the Koshiyari committee, an all-party parliamentary group of 10 members led by Bhagat Singh Koshiyari, issued its recommendations.

*Source → The Hindu*

### **3 – Privatization in Public Sector Banks:**

#### **GS III**

#### **Topic → Indian Economy:**

- **Context:**
- According to data presented in the Lok Sabha on Monday by the Minister of State for Finance, Bhagwat Karad, at least three public sector banks currently employ 30% or more women. At all but one public sector bank, the proportion of women employees has increased during the past year.
- As of February 28, 2023, Indian Overseas Bank has 36% of female employees altogether, which was the highest percentage. Canara Bank (31.6%) and Punjab & Sindh Bank (30.0%), whose percentages climbed from 29.3% in March 2022 to 30% in the first 11 months of 2022-2023, respectively, came in second and third place, respectively.
- **About privatisation:**
- The process of moving ownership, property, or enterprises from the public to the private sphere is known as privatisation. The government no longer owns the company or enterprise.
- Privatization is supposed to boost a company's efficiency and objectivity in comparison to government-run enterprises.
- India chose privatisation in the historic 1991 reforms budget, often known as the "New Economic Policy" or "LPG policy".

- **Public Sector Banks:**

- Public sector banks are those that have the government owning more than 50% of them (PSBs).
- Most depositors believe their money is safer in public sector banks since they are controlled by the government and are subject to government oversight regarding financial standards.
- Because of this, most public sector banks have a significant customer base.
- The largest public sector bank in India, for instance, is the State Bank of India (SBI).
- More than 63% of this bank is owned by the Indian government.

- **Private Sector Banks:**

- Private sector banks are those whose equity is mostly controlled by private individuals or corporations.
- Despite the fact that they are required to follow the guidelines put forth by the nation's central bank, these banks are free to create their own independent financial plan for the consumers.

- **Why is it necessary to privatise public sector banks?**

- **Issues with Public Sector Banks**

- **NPA's:**

- Non-performing assets (NPAs) are loans that the borrower fails to repay to the bank, and high levels of NPAs lower a bank's profitability.
- Moreover, most PSBs are unable to maintain a capital adequacy ratio.
- Many PSBs had to be placed under Prompt Corrective Action (PCA), which the RBI had to impose limits on; the PSBs were also required to raise their financial performance requirements before being allowed to resume normal banking activities.

- **Losses of branches in rural areas:**

- The bulk of the rural branches in India are losing money due to high administrative costs and the widespread use of the barter system in these areas.

- **Bureaucratisation:**

- The ability of banks to function effectively has been hindered by bureaucracy, protracted delays, a lack of initiative, and a propensity to put off making choices.

- **Cost to the government:**

- Instead of using taxpayer funds for recapitalization, the government should sell PSBs to the private sector.
- This would minimise the financial burden on the government and ensure that PSBs become more efficient and lucrative enterprises under private ownership.
- In the Union Budget for 2021–2022, the government declared its plan to start by privatising two PSBs.
  
- **Effective performance of private sector banks:**
  
- **Efficient:**
- Compared to public sector banks, the private sector banks (PVBs) are much less corrupt, more effective, and more productive (PSBs).
  
- **Reduced NPA Amount:**
- Gross NPAs are lower in private sector banks.
- **Financial Resources Have Improved:**
- They provide greater contributions to the availability of loans and to the collection of saver deposits.
  
- **Additional Branches and Jobs:**
- They boosted the number of branches and employment, in contrast to the public sector banks, which saw losses in both.
  
- **Market value is raised:**
- 2020's Economic Survey investigated the nationalisation of banks and found that each rupee taxpayers put in PSBs only produces 71 paise in market value. This ratio is referred to as the market to book ratio.
- Contrastingly, the free market values each rupee invested in newly founded private sector banks at Rs. 3.70. Or, to put it another way, private banks offer more value than public sector banks (PSBs).
  
- **Who is more efficient?**

- **Financial Inclusion:**

- Indicator Pradhan Mantri Every household should have access to at least one basic banking account and all banking services, according to the Jan Dhan Yojana (PMJDY) initiative.
- Public sector banks provide services to 36.2 crore beneficiaries in total, compared to just 1.3 crore beneficiaries provided by private sector banks.
- Public sector banks are the ones with branches in rural India, despite the fact that private banks predominate in urban regions.
- PSBs provide more ATMs in rural India.

- **Efficiency:**

- In terms of financial inclusion, PSBs outperform PVBs, but when maximising profits is the main objective, PVBs routinely beat their counterparts in the public sector in terms of efficiency.
- However when the target function is changed to include financial inclusion, as in total branches, agricultural advances, and PSL advancements, PSBs outperform PVBs (middle and bottom panel).

- **How to Proceed:**

- A sophisticated approach is needed, according to members of the Banking Research Division of the RBI, who have cautioned against the popular viewpoint that privatisation is a panacea for all problems.
- The abrupt decision to privatise public sector banks could be more harmful than helpful because of the potential loss of access to financial inclusion and other related services for the most vulnerable members of society.
- It is therefore important to refrain from adopting an ideologically motivated approach and instead focus on creating a mix of public and private banks in order to efficiently serve the demands of a diverse economy like India.

*Source → The Hindu*