DAILY CURRENT AFFAIRS

03rd SEPTEMBER, 2024

TATHASTUICS

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THE DISASTER MANAGEMENT (AMENDMENT) BILL IS KNOTTY (GS-3 MAINS)

Eligibility of NDRF → • natural calamities of cyclones, droughts, earthquakes, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and cold wave and frost → considered severe → requiring funds for NDRF

• Also covers man-made disasters - terrorist attacks, chemical/biological

NEWS

The Disaster Management (Amendment) Bill is knotty

On August 1, 2024, the central government introduced the Disaster Management (Amendment) Bill in the Lok Sabha. Brought in in the wake of climate-induced disasters, the Bill shows much evidence of a further centralisation of an already heavily centralised Disaster Management Act, 2005. This Act, in its current form, already mandates the creation of many authorities and committees at the national, State and district levels. The proposed Bill further provides statutory status to pre-act organisations such as the National Crisis Management Committee and a High Level Committee, complicating the chain of action to be followed in case of disasters. A repercussion of this top-down approach is seen when there is a delayed response to disasters, antithetical to the intent and purpose of the Act.

The Bill claims to strengthen the working of the National Disaster Management Authority and the State Disaster Management Authorities to prepare State and national level plans. It also establishes an 'Urban Disaster Management Authority' for State capitals and cities with municipal corporations. However, this intended decentralisation of functions without the necessary financial devolution creates more problems than it solves.

Centralisation as a concern

The amendment Bill goes on to dilute the wording of the National Disaster Response Fund by removing the purposes for which the fund shall be used. One of the major concerns of the Disaster Management Act has been the excess centralisation of decision making on funds, especially in situations where the disaster is severe. The severity of the disaster must necessitate a prompt response by the central government, currently absent in the Act. A similarly delayed response was witnessed when the disaster relief funds from the NDRF were denied to Tamil Nadu and disbursed much later to Karnataka.

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The Bill only strengthens the top-down approach, affecting vital cooperative federalism in disaster management

In the backdrop of a looming climate crisis, there is a need to revisit the very idea of disasters under the Disaster Management Act, 2005.

Restricted definition of 'disaster'

On July 25, 2024, the Minister of State of Science, Technology and Earth Sciences, in response to questions posed in the Lok Sabha, said that the government is currently not planning to classify heatwaves as a notified disaster under the Disaster Management Act, 2005. This statement concurs with the observations of the 15th Finance Commission which did not find merit in expanding the scope of notified disasters. The notified list of disasters eligible for assistance under the National Disaster Response Fund/State Disaster Response Fund are cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack, frost and cold wave.

This strict iteration of what constitutes a "disaster" in the times of climate change marks a sharp departure from the global narrative. Globally, there is enough consensus to classify heatwaves as climate-related disasters, given their ramifications on ecosystems and human health. According to the India Meteorological Department data, India had 536 heatwave days which is the highest number of heatwave days in almost 14 years. Rising heatwave days along with 10,635 human deaths due to heat or sunstroke in 2010-2022 portends a larger disaster in the making for the country.

The Disaster Management Act, 2005 and the proposed Bill fall short as the definition of a disaster (although wide enough to cover the idea of climate-induced disasters) remains restricted and static. This is because the notified list of disasters under the Act restricts the inclusion of climate-induced disasters such as heatwaves which display regional variability and gradation specific to a geographical area. For example, a normal summer temperature of 40° C in several north Indian States may classify as heatwave conditions in the Himalayas. The definition however, is also not inclusive enough to be able to interpret a prolonged heatwave episode to be considered as a natural disaster even if its impacts are akin to an actual disaster such as floods in terms of the loss of human life. This poses a problem as the very nature of climate-induced disasters is incongruous to the idea of a traditional disaster under the Disaster Management Act, 2005 and the proposed Bill. The incongruity is exacerbated by the localised nature and impact of climate-induced disasters.

Relevant issues

However, some questions are still valid. Is the proposed Bill adept to tackle contemporary challenges arising due to the disproportionate power dynamics between the central and State governments? Do States have to largely depend on the central government for the disbursal of funds? If the Bill claims to be an improvised version of the Disaster Management Act, 2005, it does very little in learning from the failures encountered during the implementation of the Act while dealing with past disasters. There is a need to re-visit the Centre's efforts in addressing the issue of financial preparedness when it comes to the management of and response to disasters. The conversation should not revolve around whether the Centre or State is responsible for the loss of lives in Wayanad, Kerala, but what is it that can be done to manage disasters and predict their future occurrence. After all, a blame game will only move away from realising the true spirit of cooperative federalism.

antithetical → directly opposed or contradicted

placed under 'Public Account'

NDRF → defined in Section 46 of the Disaster Management Act 2005
Fund → managed by the Central Government to meet the expenses for emergency response, relief and rehabilitation

NEWS

- **The Disaster Management (Amendment) Bill, 2024** was introduced in the Lok Sabha on August 1, 2024, in response to the increasing frequency and severity of climate-induced disasters.
- The Bill has triggered significant debate due to concerns about further centralizing the disaster management framework established under the **Disaster Management Act, 2005.**
- Key issues include potential delays in disaster response, financial constraints, and a limited definition of what constitutes a **"disaster."**

BACKGROUND

- **The Disaster Management Act, 2005** was enacted after the 2004 Indian Ocean tsunami to create a comprehensive disaster management framework**.**
- **Established multiple authorities:** National Disaster Management Authority (NDMA), State Disaster Management Authorities (SDMAs), and District Disaster Management Authorities (DDMAs).
- Aimed at improving coordination and ensuring prompt response to disasters.
- Over time, the Act has faced criticism for its centralization, which often causes delays in decision-making and funds allocation.

KEY PROVISIONS OF THE AMENDMENT BILL

- **Statutory Status to Existing Bodies: Provides statutory status to the National Crisis Management Committee and a High-Level Committee.**
  - Potentially complicates the chain of command and decision-making process.
- **Urban Disaster Management Authority: Establishes a new authority for state capitals and cities with municipal corporations.**
  - Aimed at better urban disaster management but lacks clear provisions for financial support to local bodies.
- **Changes to the National Disaster Response Fund (NDRF): Dilutes the wording regarding the purposes for which the fund shall be used.**
  - Raises concerns over the centralization of fund allocation decisions, potentially leading to delays in disbursing funds to states.

CAUSES OF CONCERN

- **Increased Centralization: The Bill consolidates power at the central level, reducing the autonomy of state governments in disaster management.**
  - Could lead to delayed responses, as seen in past disasters (e.g., delay in disbursing NDRF funds to Tamil Nadu and Karnataka).
- **Lack of Financial Devolution: Decentralizes responsibilities to states without corresponding financial autonomy or support.**
  - This creates administrative and operational challenges for state and local bodies.

IMPACTS

- **Delayed Disaster Response:** Potentially slows down disaster response due to a more complex decision-making structure.
- **Weakening of Cooperative Federalism:** Undermines the spirit of cooperative federalism by concentrating authority at the central level.

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- **Restricted Definition of "Disaster":** Continues the exclusion of climateinduced disasters like heatwaves, limiting the scope of disaster management efforts.

DIFFERENT VIEWS

- **Supporters:** Argue that the Bill strengthens national preparedness and ensures uniformity in disaster management.
- **Critics:** Point out that centralization will lead to inefficiencies and fail to account for regional and local variations in disaster impacts.

COMPARISON WITH GLOBAL PRACTICES

- **Global Consensus on Disaster Classification:** Countries like the United States and European Union nations have expanded their definitions of disasters to include climate-induced events like heatwaves.
- **India's Narrow Approach:** The Bill maintains a restricted list of notified disasters, not aligning with global best practices or the realities of climate change.

CONCLUSION

- The Disaster Management (Amendment) Bill, 2024, appears to be a step backward in promoting effective and timely disaster response due to increased centralization.
- The Bill does not adequately address financial preparedness or the need to expand the definition of disasters in light of emerging climate challenges.

WAY FORWARD

- **Revisit the Definition of Disaster:** Broaden the scope to include climate-induced disasters such as heatwaves.
- **Ensure Financial Devolution**: Align responsibilities with financial resources to empower state and local bodies.
- **Strengthen Cooperative Federalism:** Balance central oversight with state autonomy to enhance disaster management efficiency and responsiveness.

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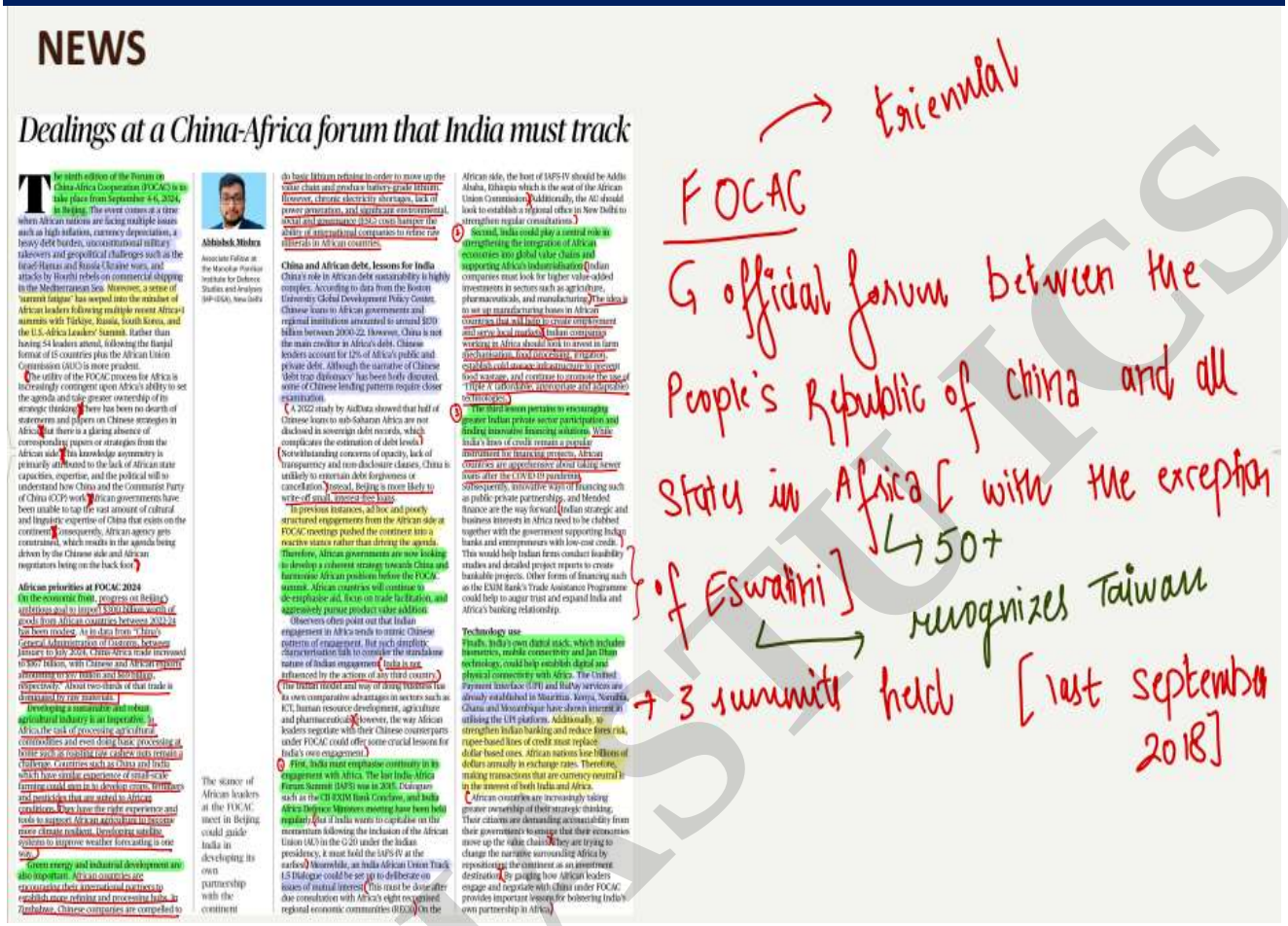
DEALINGS AT A CHINA-AFRICA FORUM THAT INDIA MUST TRACK (GS-2 MAINS)



NEWS

Dealings at a China-Africa forum that India must track

The ninth edition of the Forum on China-Africa Cooperation (FOCAC) is to take place from September 4-6, 2024, in Beijing. The event comes at a time when African nations are facing multiple issues such as high inflation, currency depreciation, a heavy debt burden, unconstitutional military takeovers and geopolitical challenges such as the Israel-Hamas and Russia-Ukraine wars, and attacks by Houthi rebels on commercial shipping in the Mediterranean Sea. Moreover, a sense of 'summit fatigue' has seeped into the mindset of African leaders following multiple recent African summits with Türkiye, Russia, South Korea, and the U.S.-Africa Leaders' Summit. Rather than having 54 leaders attend, following the Banjul format of 15 countries plus the African Union Commission (AUC) is more prudent.

The utility of the FOCAC process for Africa is increasingly contingent upon Africa's ability to set the agenda and take greater ownership of its strategic thinking. There has been no dearth of statements and papers on Chinese strategies in Africa. But there is a glaring absence of corresponding papers or strategies from the African side. This knowledge asymmetry is primarily attributed to the lack of African state capacities, expertise, and the political will to understand how China and the Communist Party of China (CCP) work. African governments have been unable to tap the vast amount of cultural and linguistic expertise of China that exists on the continent. Consequently, African agency gets constrained, which results in the agenda being driven by the Chinese side and African negotiators being on the back foot.

African priorities at FOCAC 2024

On the economic front, progress on Beijing's ambitious goal to import $300 billion worth of goods from African countries between 2021-24 has been modest. As in data from China's General Administration of Customs, between January to July 2024, China-Africa trade increased to $167 billion, with Chinese and African exports amounting to $97 billion and $69 billion, respectively. About two-thirds of that trade is dominated by raw materials.

Developing a sustainable and robust agricultural industry is an imperative. In Africa, the task of processing agricultural commodities and even doing basic processing at home such as roasting raw cashew nuts remains a challenge. Countries such as China and India which have similar experience of small-scale farming could assist in to develop crops, fertilisers and pesticides that are suited to African conditions. They have the right experience and tools to support African agriculture to become more climate resilient. Developing satellite systems to improve weather forecasting is one way.

Green energy and industrial development are also important. African countries are encouraging their international partners to establish more refining and processing hubs in Zimbabwe. Chinese companies are compelled to do basic lithium refining in order to move up the value chain and produce battery-grade lithium. However, chronic electricity shortages, lack of power generation, and signals are environmental, social and governance (ESG) costs hamper the ability of international companies to refine raw materials in African countries.

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The stance of African leaders at the FOCAC meet in Beijing could guide India in developing its own partnership with the continent

China and African debt, lessons for India

China's role in African debt sustainability is highly complex. According to data from the Boston University Global Development Policy Center, Chinese loans to African governments and regional institutions amounted to around $170 billion between 2000-22. However, China is not the main creditor in Africa's debt. Chinese lenders account for 12% of Africa's public and private debt. Although the narrative of Chinese 'debt trap diplomacy' has been hotly disputed, some of Chinese lending patterns require closer examination.

A 2022 study by AidData showed that half of Chinese loans to sub-Saharan Africa are not disclosed in sovereign debt records, which complicates the estimation of debt levels. Notwithstanding concerns of opacity, lack of transparency and non-disclosure clauses, China is unlikely to entertain debt forgiveness or cancellation. Instead, Beijing is more likely to write-off small, interest-free loans.

In previous instances, ad hoc and poorly structured engagements from the African side at FOCAC meetings pushed the continent into a reactive stance rather than driving the agenda. Therefore, African governments are now looking to develop a coherent strategy towards China and harmonise African positions before the FOCAC summit. African countries will continue to de-emphasise aid, focus on trade facilitation, and aggressively pursue product value addition.

Observers often point out that Indian engagement in Africa tends to mimic Chinese patterns of engagement. But such simplistic characterisation fails to consider the standalone nature of Indian engagement. India is not influenced by the actions of any third country. The Indian model and way of doing business has its own comparative advantages in sectors such as ICT, human resource development, agriculture and pharmaceuticals. However, the way African leaders negotiate with their Chinese counterparts under FOCAC could offer some crucial lessons for India's own engagement.

First, India must emphasise continuity in its engagement with Africa. The last India-Africa Forum Summit (IAFS) was in 2015. Dialogues such as the CII-EXIM Bank Conclave, and India-Africa Defence Ministers meeting have been held regularly. But if India wants to capitalise on the momentum following the inclusion of the African Union (AU) in the G-20 under the Indian presidency, it must hold the IAFS-IV at the earliest. Meanwhile, an India-African Union Track 1.5 Dialogue could be set up to deliberate on issues of mutual interest. This must be done after due consultation with Africa's eight recognised regional economic communities (RECs). On the African side, the host of IAFS-IV should be Addis Ababa, Ethiopia which is the seat of the African Union Commission. Additionally, the AU should look to establish a regional office in New Delhi to strengthen regular consultations.

Second, India could play a central role in strengthening the integration of African economies into global value chains and supporting Africa's industrialisation. Indian companies must look for higher value-added investments in sectors such as agriculture, pharmaceuticals, and manufacturing. The idea is to set up manufacturing bases in African countries that will help to create employment and serve local markets. Indian companies working in Africa should look to invest in farm mechanisation, food processing, irrigation, establish cold storage infrastructure to prevent food wastage, and continue to promote the use of 'triple A' (affordable, appropriate and adaptable) technologies.

The third lesson pertains to encouraging greater Indian private sector participation and finding innovative financing solutions. While India's lines of credit remain a popular instrument for financing projects, African countries are apprehensive about taking newer loans after the COVID-19 pandemic. Consequently, innovative ways of financing such as public-private partnerships, and blended finance are the way forward. Indian strategic and business interests in Africa need to be clubbed together with the government supporting Indian banks and entrepreneurs with low-cost credit. This would help Indian firms conduct feasibility studies and detailed project reports to create bankable projects. Other forms of financing such as the EXIM Bank's Trade Assistance Programme could help to augur trust and expand India and Africa's banking relationship.

Technology use

Finally, India's own digital stack, which includes biometrics, mobile connectivity and Jan Dhan technology, could help establish digital and physical connectivity with Africa. The Unified Payment Interface (UPI) and RuPay services are already established in Mauritius, Kenya, Namibia, Ghana and Mozambique have shown interest in utilising the UPI platform. Additionally, to strengthen Indian banking and reduce forex risk, rupee-based lines of credit must replace dollar-based ones. African nations lose billions of dollars annually in exchange rates. Therefore, making transactions that are currency-neutral is in the interest of both India and Africa.

African countries are increasingly taking greater ownership of their strategic thinking. Their citizens are demanding accountability from their governments to ensure that their economies move up the value chain. As they are trying to change the narrative surrounding Africa by repositioning the continent as an investment destination, by gauging how African leaders engage and negotiate with China under FOCAC provides important lessons for bolstering India's own partnership in Africa.

triennial
FOCAC
official forum between the People's Republic of China and all States in Africa [with the exception of Eswatini] → 50+
recognizes Taiwan
→ 3 summits held [last September 2018]

NEWS

- **The ninth edition of the Forum on China-Africa Cooperation (FOCAC) is** set to take place from September 4-6, 2024, in Beijing.
- This forum is occurring amidst several challenges faced by African nations, including economic crises, geopolitical conflicts, and political instability.
- As African nations seek to redefine their relationships with major powers, India should closely observe this event to shape its own approach toward Africa

BACKGROUND

- **FOCAC** is a triennial meeting platform established in 2000 to strengthen economic and political ties between China and African countries.
- Recent African summits with other global powers like Türkiye, Russia, South Korea, and the U.S. have contributed to a sense of "summit fatigue" among African leaders, prompting calls for a more streamlined and effective FOCAC format.
- The summit's utility for Africa increasingly depends on its ability to take greater ownership of the strategic agenda, which has been largely dominated by China.

KEY PRIORITIES AND DEVELOPMENT AT FOCAC 2024

- **Economic Engagement:** Progress on China's goal to import $300 billion of African goods (2022-2024) has been limited, with most trade focused on raw materials.
- **Agricultural Development:** Africa is looking for support from international partners, including China, to develop sustainable agriculture, improve local processing, and enhance climate resilience.
- **Green Energy and Industrial Development:** African nations are promoting the creation of refining and processing hubs while facing challenges such as electricity shortages and environmental costs.
- **Debt Management:** The complexities of African debt, particularly Chinese loans, remain a critical issue. Although China is not Africa's main creditor, concerns about transparency and repayment terms are prominent.

CAUSES OF CONCERN

- **Limited African Agency:** African countries lack the strategic and negotiation capacity to effectively shape the FOCAC agenda, often resulting in a reactive stance.
- **China's Debt Practices:** Despite debates over "debt trap diplomacy," opaque lending practices and non-disclosure clauses complicate debt management and sustainability.
- **Need for a Coherent African Strategy:** To counterbalance Chinese influence, African countries are looking to harmonize their positions and adopt a more coordinated approach to negotiations.

* Mozambique → one of the world's richest off-shore natural gas reserves and massive deposits of coal
* India also see African countries playing a vital role in promoting peace and security in Indian Ocean

IMPACTS ON INDIA

- **Lessons from African Engagement with China:** Observing how African leaders negotiate with China can offer valuable insights for India in developing a more effective engagement strategy with Africa.
- **Strategic Implications for India-Africa Relations:**
  - **Continuity of Engagement:** India must maintain regular, high-level engagement with Africa, such as holding the next India-Africa Forum Summit (IAFS-IV) promptly.
  - **Integration into Global Value Chains:** India can support African industrialization and economic integration through targeted investments in sectors like agriculture, pharmaceuticals, and manufacturing.
  - **Private Sector Participation:** Encouraging greater involvement from the Indian private sector and innovative financing mechanisms is crucial for expanding India's footprint in Africa.
  - **Technology and Financial Cooperation:** Utilizing India's digital stack and promoting rupee-based transactions could strengthen bilateral economic ties.

2008, 2011 [Banjul formula]
2015 [54 African countries]
2008, 2011, 2015

* big market for Indian products
* Oil needs → Kenya has one of the largest crude oil refineries
* South Africa → 3% of African coal reserves

CONCLUSION

- The FOCAC 2024 summit offers India critical lessons on strategic engagement with Africa, emphasizing the importance of maintaining continuity, promoting industrialization, and fostering innovative financial solutions.
- By observing African leaders' strategies at FOCAC, India can refine its own approach to build a more resilient and mutually beneficial partnership with Africa.

involve a mix of official (governmental) and non-official (civil society, think tanks, academics and business leaders)

WAY FORWARD

- **Organize the Next India-Africa Forum Summit:** Hold IAFS-IV soon and consider an India-African Union Track 1.5 Dialogue to discuss issues of mutual interest.
- **Promote African Industrialization:** Encourage Indian companies to invest in sectors that add value and create jobs in Africa, such as agriculture and manufacturing.
- **Innovate Financing Models:** Develop new financing approaches, including public-private partnerships and rupee-based transactions, to enhance economic cooperation.
- **Strengthen Digital and Financial Ties:** Expand the use of India's digital platforms like UPI and promote currency-neutral transactions to reduce exchange rate losses.

TRACK 1.5 DIPLOMACY → HYBRID [TRACK 1 + TRACK 2] {semi-official}

TRACK 1 → government representatives [formal]
TRACK 2 → non governmental actors (informal dialogue)

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WHAT IS THE UNIFIED LENDING INTERFACE BY THE RBI? (GS-3 PRELIMS)

NEWS

What is the Unified Lending Interface by the RBI?

How will the ULI enable friction-less credit to farmers? How will it make things easier for lenders?

Lalatendu Mishra

The story so far:

The Reserve Bank of India (RBI), as part of its strategy to create digital public infrastructure in the country, has announced that a new technology platform called the Unified Lending Interface (ULI) would be introduced by the Reserve Bank Innovation Hub, Bengaluru which will enable friction-less credit to farmers and MSME borrowers to begin with.

What is ULI?

ULI is a platform that facilitates the seamless flow of a customer's digitised financial and non-financial data from multiple data service providers to lenders, making credit underwriting seamless and customer journeys frictionless for a diverse range of borrowers, according to Rajesh Bansal, CEO, Reserve Bank Innovation Hub. This platform facilitates seamless and consent based flow of digital information, including even land records of various States. This will also bring down the time taken for credit appraisal, especially for smaller and rural borrowers without any credit history. The ULI architecture has common and standardised Application Programming Interfaces (APIs) designed for a 'plug and play' approach to ensure digital access to information from diverse sources. This will reduce the complexity of multiple technical integrations besides enabling borrowers to get the benefit of seamless delivery of credit and quicker turnaround time without requiring extensive and time-consuming documentation.

Lenders would gain access to customer data from various silos, including government databases (for example, land records) and satellite imagery through standardised APIs. And FinTechs can gain access to a variety of lenders on one platform and unlock opportunities to provide deeper customer insights.

How will it work?

For first time loan seekers without any credit history or required documentation, availing a bank loan is near impossible. Now with ULI, digital credit information can be made available through a single platform which provides access to data providers and lenders to serve the needs of perspective borrowers.

While ULI facilitates access to data about the loan applicant's economic activities, it also allows financial sector players to access the data by connecting to the platform through a 'plug and play' model. Therefore, the loan applicants need not have to spend weeks to search and secure the documents. Instead the bank, the NBFC or the FinTech would fetch data about the applicant from sources available on the ULI platform.

For a dairy farmer seeking a loan, the lender can find data from the milk cooperative to know about cash flows; land ownership status from land records of States; and insights into his financial condition through farming patterns. So what was once a blind spot for the lender would turn into a visible customer to do business with. With the help of ULI, the lenders can immediately know the income of the loan applicant and credit eligibility. Thus decision making would be automated and loans could be sanctioned and disbursed within minutes.

Tenant farmers who often find it difficult to access agricultural credit for inputs and raw materials as they do not have the land title to submit to the banks can also avail loans. By programming the end use for purchase of agricultural inputs, the ULI platform can give the required comfort to banks and thus establish the identity of a farmer not through his land holding but through the end use of funds being disbursed.

How did it start?

The RBI had on August 10, 2023 announced the setting up of a Public Tech Platform for Frictionless Credit which is now branded as the ULI. The central bank was of the view that with rapid progress in digitalisation, data required for credit appraisal must be available at a single point for digital credit delivery.

To address this situation, a pilot project for the digitalisation of Kisan Credit Card (KCC) loans of less than ₹1.6 lakh began in September 2022. The initial results of the KCC pilot, which got underway in select districts of Madhya Pradesh, Tamil Nadu, Karnataka, U.P., Maharashtra, were encouraging. According to the RBI, the pilot enabled doorstep disbursement of loans in assisted or self-service mode without any paperwork.

THE GIST

- ULI is a platform that facilitates the seamless flow of a customer's digitised financial and non-financial data from multiple data service providers to lenders, making credit underwriting seamless and customer journeys frictionless for a diverse range of borrowers, according to Rajesh Bansal, CEO, Reserve Bank Innovation Hub.
- While ULI facilitates access to data about the loan applicant's economic activities, it also allows financial sector players to access the data by connecting to the platform through a 'plug and play' model.
- Tenant farmers who often find it difficult to access agricultural credit for inputs and raw materials as they do not have the land title to submit to the banks can also avail loans.

What is the Unified Lending Interface (ULI)?

- The Unified Lending Interface (ULI) is a technology platform announced by the Reserve Bank of India (RBI) and developed by the Reserve Bank Innovation Hub (RBIH) in Bengaluru. The ULI aims to provide a frictionless lending experience to borrowers, particularly farmers and Micro, Small, and Medium Enterprises (MSMEs), by facilitating the seamless flow of digitized financial and non-financial data from various data service providers to lenders.
- The ULI platform enables easy access to data, such as land records and economic activity information, through standardized Application Programming Interfaces (APIs). This "plug-and-play" model ensures that both data providers and lenders can easily connect to the platform, reducing complexity and eliminating the need for multiple technical integrations.

How Will ULI Enable Frictionless Credit to Farmers?

- **Simplifying the Credit Appraisal Process:**
  - ULI reduces the time and paperwork involved in credit appraisal by providing a consolidated digital platform where lenders can access comprehensive financial and non-financial data, including land records, income data, and transaction histories.
  - This is particularly beneficial for farmers and MSMEs, who often lack formal documentation or credit history, enabling quicker credit approvals.

- **Access to Diverse Data Sources:**
  - Lenders gain access to various data sources, such as government databases, satellite imagery, and milk cooperative records. This data is crucial for understanding the economic activities of applicants, especially for those like dairy farmers, who may have unstructured or informal cash flows.
  - For example, a dairy farmer applying for a loan could have their cash flows verified through data from the milk cooperative, while their land ownership status could be cross-checked through state land records.
- **Facilitating Credit for Tenant Farmers:**
  - Tenant farmers, who do not own land titles, often struggle to secure loans. The ULI platform can establish the identity and credibility of a farmer by programming the end use of funds (e.g., for purchasing agricultural inputs) rather than relying on land ownership.
  - This feature helps ensure that even those without formal property titles can access the credit necessary for agricultural activities.
- **Automated Decision-Making:**
  - ULI uses a standardized data format that enables lenders to automate credit assessments. Once all necessary data is available on the platform, the system can quickly evaluate a borrower's creditworthiness and eligibility.
  - This process reduces manual errors, speeds up decision-making, and lowers operational costs for lenders, allowing loans to be sanctioned and disbursed within minutes.
- **Reduced Risk and Enhanced Customer Insights:**
  - Access to a wide array of data sources, including historical transaction data and satellite imagery, helps lenders better understand and mitigate risks associated with lending to new customers or those without credit histories.
  - By connecting to multiple data points, lenders can create a more holistic profile of the borrower, enabling more accurate risk assessments and tailored loan products.
- **Facilitating Collaboration with FinTechs:**
  - ULI provides a unified platform where both traditional lenders (banks and NBFCs) and FinTech companies can collaborate.
  - FinTechs can offer innovative solutions and deeper customer insights, helping lenders identify new opportunities and target markets.

BENEFITS

- **For Borrowers:** Easier access to credit, especially for those without formal documentation or credit histories. Quicker turnaround times reduce delays and increase financial inclusion.
- **For Lenders:** Lower operational costs, reduced risk through comprehensive data access, and enhanced customer insights.
- **For the Economy:** Boosts rural and MSME sectors by enabling access to timely credit, fostering growth, and promoting sustainable development.

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POTENTIAL CHALLENGES

- **Data Privacy and Security:** Handling and storage of sensitive data require robust security protocols to prevent breaches and misuse.
- **Technical Integration:** Adopting the ULI platform requires significant investments in technology and infrastructure for all stakeholders.
- **Regulatory Compliance:** The platform must ensure compliance with data protection laws and maintain transparency in data handling.

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PMI SIGNALS MANUFACTURING EASED TO 3-MONTH LOW IN AUG. (CONCEPT OF THE DAY)

NEWS

PMI signals manufacturing eased to 3-month low in Aug.

The Hindu Bureau
NEW DELHI

Manufacturing activity slid to a three-month low in August, with new orders growing at the slowest pace in seven months and exports logging their weakest rise in 2024, as inflation and competitive pressures dragged producers' optimism to the worst level since April 2023, the survey-based HSBC India Manufacturing Purchasing Managers' Index (PMI) indicated.

The PMI eased to 57.5 from July's 58.1. A reading of over 50, compiled on inputs from about 400 manufacturing firms, signals an expansion in activity.

Factories' output grew at the mildest pace since January, with a few firms attributing this to fierce competition and shifts in consumer preferences. Consequently, job creation softened midway through the second quarter as some manufacturers also trimmed employee headcounts, the survey showed.

'Stockpiling efforts'

Inflation in manufacturing input costs cooled to a five-month low, prompting firms to scale up stocking efforts even as they continued to raise selling prices.

"Despite the slowdown in cost pressures, there was a marked rise in prices charged for Indian goods in August," S&P Global, which conducts the PMI surveys, said in a note. "The rate of inflation was the second fastest in close to 11 years. Firms reportedly shared additional cost burdens with their clients amid demand resilience."

PURCHASING MANAGERS INDEX

* survey based measure that asks the respondents about changes in their perception about key business variable compared with previous month
* PURPOSE: to provide information about current and future business conditions.

↳ Rate is lower than previous month → growing at a lower rate.

* Calculated separately for the manufacturing and services sectors and then a composite index is also constructed.
* PMI → 0 to 100
  - >50 → means expansion
  - <50 → means contraction
  - =50 → no change
* Usually released at the start of every month.
* Compiled by IHS Markit {part of S&P Global} for more than 40 economies worldwide.
* Doesn't capture informal sector activity.

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PMI → derived from a series of Qualitative questions.

For manufacturing → questionnaire is sent to manufacturing companies.

FIVE KEY VARIABLES

- new orders (30%)
- output (25%)
- Employment (20%)
- Suppliers' delivery times (15%)
- Stock of items purchased (10%)

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INDIA WEIGHS RUSSIA'S 'DOABLE' SWIFT (GS-2/GS-3 PRELIMS)

India weighs Russia's 'doable' SWIFT

Pros and cons: A final decision on the matter will also take into consideration the diplomatic aspects. REUTERS

Amiti Sen
NEW DELHI

Russia's proposal to India to use its own financial messaging mechanism – developed as an alternative to the SWIFT global network – to help push rupee-rouble trade settlement has been scrutinised by the RBI and found "doable" but discussions are continuing, sources have said.

A final decision on the matter will also take into consideration the diplomatic aspect.

"Following Prime Minister Narendra Modi's recent meeting with Russian President Vladimir Putin in Moscow, where the two agreed to promote trade settlement in national currencies and introduce digital financial instruments into mutual settlements, there have been meetings between senior officials from the RBI and some public sector banks with their Russian counterparts on Moscow's proposed alternative messaging system for banks. Discussions are still on. There is a view in the RBI that the proposal is doable but talks are still on. As it is a diplomatically sensitive issue, more consideration is needed," a source told *businessline*.

Out of SWIFT

Prominent Russian banks have been banned from using the SWIFT system, a network that allows financial institutions to exchange electronic messages about international transactions enabling safe payments. It is part of the West's sanction against Russia for waging a war against Ukraine in February 2022, which still continues.

(The writer is with The Hindu businessline)

NEWS

- **Russia has proposed that India use its own financial messaging system, developed as an alternative to SWIFT (Society for Worldwide Interbank Financial Telecommunication), to facilitate trade settlement in national currencies, specifically the Indian Rupee (INR) and the Russian Rouble (RUB).**
- This proposal aims to circumvent the restrictions placed on Russian banks that have been banned from using the SWIFT network due to international sanctions imposed by the West following Russia's invasion of Ukraine in February 2022.

BACKGROUND

- **SWIFT** is a global messaging network that allows financial institutions worldwide to send and receive information about financial transactions in a secure, standardized, and reliable manner. It plays a critical role in international trade and cross-border transactions.
- The network's messaging system ensures that payments are processed smoothly and securely between banks, even across different countries. Being excluded from SWIFT effectively isolates a country or its banks from the international financial system, making it difficult to engage in global trade.

RUSSIA'S ALTERNATIVE TO SWIFT

- **Russia's Financial Messaging System:** To overcome its exclusion from SWIFT, Russia has developed its own financial messaging system called the System for Transfer of Financial Messages (SPFS). This is intended to facilitate secure messaging and financial transactions between Russian banks and their counterparts in other countries.
- **Proposal to India:** Russia's proposal to India involves using this alternative messaging system to settle trade in national currencies, bypassing the SWIFT network. The idea is to promote direct trade in rupees and roubles, enhancing bilateral trade while avoiding the challenges posed by sanctions.

INDIA'S CONSIDERATION

- **Technical Feasibility:**
  - The Reserve Bank of India (RBI) has reviewed the proposal and found it "doable" from a technical perspective. This means that, from a technological standpoint, it is feasible for Indian banks to connect to Russia's SPFS and use it for financial transactions.
  - Meetings have been held between senior officials from the RBI, some public sector banks in India, and their Russian counterparts to discuss the potential integration of this system.
- **Diplomatic and Strategic Implications:**
  - While the RBI considers the proposal technically feasible, it is also seen as diplomatically sensitive. India must weigh the implications of such a move carefully, as it may affect its international relations, particularly with Western countries that have imposed sanctions on Russia.
  - Adopting Russia's alternative messaging system could be perceived as indirectly supporting Russia amid ongoing geopolitical tensions and conflicts.

PROS

- **Facilitates Bilateral Trade:** Using Russia's system could enhance direct trade between India and Russia by allowing settlements in rupees and roubles, reducing dependence on third-party currencies like the US dollar.
- **Circumvents Sanctions:** This move could help Russia avoid the impact of Western sanctions that prevent its banks from using SWIFT, allowing for uninterrupted trade and financial transactions.
- **Reduced Transaction Costs and Risks:** Settling trade in national currencies might reduce foreign exchange risk and transaction costs associated with currency conversions.
- **Enhanced Financial Sovereignty:** For India, using an alternative to SWIFT could enhance financial sovereignty and create a precedent for adopting alternative systems in the future, reducing reliance on Western-controlled financial networks.

CONS

- **Diplomatic Risks:** Implementing this proposal could strain India's relations with Western countries, especially the US and EU, which have taken a strong stance against Russia due to the ongoing conflict in Ukraine.
- **Limited Reach and Acceptance:** Russia's SPFS is not as widely accepted or integrated globally as SWIFT. This could limit the ease of international transactions beyond India-Russia bilateral trade, potentially complicating India's trade relations with other countries.
- **Technical and Security Challenges:** While deemed technically feasible, integrating a new messaging system could involve significant costs, require upgrades to banking infrastructure, and raise cybersecurity concerns.
- **Potential Economic Repercussions:** Aligning with Russia's alternative system could lead to potential economic repercussions, including sanctions or reduced trade with Western countries, adversely affecting India's economy.

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