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ESSAY COMMENT SHEET

Name of Candidate									
Medium Hindi/Eng.		**Registration Number**							
Test Code		**Date**							

INDEX TABLE

Q. No.	Page No.	Maximum Marks	Marks Obtained

Total Marks Obtained:

Remarks :

INSTRUCTIONS

1. Do furnish the appropriate details in the answer sheet (viz. Name, Registration Number and Test Code).
   उत्तर पुस्तिका में सूचनाएं भरना आवश्यक है (नाम, प्रश्न–पत्र कोड, विद्यार्थी क्रमांक आदि)।
2. All questions are compulsory.
   सभी प्रश्न अनिवार्य हैं।
3. The number of marks carried by a question/part is indicated against it.
   प्रत्येक प्रश्न/भाग के अंक उसके सामने दिए गए हैं।
4. Answers must be written in the medium authorized in the Admission Certificate, which must be stated clearly on the cover of this Question-Cum-Answer (QCA) Booklet in the space provided. No marks will be given for answers written in medium other that the authorized one.
   प्रश्नों के उत्तर उसी माध्यम में लिखे जाने चाहिए जिसका उल्लेख आपके प्रवेश पत्र में किया गया है और उस माध्यम का स्पष्ट उल्लेख प्रश्न–सह–उत्तर (क्यूसीए) पुस्तिका के मुख्य पृष्ठ पर अंकित निर्दिष्ट स्थान पर किया जाना चाहिए। उल्लिखित माध्यम के अतिरिक्त अन्य किसी माध्यम में लिए गए उत्तर पर कोई अंक नहीं मिलेंगे।
5. Word limit in questions, if specified, should be adhered to.
   प्रश्नों में शब्द सीमा, जहाँ विनिर्दिष्ट है, का अनुसरण किया जाना चाहिए।
6. Any page or portion of the page left blank in the Question-Cum-Answer Booklet must be clearly struck off.
   उत्तर पुस्तिका में खाली छोड़ा हुआ पृष्ठ या उसके अंश को स्पष्ट रूप से काटा जाना चाहिए।

EVALUATION INDICATORS

1. **Contextual Competence**
2. **Content Competence**
3. **Language Competence**
4. **Introduction Competence**
5. **Structure - Presentation Competence**
6. **Conclusion Competence**

Overall Macro Comments / feedback / suggestions on Answer Booklet:

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All the Best

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MANAN AGARWAL

629408

ESSAY 2020

TEST CODE : 1460

ENGLISH (ONLINE)

15/11/2020

POLICYMAKING MUST CATCH UP WITH TECHNOLOGY BEFORE IT'S TOO LATE.

As Akshay raced towards the conference room, his heart was beating even faster. This was the meeting he had been waiting for so long. With the country's top bureaucrats in audience (including his personal favourite, the National Security Advisor) he had been finally called to brief them about the challenges posed by technological advancements and steps that must be taken soon. However, to his utter dismay, as he entered the room, the lights were flickering with the message all over the projector screen: "ITS TOO LATE". The country's top policymakers had just witnessed a cyber attack.

While technology has helped humanity make tremendous progress in the

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last two hundred years or so, the future continues to be uncertain. From conquering plague and hunger, humans have stepped on the Moon. The last century has witnessed a doubling in average life expectancy alongside wiping out several species of flora and fauna. In this essay, we will analyse potential arenas where policymaking needs to ~~t~~ catch up with technology and India's uniquely poised scenario.

As research continues to be driven by the quest to improve human satisfaction, biotechnology throws up new opportunities. Genetically-modified crops have resulted in much higher yields and better quality but the risks of interfering with Nature's job of natural selection continue to haunt. The recent

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report of successful birth of '<u>designer baby</u>' in China whose <u>DNA</u> was <u>edited</u> before birth has kicked up a storm in scientific community. A <u>future</u> where even <u>super-humans</u> could well be designed in labs does not seem too distant. We need effective <u>regulation</u> to check this trend of '<u>eugenics</u>' – cultivating <u>desirable traits</u> in new-borns.

The rapid decrease in <u>cost</u> of storing data, exponential increase in computing <u>speeds</u> and generation of <u>public data</u> through digitalisation has made <u>Artificial Intelligence</u> (AI) a possibility with a bright future. From personal <u>assistants</u> like <u>Siri</u> to <u>chatbots</u> for customer service, we are surrounded by AI. However, AI is known for inherent '<u>algorithmic bias</u>' – bias due to data on which it is trained and for propogating <u>stereotypes</u>.

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Our individual privacy is at stake as our messages and online search are being looked at by algorithms. Its use by state agencies for surveillance over their own citizens makes 'Orwellian state' a possibility. This calls for clearly drawing the red lines on privacy v/s national security debate.

Extending technology and AI to international domain, there are impending threats of cyber-warfare. From interference in domestic elections, attack on critical infrastructure (air traffic control, nuclear power plants, electricity grid, etc) to snooping on public functionaries, cyber world makes all this a possibility. Recent reports have already highlighted attempts by countries to steal data on vaccine research. So, the writing on the wall is clear, we must waste no time in designing policies that check such misuse.

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As India's over 40 crore users log on to WhatsApp, ~~another~~ and 20 crore to Facebook they make themselves more vulnerable to manipulations of fake news, hate speech and digital marketing. India's adolescents spend more time than ever before in "staying connected" but also fall prey to cyberbullying, as brought to light by "Bois Locker Room" incident. Armed with anonymity and instant access to personal information, perpetrators of cyber crime need to brought in check with concerted efforts.

In the age of consumerism, organised crime has found a partner in cryptocurrencies that offer the ideal mix of anonymity, security and convenience. They do not face hurdles of bank regulations and documentation and yet offer instant transfer facility. They pose a threat to the stability of domestic and global

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economy, people's trust in traditional currency and a possible conduit for terror financing and money laundering.

Combined with ~~the~~ Dark Web (the part of Internet that is not shown on search engine results and deals in illegal activities - arms trade, pornographic content, personal data, etc), cryptocurrency poses imminent threat in the near future. It provides ready access to marketplace for poachers of wild animals, dealers in drugs or even human traffickers.

Other broad activities that technology facilitates and need effective policymaking are — e-commerce — and associated content. Deep discounting and predatory pricing are marketing strategies that companies with deep pockets engage in, to eliminate competition. This does not provide local kirana stores

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and mom-and-pop stores a level playing field to compete on harming their interests.

Another recently highlighted issue in global media is of Big Tech Dominance by US tech giants - Google, Facebook, Amazon and Apple. Lawsuits have been filed accusing Google of abusing its popular search engine to promote its other products such as Google Flights and using Android operating system to promote Google Pay. Regulators need to understand that, these are "network products" which often become viable only when a company has a significant market share, before they make suitable policies.

In this scenario, India holds a tremendous position with a burgeoning workforce graduating out of IITs, IISc, NITs, etc and a huge IT infrastructure that is already serving the world.

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With financial products like UPI and BHIM (UPI has already 2 billion transactions a month), India has spurred digital penetration. AI is estimated to add more than 2 crore jobs by 2025 to Indian economy (NITI Aayog report).

The Government of India highlighted its "AI for All" strategy telling the world that AI solutions built in India will serve the world. The "Responsible AI for Social Empowerment" (RAISE) 2020 summit brought together key policymakers to leverage AI's potential. Recently, India announced banning of Chinese apps signifying its strong push towards cybersecurity even as its new Cybersecurity Policy will soon be unveiled.

That the Ministry of External Affairs recently formed a New and Strategic Technologies Division highlights the priority of the government. Regulation of Over-the-Top content providers (like Netflix) has been handed over to Ministry of Information & Broadcasting to ensure smooth regulations.

The steps that policymakers must take to address the previous threats are as follows. First, encourage academia and industry collaborations to better understand demands. Second, encourage more R&D expenditure. Third, raise public awareness on issues highlighted to promote "Jan Bhagidaari". Fourth, engage international stakeholders for a comprehensive policy on cyber-warfare.

The Indian philosophies of "Vasudhaiva Kutumbakam" the world is but one family and "Nishkama Karma", doing good for its own sake holds immense relevance for today's policymakers

~~[illegible]~~

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whom Akshay, the country's first AI-enabled think-tank had just addressed.

BANK NATIONALIZATION: HITS AND MISSES

If you have ever walked into a public-sector bank (PSB), you would be more likely to avoid a re-visit. On the other hand, staff at a private bank is generally more welcoming, responsive and the overall ambience is also better. However, the better facilities at a private bank come at a cost which may not be affordable for all sections of our society. Therein lies the essence of bank nationalization done over a 50 years ago.

With the objective of improving financial inclusion, promote banking in rural areas and check rampant misuse of public money and trust by some private banks owned by corporate houses, the Government of India announced the

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nationalization of 14 banks in 1969 and 6 more banks in 1980. It may not be economically viable for a bank to serve the poor or those in rural areas due to higher costs involved per rupee of money deposited yet the poor must access banking services to avail welfare benefits, encourage savings habit and be saved from usurious moneylenders and Ponzi schemes. The present essay discusses the successes (or hits) and failure (or misses) of bank nationalization, analysing causes, steps taken and suggests a way forward.

As far as rural areas are concerned, more than 60% of all branches are at present in rural areas, nearly 99% of Indian households have a bank account and public trust in PSBs

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is high. Bank nationalization combined with schemes like Lead Bank Scheme, Service Area Approach, Priority Sector Lending (mandates at least 40% bank credit to weaker sections, farmers, etc.), setting up of National Bank for Agriculture and Rural Development (NABARD) in 1980s have ensured that banking turned from "class banking to mass banking."

On the other hand, if we look at misses of bank nationalization, data points out that while PSBs account for only 65% of total credit, they account for over 80% of all Non-Performing Assets (NPAs) and nearly 90% of all banking frauds. More than two-third of all MSMEs are dependent on informal credit and dependence of farmers on moneylenders for credit (which comes at much higher costs) in Maharashtra was a major reason for farmer suicides there.

As pointed out by Economic Survey 2019-20, the PSBs have given a much poorer return on investment for shareholders compared to the private banks, while it is a common experience that PSBs deliver a below-par quality of service to their customers.

The reasons for such a dismal performance of PSBs are not too far to fathom. The government's implicit promise of bailing out PSBs has led to complacency among bank officials leading to underperformance. They do not have any incentive to perform well and no punishment even if they fail to perform their duty. Moreover, if they become too adventurous and start giving out loans to risky projects which turn bad later on, they may face the wrath of CVC, UPSC

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CAG or CBI later on. This has led to a culture of risk aversion.

Another inherent weakness is that it is often the government that announces credit policy decisions with little freedom with each PSB to make economic decisions. The role of political interference and alleged crony capitalism can also not be discounted in a PSB.

Due to lack of regulatory oversight where it was needed, bank officials failed to complete due diligence before giving out loans leading to high NPAs. The stronger internal governance mechanisms of private banks saved them somewhat.

Other reasons attributed are: overstaffing by PSBs leading to high operating costs, loss of rich customers due to poor quality of service, who could

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have been source of deposits (cheap source of money for a bank) for PSBs. As the top management positions attracted relatively lower financial remunerations, PSBs failed to attract industry's top talent in their ranks.

In this regard, the government has taken recent steps to promote financial inclusion, check rising NPAs and improve overall PSB functioning. As recommended by Narasimhan Committee, interest rates were deregulated to allow more autonomy to banks, position of Chairman and Managing Director were separated to allow long-term planning and day-to-day decisions independently while the government has also promoted 'Gyan Sangam' – conference of top PSB officials to usher in governance reforms.

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In a major policy decision, mergers of PSBs were undertaken (10 banks into 4, recently) to promote economies of scale, economies of scope and better customer service. In 2015, RBI issued licenses to 2 kinds of differentiated banks — Payments Banks and Small Finance Banks — to further mobilize savings, promote micro-credit and overall financial inclusion.

The holy trinity of JAM (Jan Dhan, Aadhar, Mobile) coupled with Direct Benefit Transfer of subsidies into bank account has allowed India to do in 4 years what World Bank predicted would take 50 years: bank account with over 80% adults. These steps highlight that innovation and collaboration are key to future successes.

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The suggestions for tackling the PSBs and their growth potential are as follows. First, as pointed by Economic Survey an economy of India's size needs at least 6 banks in top 100 global banks (India has 1, at 55th while China has 18 in top 100) and for that we must continue to merge strong-strong banks. Second, to improve PSB working, introduce more autonomy at higher managerial posts and incentive to perform through Employee Stock Option Plans (ESOPs). Third, attract better talent through higher financial remuneration along with accountability through target-based approach.

The PSBs share a rich experience of the last 50 years which can be combined through a PSB Network (on the lines of GST Network) for better

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credit profiling, streamlining e-KYC, etc. The RBI must leverage the potential of technology through Artificial Intelligence (AI) and Big Data for better regulation and supervision. A positive approach towards issuing ~~a~~ virtual banking licenses, that is, banks that do not have a branch and conduct all operations online, convenient for the ~~[illegible]~~ youth that is always-on-the-go, must be adopted.

Another suggestion put forward by experts is that a national financial holding company be formed with top talent at the helm to take over some of the ~~[illegible]~~ functions of Finance Ministry to reduce political interference and improve innovation at PSBs.

These measures will ensure that expectations out of a PSB are met through better service and efficient performance.