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Unified Lending Interface

(The Hindu, 03-09-24)

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).

- 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.

What is Unified Lending Interface (ULI)?

- ULI is a digital platform that makes it easier for people to get loans. It does this by:
    - Collecting financial and non-financial data about loan applicants from various sources.
    - Sharing this data with lenders (like banks) in a quick and secure way.
    - Reducing paperwork and speeding up the loan approval process
- Consent-Based: The system only shares data with the applicant's permission.
- Standardized Format: All data is presented in a standard format, making it easy for lenders to use.
- This platform facilitates seamless and consent based flow of digital information, including even land records of various States.
- Example: Imagine a dairy farmer needs a loan. Instead of the farmer gathering lots of documents, the lender can use ULI to quickly access information about:
    - The farmer's income from milk sales
    - Land ownership details
    - Farming patterns
- This makes it easier for the lender to assess the loan application and potentially approve it much faster.
- In essence, ULI aims to make the loan process quicker, easier, and more accessible for everyone involved.

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.

What are the benefits of ULI?

For Borrowers:

- Less paperwork
- Faster loan approvals

- Easier access to loans, especially for rural borrowers or those without credit history

For Lenders:

- Quick access to verified applicant data
- Better decision-making for loan approvals
- Quicker turnaround time without requiring extensive and time-consuming **documentation**.
- Ability to serve more diverse customers

For FinTech Companies:

- Access to multiple lenders on one platform
- Opportunity to provide deeper customer insights

What are the potential challenges of ULI?

- **Consent Management:** Ensuring that borrowers fully understand what data is being shared and with whom.
- **Data Protection:** Safeguarding sensitive financial and personal information from cyber threats.
- **Digital Literacy and Access:** Not all borrowers, especially in rural areas, may be comfortable with digital platforms.
- **Regulatory Compliance**: Ensuring the platform complies with various financial regulations and data protection laws.
- **Fairness and Bias:** Ensuring that the use of diverse data sources doesn't inadvertently introduce or amplify biases in lending decisions.
- **Cost and sustainability:** Ensuring the long-term financial sustainability of the ULI system.

Can you answer the following questions?
Discuss the potential benefits of ULI for financial inclusion, particularly for rural and underserved borrowers.
Explain the key features of the Unified Lender's Interface (ULI) and how it aims to transform the lending landscape in India.

Dealings at a China-Africa forum that India must track

(The Hindu, 03-09-24)

The ninth edition of the Forum on China-Africa Cooperation (FOCAC) is to take place from September 4-6, 2024, in Beijing.

- African nations are facing multiple challenges: high inflation, currency depreciation, debt burden, military takeovers, and geopolitical issues
- There's a sense of 'summit fatigue' among African leaders due to multiple recent Africa+1 summits

What are the main economic priorities for African countries at FOCAC 2024?

- Progress on China's goal to import $300 billion worth of goods from African countries (2022-24)
- Developing a sustainable and robust agricultural industry
- Encouraging establishment of more refining and processing hubs
- Focusing on green energy and industrial development

How does China's role in African debt impact the continent?

- Chinese loans to African governments and institutions amounted to around $170 billion between 2000-22

- Chinese lenders account for 12% of Africa's public and private debt
- Concerns about opacity and lack of transparency in Chinese lending patterns
- China is unlikely to entertain debt forgiveness or cancellation, but may write off small, interest-free loans

What lessons can India draw from the FOCAC process for its engagement with Africa?
- Emphasize continuity in engagement by holding the India-Africa Forum Summit (IAFS) regularly
- Play a central role in strengthening African economies' integration into global value chains
- Encourage greater Indian private sector participation and find innovative financing solutions
- Utilize India's digital stack to establish digital and physical connectivity with Africa

Can you answer the following question?
Analyze the evolving dynamics of China-Africa relations. Suggest strategies for India to enhance its partnership with African nations in light of these developments.

The Disaster Management (Amendment) Bill

(The Hindu, 03-09-24)

What are the main features of the Disaster Management (Amendment) Bill, 2024?
- Introduced in the Lok Sabha on August 1, 2024
- National Disaster Management Authority (NDMA) and State Disaster Management Authority (SDMA) will prepare disaster management plans.
  - Earlier, National and State Executive Committees, that were assisting NDMA and SDMA respectively, were preparing the plans.
- **Additional Functions** for NDMA and SDMA
  - taking periodic stock of disaster risks, including emerging risks from extreme climate events
  - providing technical assistance to authorities below them
  - recommending guidelines for minimum standards of relief
  - preparing national and state **disaster databases**, respectively
- Provides **statutory status** to pre-act organizations like the National Crisis Management Committee (NCMC) and a High Level Committee.
  - The NCMC will function as the nodal body for dealing with major disasters with serious or national ramifications. The Cabinet Secretary will serve as the chairperson of NCMC.
  - The HLC will provide financial assistance to state governments during disasters. It will approve financial assistance from the National Disaster Mitigation Fund.
- Establishes an **'Urban Disaster Management Authority' (UDMA)** for State capitals and cities with municipal corporations
  - The amendments shall not apply to Delhi and Chandigarh.
- The Bill empowers the state government to constitute a **State Disaster Response Force (SDRF).**
  - The state government will define the functions of SDRF and prescribe the terms of service for its members.
- The **NDMA could also appoint experts and consultants** to assist in performing its functions.
- The Amendment Act also considers the **possible climate change risks.** It stresses that the expression "'emerging disaster risks' refers to risks of those disasters that may not have taken place but may occur in future due to extreme climate events and other factors.

- The Amendment Act **focuses on Disaster Risk Reduction (DRR)** rather than post-disaster management. It states that the expression 'disaster management' is inclusive of 'disaster risk reduction'.
- Dilutes the wording of the National Disaster Response Fund by removing specific purposes for fund usage

What concerns does the Bill raise?

- Complicates the chain of action to be followed in case of disasters due to multiple many authorities and committees (NCMC & High Level Committee getting Statutory status)
- Creating of more authorities like UDMA without necessary financial devolution can create more problems than solutions.
- Opposition pointed out that an amendment to the Concurrent List of the Constitution would be required so that a proper entry could be inserted to cover the issue of disaster management.
- Excess centralisation of decision making on funds that was present in 2005 Act continues to be unaddressed.
- The notified list of disasters doesn't adequately cover climate-induced disasters with regional variability. Heatwaves are not classified as a notified disaster under the Act.

What improvements are needed in disaster management legislation?

- Revisit the idea of disasters in the context of climate change
- Address the disproportionate power dynamics between central and state governments
- Improve financial preparedness and fund disbursal mechanisms
- Learn from past failures in disaster management implementation
- Focus on predicting and managing future disasters rather than assigning blame

Can you answer the following question?
Critically analyze the Disaster Management (Amendment) Bill, 2024, in light of increasing threat of climate-induced disasters. Suggest measures to make the disaster management framework more responsive and effective at all levels of governance.