

PRESENSE

Spreading Positive Vibrations
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Cover Story of the Month



Downtrend in Economy

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From the Desk of Editor-in-Chief



Greetings from all of us @ The Editorial Team, to our readers.

This month we applaud the exploration of the outer spaces for the benefit of mankind. Our own Chandrayaan 2 which was launched a couple of months ago, set its Orbiter into operation in lunar orbit, and its Lander Vikram on the moon, albeit with some hitches. UAE launched its first cosmonaut into space in the last week of September 2019, joining the space exploration club of countries. Several countries are already in this club. Thousands of satellites are circling our planet for purposes of research, surveillance and exploration. In all these, a concern is voiced about the 'garbage' we leave behind in our Universe while we are busy exploring it. Our Editorial discusses this concern.

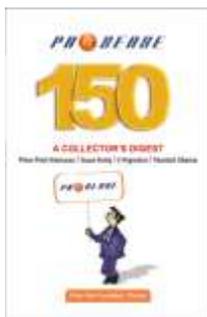
With our country going through a period of anxiety when many are talking about the slump in its economic situation. We felt that for the benefit of our readers at large, it is pertinent to hold an interview with the former Revenue Secretary of the Government of India to discuss the factors contributing, and means to resolve the concerns relating to the country's economic situation. Our Cover Story brings you this interview in the form of its transcript, along with an audio recording.

What happens in the Parliament Houses should be of every citizen's interest. One of the main functions includes the passing of Bills which later become an Act for the governance of the country. We bring you details of how this is done in a write-up included in this month's issue.

As usual, we bring you reports of significance for information. Our mascot, Prince shares his wit too.

I hope you will enjoy this edition. Please share your feedback with us at editor@corpezine.com. Your feedback is important to us.

Susan



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Editorial

Are We Destroying Our Outer Space Environment Like We Have With Mother Earth?

Our Space Scientists Must Be Alert for the Sake of Our Future Generation



(Image Courtesy: Indiatimes.com)

Number of Satellites Orbiting the Earth in Outer Space, Over the Years

It was as early as 1957 that man first marked his presence in space with the first satellite, Sputnik I sent by the Soviet Union, followed closely by USA in 1958 with Explorer I. Since then, several countries including India, have launched satellites for purposes of communication, surveillance, vigilance, exploration and research. Many more spaceships are sent into outer space and to other planets, looking for resources to augment the depleting reserve on Earth, and for better surveillance and defence of borders from overseeing satellites. Besides, missiles have been fired on dying satellites in orbit as targets, to test and validate nuclear arms and ammunition capabilities from outer space. Many of these satellites and spaceships after having lived out their useful lives, either burn out in Earth's atmosphere or become space debris in eternal orbit.

According to the 'Index of Objects Launched into Outer Space' maintained by the United Nations Office for Outer Space Affairs (UNOOSA), there are 4,857 satellites currently orbiting the planet. 5,000-plus satellites have been launched since the first in 1957, leaving a trail of debris in the Low Earth Orbit (LEO), Medium Earth Orbit (MEO) and Geostationary Orbit (GEO).

So far, there seems to be no panic over the 'pollution' of the outer space with the debris, except for a stray objection by USA to India over its anti-satellite weapon test in March 2019 that could have left some debris in orbit in space. This objection could be more out of the threat of India's warfare capabilities than concern for environmental pollution. Even



then, this stray expression must draw one's attention to the potential threat of pollution of outer space that might have adverse impact on Earth and its inhabitants in the future. This apprehension must not be brushed aside as paranoia.

Back on Earth, when the world first turned to natural materials and environment-unfriendly processes that made lifestyle easier, more convenient and fashionable, people were happy. The world continued to use up fossil fuels without any reserve, made almost everything plastic, most of which were disposable but not biodegradable, deforested large areas to accommodate the growing world population as well as to unscrupulously develop real estate. Industrial, economic and digital revolution happened in the name of progress and modernisation. There was little concern for the adverse effect on life that exist on land, in water and in the air, and on the elements of nature. The slow death of the environment continues to happen. The culprit is not development which is appreciated, but the insensitive and bingeing consumption and desecration of the natural resources and the environment.

Today, there is late realisation that we are becoming victims of the very assault we have done on nature and the environment, propelling a 16-year-old student named Greta Thunberg to deliver an emotional speech to the participating delegates at the United Nations Climate Change Summit held at its headquarters in USA on September 23rd 2019. She said, *"People are suffering. People are dying. Entire ecosystems are collapsing. We are in the beginning of a mass extinction."*

We are not sure if the wake-up call to environment consciousness has come too little too late. We are already experiencing and suffering from the impact of the pollution in the form of incurable diseases, inexplicable physical, mental and emotional abnormalities, lack of space resulting in warfare amongst brethren, and climatic and environmental disasters.

Having almost exhausted the resources of the earth and stripped it of its health and wealth, we are now top-gearred for outer space exploration. Considering the mammoth size and the mystery of the unknown outer space, we are barely aware of any danger or the risk of unreserved exploration or exploitation of our outer space.

Therefore, should we not have a parallel monitoring of the risk potential, if any, of our exploration of the outer space in order to avoid a repeat of environmental disaster? How can we assess the potential risk of 'polluting' the environment in outer space to avert a future disaster? Only the space scientists can give some clue for answering this question, and we hope they are bearing this question in mind while they work on their calculations to 'go where no man has gone before'.

It is understood that a company named Astroscale has been established in 2013 as a space-debris removal company. It plans to launch the ELSA-d (End of Life Services by Astroscale – demonstration) in early 2020. ELSA-d is designed to help to bring 'retired' or failed satellites out of orbit and back into the Earth's atmosphere where they will burn on re-entry, leaving no further debris behind.

The point to be driven home is that while we continue to explore the Universe for our global benefit, we need to parallelly be sensitised towards, and respect the elements of our Universe so that it does not rebound in devastation and disaster in the future because we were careless. At this stage, this responsibility lies with the space scientists, to be sensitised about the exercise of caution and discipline while exploring the outer space.

by Susan Koshy, Editor-in-Chief



Cover Story

Investments Without Production and Confusing Policy Announcements Hit Indian Economy

The slow-down of the Indian economy has caused serious concerns for every citizen. This



M R Sivaraman, Former Revenue Secretary to Government of India

has resulted in many people losing their jobs without creation of new jobs. The Government of India has also announced various measures to overcome this challenge. On behalf of *PreSense*, Prime Point Srinivasan and Prof. K Prabhakar interviewed Shri M R Sivaraman, Former Revenue Secretary to Government of India and Former Executive Director of International Monetary Fund (IMF) to understand the reasons behind this situation and to get the possible solution. Excerpts:

What precisely is the problem with the country's economy? The GDP growth rate is estimated at 5%. There is recession in the automobile industry, etc. What is the real impact of

demonetisation and GST in this slowdown?

As I have been handling finance for the past three decades in government as well as outside government, I would say that the growth rate coming down is nothing surprising, mainly because we have been growing at the rate of nearly 6.8% for nearly two decades. Therefore, it is but natural that the rate of growth will come down slightly. When the economy grows, the base widens. When the base widens to a large extent, it will take some time for the economy to adjust itself again to go up to a larger growth path.

The effect of demonetisation has virtually worn out because the currency in circulation has now almost reached the level it had before demonetisation with respect to the GDP. Demonetisation has not led to less use of cash in the Indian economy. This is mainly because of the traditional way the Indian economy has been functioning. Cash has been playing a major role. If cash has to be brought down, then the Government has to say that they will not allow people to pay in cash in petrol pumps and all other places where government transactions take place. It will take a long time for it to happen. It will not happen overnight. It would have had an impact may be, in the first year. But subsequently as cash started building up in the economy, it did not affect the growth as such.

Soon after demonetisation, we had the GST coming in. Because GST is a decision by all the finance ministers of the country including the Union Finance Minister, the way in which the GST had to be implemented became the responsibility of the government of all the states and union territories, and the Government of India. So, they had to accommodate the views of 29-30 states in the country. There could not be a single, particular view. And every state had its own point of view regarding the implementation of the GST and the rates of GST. It became an 'accommodating system'. When it became an accommodative system, every time a decision was taken in the GST council, they had to make adjustments in the GST network and programs because the backbone of the implementation of GST is the GST network, which is a computerised system. Every time a change is made, the system had to undergo a major change. When the system undergoes a change, there will be a lot of



glitches. That way, GST had impacted the system to a considerable extent. This led to the accumulation of refund of taxes, particularly in the export sector. As far as export is concerned, they had to pay the GST and claim a refund. That is the system we have adopted.

Now the things are getting sorted out. As soon as the exports leave the hands of the exporter and the customs give the clearance for export, the shipping bill with the customs clearance will automatically be put into the system. They now get the refund immediately. To a large extent, this has been rectified.

It is reported that MSMEs have suffered heavily due to GST. What is your opinion?

A large number of MSME operators are not properly educated about the system of GST. Many of these people employ agents to carry out their work. These agents have not been doing their work properly. They have been misleading the people. There is a lot of misinformation and disinformation spreading because these MSME people are not able to do their own work properly.

The Government did conduct classes. But these classes were mostly held in Chennai and a few other places. They are not adequate. These are some of the internal difficulties in the working of the GSTN which has caused problems to the MSME sector. That is why they have not been able to expand.

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But then, there is another point we have to see. Has the number of MSMEs gone down after demonetisation and GST? That is an important indicator. In June 2019, the Reserve Bank of India (RBI) Committee on Small and Medium Industries submitted a report. The report which is on the website of RBI, shows that on June 15th, they got the numbers of MSMEs at 68.9 lakhs, which is more than what it was before demonetisation. It could be that more people have got registered. If demonetisation and GST had affected the MSME, then there should have been a significant reduction in the number of MSMEs instead of going up.

But there has been a problem in functioning. People are uncertain about their (GST) money coming back and unsure about how to fill the form. This must have caused some inconvenience. My appeal to the Revenue Department is that they should form small groups of officers who should conduct training to small and medium industries in the smaller places and educate them about how to get the refund and fill the forms, without depending on agents.

Why has investment not taken place in heavy industries in the past few years? What do you think are the main reasons?

There are certain areas where the investment should have taken place – heavy engineering, automobile and textile sectors. In the last 2-3 years, we have observed that Rs.18-20 lakh crores have turned into Non-Performing Assets (NPAs). When Rs.18 lakh crores come into the industry as investment, people get employed and theoretically, when people get employed, production happens and value addition takes place. It is now found that most of them were expanding without production and market development. The economy is hit now because those investments are not giving any returns.



For example, the four or five huge superpower thermal plants (Adani, Tata, Essar, Reliance) were erected at a cost of nearly Rs.1 lakh crores. Now, all these power stations are idle because they could not procure coal at the price they had contracted for the sale of power. They had approached the Supreme Court for relief but it did not agree, saying the companies had signed the agreements assuring sale of power at the price contracted at that particular time. If the companies did not forecast that the price of coal would go up, then the people could not be held responsible. Therefore, the power plants could not generate power except for a minimal quantity. The total investment therefore remains idle. Similar investments made elsewhere such as ports, have not been able to generate any returns. This situation is a major cause in the sudden fall in the GDP.

After those investments, people are scared to make fresh investments even though banks are flushed with funds. Banks are not lending and people are not ready to invest money without sorting out these issues. So, we have a structural imbalance taking place in the country.

What is the real problem with the automobile industry?

There is confusion in the automobile industry of the country. Several factors have come together for this – BS6 norms (automobile emission standard), collapse of the NBFCs which were lending money, etc. The automobile sector contributes 49% of the GDP of India because the automobile industry has thousands of ancillaries, which also constitute part of the engineering sector, which makes up 7% of the GDP.

The announcement by a senior minister of the Government of India that there would be a shutdown of fossil-fuelled cars by 2030 created confusion in the country. Manufacturers became nervous, wondering how the cars would be produced and where the charging

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stations would be. All places in India do not have charging stations. Indian Oil and Bharat Petroleum do not have a single charging station in Chennai. People became hesitant to buy a petrol-driven car. He also announced that only BS6 compliant cars would be permitted. Hundreds and thousands of cars were already produced and waiting to be released in the market and people were not

ready to buy them. The industry requires at least 10 years for a gradual phase-over of equipment. Of course, the Minister later reversed his statement and assured that petrol cars would be allowed. However, the automobile industry has been very severely impacted by then. BS6 cars are now being purchased by the people.

Another factor is the rule insisting on a 3-year registration fee payment and 5-year third-party insurance policy payment – matters that have not been happening in the country for over 60 years. Where do people have the money to invest in this? There is little gained by these confusing announcements. And when these factors hit a major sector, it takes a long time to revive.

How has the employment been affected?

If one additional (new) truck is sold in the market, it generates 2-4 man-years of employment. In a sale of 100,000 trucks, assuming 25,000 go for replacement, for 75,000 new trucks multiplied by an average 3 people, 2.25 lakh additional people will gain employment.



A car will generate 0.3 man-year employment because of new drivers, cleaners and accessories for the car. Every year, 3.5 million cars were being produced. Assuming a conservative 0.1 man-year employment, 3 lakh people were being employed. Today, additional employment of half a million people from car and commercial vehicles has disappeared. 500,000 people were in the market for purchase of FMCG (Fast-Moving Consumer Goods). They are not there today. This is a major problem for the Government to solve.

How is the agricultural sector?

The agricultural sector by itself does not contribute much money but it attaches a sentimental value. This year, because of the rains, they hope that the production will reach the same as last year, if not more. Shri Modi too has done well by distributing Rs.2000 each to the farmers, which means much to the poor farmer. The only thing is that it must be ensured that all the farmers get the money.

How is the service sector?

The service sector contributes 58% of the GDP of this country. Once the automobile sector goes down, it will affect the other sectors as the financial, insurance, etc which accompany the automobile sector. It has a nominal impact on the hotel sector because people travel to shops and hotels. There is a chain reaction in the service sector. The growth of the service sector has fallen from 12% to 8%, impacted by these factors.

What will be the impact of the trade war between China and USA on India?

The impact is going to be only of sentimental value because it is not going to affect us directly. The impact would be that if the US economy goes down, then our exports to USA will go down. So far, the US economy has not gone down.

The European economy has grown by 1% and it is generally 1-2%. Therefore, it does not materially affect our exports. But the war between the European Union (EU) and United Kingdom(UK), which will end in October (2019) would affect us because many Indian industries have investments in EU and UK. This will affect our income too.

Will the merger of major banks help to improve the situation?

The problem with this Government is that they bring all the changes together, creating confusion in the country.

I would have postponed this merger to one year later, to wait for the economy to settle down from this current turbulent period. The problem with this Government is that they bring all the changes together, creating confusion in the country. Their policies are good with good impact but bringing them together creates confusion. This merger was not necessary at this time because merger always creates organisational, administrative, lending and marketing problems. They

could have postponed it as politically they are battling with the issue of Article 370.

Can the country achieve a 5 trillion economy as announced by the Finance Minister?

No, because this year's rate of growth is not going to be more than 6%. Therefore, for the remaining 5 years, the rate of growth has to be more than 10%. India has never achieved



a 10% growth rate except in one year. And now to achieve a 10% growth on a very big base of economy is very difficult.

The problem with the Government of India is that although they enact good policies and measures, the State Governments are not ready to implement them properly in the same spirit. These are some of the physical and structural problems for the Government of India.

The Finance Minister has proposed Rs.100 lakh crores for infrastructure projects. Where will she source the funds from?

Rs.100 lakh crores is the target which can come from various sources like FDI, borrowing from external market and domestic economy.

Recently, RBI transferred Rs1.70 lakh crore to Government of India. Will it help the situation?

It will help the Government of India in a minimal way.

The Finance Minister took office in the middle of May 2019. On July 5th, she presented the Budget. In one and a half months, it is difficult to understand the Budget as it is complicated. She was not given the correct budget figures. The figure in the Budget is more by Rs.1 lakh crore than the actual figure. If the rate of growth is 17-18% on the Rs.1 lakh crore, it is gone. Therefore, the income tax figure is going to fall by Rs.1.5 lakh crore, which will be covered by this amount.

The principal mistake the Government makes is that they do not invite at least all the former Revenue Secretaries and Finance Secretaries for their experienced opinion about the Budget.

As a former Revenue Secretary, having dealt with similar issues in the past, what would you like to suggest?

I have seen serious fiscal deficits. I would suggest that the Finance Minister, along with the good steps announced for the supply side of the economy, should also plan steps to build up the demand side of the economy.

- First of all, the Prime Minister and the Finance Minister should have a technical discussion with the experienced Cabinet Secretaries, Finance Secretaries and Revenue Secretaries about what is to be done to deal with the situation.
- Thereafter, they should call the Chief Ministers and give them action points for implementation. Chief Ministers must be taken into confidence because they function at the field level. It is their orders that ultimately get translated into action.
- Invite the Opposition leaders and consult them too. In a time of crisis, you have to take the Opposition into confidence. This economy belongs to all the people.

by K. Srinivasan (Publisher and Managing Editor) and Prof. K Prabhakar (Editorial Advisor).

Please listen to the full interview of Mr M R Sivaraman: Click

<https://youtu.be/OhKKiVz5wQ4>



National

How an Idea Becomes an Act of Parliament

Every Indian or foreigner in this country is governed by an Act of Parliament or Legislative Assembly. It is worthwhile to know as to how an idea or a concept becomes an Act of Parliament.

How an Idea is Conceived

The Government gets the idea to make an Act from different sources like (1) the Public, (2) the Industry or professional bodies, (3) Discussions in Parliament, (4) Private Members Bills or (5) from their own internal discussions. When the Government gets any idea or concept to make an Act, the Ministry concerned sends the input to the Law Ministry for a Draft Bill. The Ministry concerned and the Law Ministry then finalise the Draft Bill. After the approval of the Draft Bill by the Cabinet, the Bill requires the approval of both the Houses of Parliament and the President of India, before it becomes an Act.

Types of Bills presented to the Parliament

- Ordinary Bill
- Money Bill (Under Article 110 of the Constitution)
- Financial Bill (Under Article 117(1) and 117(3) of the Constitution)
- Constitution Amendment Bill

Legislative Procedure of an Ordinary Bill

Notice of Bill—A Minister or any other Member who desires to introduce a Bill has to give a seven-day notice in writing to move for 'leave to introduce the Bill'. The Speaker may, however, allow the motion to be moved at a shorter notice too.

Circulation of the Bill— A Bill will not be incorporated in the list of business for its introduction unless its copies are made available to the Members at least two days before the day on which the Bill is proposed to be introduced. However, Appropriation Bills, Finance Bills and such secret Bills are exceptions to this list of business. The Speaker may, however, permit the introduction of a Bill without prior circulation or after circulation for a period shorter than the stipulated two days if the Minister concerned is able to provide adequate reasons in a Memorandum for consideration of the Speaker.

Passage of the Bill – A Bill undergoes three readings in the House where it is introduced and should be passed with a simple majority for it to be considered passed in that House. The same procedure is followed in the second House, with or without amendments to the introduced Bill. The Constitution amendment Bills should be passed by not less than two third members of the House present and voting, but subject to half of total strength of the House and should be passed in each House separately, by this procedure. A joint sitting cannot be held in case of Money Bills, as Rajya Sabha does not have enough powers in respect of Money Bills.

If there is a deadlock in the passage of the Bill (if the second house rejects the said Bill altogether, or passes with

If there is a deadlock in the passage of the Bill, the President can summon a joint sitting to resolve it.



amendments, or holds the Bill with no action for more than six months or if the first House does not agree to the amendments made by the second House), the President can summon a joint sitting to resolve it. The joint sitting is usually chaired by the Speaker of the Lok Sabha. If the majority of members present and voting in the joint sitting approve the Bill, the Bill is deemed to have been passed by both the Houses. However, Constitution Amendment Bills have to be passed in both the Houses separately. There will be 'Three Readings' for passage of all Bills.

First Reading

The First Reading refers to the Motion for Leave to introduce a Bill in the House by the Minister concerned. Motion for Leave to introduce a Bill may be opposed by any Member on general grounds or on the ground that the Bill initiates a legislation outside the legislative competence of the House. Any such opposition by the Member has to be given as a notice specifying the objections that are to be raised, by 10:00 hours on the day on which the Bill is included for introduction. The Speaker will then put to vote and decide on the introduction of the Bill. When the House gives permission to introduce the Bill, the Minister will say "I introduce the Bill". Now the Bill becomes the property of the House. With the permission of the Speaker, the Bill will be published in the Official Gazette of the Government.

Reference of Bill to Standing Committee

After the Bill has been introduced, the Presiding Officer of the House may refer the Bill to a Standing Committee with the concerns for examination and make reports thereon. A time limit of three months is normally prescribed. The Committee can also take opinion from experts and the general public who are interested in the measures. The report of the Committee shall be treated as considered advice given by the Committee.

Second Reading

During this stage the Bill goes through a detailed scrutiny and assumes its shape. This reading involves two stages. In the first stage, the House can decide to refer the Bill to a Select Committee or Joint Committee for scrutiny. Any amendment can also be moved by any Member for any clause of the Bill. The Speaker will decide based on the vote.

The second stage of the Second Reading consists of clause-by-clause consideration of the Bill, as introduced in Lok Sabha or as reported by a Select or a Joint Committee or as passed by the other House, as the case may be. Discussion takes place on each clause of the Bill and amendments can be moved at this stage. Each amendment and each clause is put to vote of the House. The amendments become part of the Bill if they are accepted by a simple majority of members present and voting and the Second Reading is deemed to be over.

Third Reading

At this stage, the debate is mainly confined to acceptance or rejection of the Bill, with or without amendments, as a thorough scrutiny is done during the Second Reading. Debate is confined to arguments either in support or rejection of the Bill without referring to the details. Only formal, verbal or consequential amendments are allowed at this stage. If a majority of the Members present and voting accept the Bill, the Bill is deemed to have been passed by that House. If the said House is the initiating House, then the Bill is forwarded to the second House. If the said House is the second House, then the Bill is deemed to have been passed by both the Houses and moved for the President's assent.



Bill in the Second House

After the bill is passed by one House, it is forwarded to the second House for concurrence, with a message to that effect. Therefore, an introduction stage is not required in the second House. The Bill again goes through the same stages, *viz.* the Second Reading stage comprising either discussion on the motion that the Bill be taken into consideration or its reference to a Select Committee of that House and the Third Reading stage. The second House may either agree to the Bill, or return the Bill with amendments to the initiating House for its concurrence, or a joint sitting is summoned by the President if there is a deadlock.

Money Bills can be initiated only in Lok Sabha. Rajya Sabha is required to return a Money Bill passed and transmitted by Lok Sabha within a period of 14 days from the date of its receipt, with or without recommendations. It is open to Lok Sabha to accept or reject all or any of the recommendations of Rajya Sabha. However, if Rajya Sabha does not return a Money Bill within the prescribed period of 14 days, the Bill is deemed to have been passed by both the Houses of Parliament at the expiry of the period of 14 days in the form in which it was passed by Lok Sabha.

Assent of the President

Every Bill after being passed by both Houses of the Parliament is presented before the President of India for his assent. The President has three options: (Article 111)

- He may give his assent to the Bill; then it becomes an Act.
- He may return the Bill for reconsideration to the Houses,
- He may withhold the assent to the Bill;

Withdrawal of Bills

The Minister in charge of a Bill, who introduced the Bill in Lok Sabha or Rajya Sabha, may at any stage of the Bill, move for leave to withdraw the Bill on any specific ground listed in the Rules.

Ordinance Power of the President of India

When both the Houses are not in session, the President can promulgate ordinances under Article 123 of the Constitution. Parliamentary approval is required during the next session within six weeks from the date the Parliament is in session. If the Ordinance is not passed by the Parliament, it shall cease to operate. However, the President does not have any power to promulgate ordinance to amend the Constitution.

(Reference: The Legislative process in regard to Government Bills is governed by various provisions of the Constitution, the Rules of Procedure and Conduct of Business in Lok Sabha and the Directions by the Speaker, which include, *inter alia*, provisions contained in Articles 107 to 111, 117, 245 to 255 and 274 of the Constitution, Rules 64 to 159, 218, 219, 331E, 331H and 335 of the Rules of Procedure and Directions 19A to 26 and 31 to 37 of the Directions by the Speaker).

(Source: Lok Sabha Website)

by G Priya Dharshni, Deputy Editor



Banking

CIBIL – A Double-Edged Sword?

Privacy of personal information in the public domain has always a major concern and a point of discussion. We want to protect our privacy, and only when necessary, we share our feelings or emotions selectively. However, the concept of privacy and confidentiality of information is being viewed differently by different people. In

the famous Supreme Court Judgement of Justice (Retd) Puttaswamy Case delivered in August 2017, its landmark ruling stated that privacy is a fundamental right. In this backdrop, what exactly constitutes privacy especially data privacy assumes enormous significance. With the Data Privacy Act yet to be passed in India, the issue is being widely debated, discussed and deciphered.



Let us now move on from privacy to loans, before we highlight the relevance of privacy of data in lending. When we apply for a loan to any bank or other financial institution, the first major pre-requisite is how we score as a credit-worthy or reliable borrower. Our credit score in the CIBIL (Credit Information Bureau of India Ltd) is a major yardstick to assess and evaluate our credit worthiness. Even if the borrower is known personally to the lender, the score given to him as borrower by CIBIL assumes significance and forms part of the loan assessment document. Credit rating is an evaluation of the credit risk of a prospective borrower, predicting his ability to pay back the debt, and forecasting likelihood of the debtor repaying on time or else defaulting. This is based on available information on him, his history of performance and assessment of his potential to repay.

CIBIL was founded in 2000 as a joint venture of banks and TransUnion (part of the American multinational group) with both public sector and private sector banks and other Non-Banking Financial Companies (NBFCs) too having a substantial stake in the ownership. CIBIL comes under the Reserve Bank of India (RBI) authorisation as per the Credit Information Companies (Regulation) Act, 2005 to regulate the actions of credit information companies in India and to facilitate efficient distribution of credit and matters connected to the same.

CIBIL functions with the objective to introduce transparency and seamlessness in the credit rating process in the country. It collects and maintains credit-related information of individuals and corporates, including loans and credit cards. These records are submitted by member institutions (banks and other financial institutions) to the credit bureau on a periodic basis. The information is then used by the bureau to create credit reports and issue credit scores.

CIBIL started its commercial operations in 2006 and ever since, functions as a database of credit information. It does not make any lending decisions. It only provides data to banks and other financial institutions, which use it to filter applications for loans and credit cards.

At the time of inception of CIBIL, many public sector banks, private sector banks and other financial companies had a stake ranging from 2.5% to 10%. Subsequently, many banks like ICICI Bank, HDFC Bank and Bank of Baroda, and some other institutions sold their stake to TransUnion which is now reportedly owning the major stake. CIBIL as an organisation is



now being referred to as TransUnion CIBIL, though the score and rating are more popularly known as CIBIL rating and CIBIL credit score only.

TransUnion CIBIL Ltd maintains credit files on 600 million individuals and 32 million businesses. All lenders, particularly banks have been meticulously following the credit score given by CIBIL to individuals to assess whether any new or additional loan could be given to them

Now, let us get back to where we started. From data privacy point of view, let us imagine the volume of data, its confidentiality and uniqueness that CIBIL has been possessing all these years. And now consider the fact that the agency is no longer owned by public and private sector banks but is owned and controlled by an Indian entity, which is part of a multinational corporation (MNC), *ie.* a private sector firm. TransUnion CIBIL is a profit-making MNC which has taken over an Indian company along with valuable critical personal data worth billions of rupees. The company has acquired access to the critical personal data of Indian citizens through a process of takeover of a company with its data assets *ie.* information assets of lakhs of individuals in India. Perhaps in the days to come or hopefully in the months to come, the government and other data-conscious stake holders will awake to the fact that voluminous, critical and highly confidential, data of lakhs of borrowers with lots of valuable evaluation parameters is lying with this entity. Again hopefully, much debate will take place over details like RBI control over this entity and RBI inspection if any (reportedly not done so far), and the accountability of this firm to the government and the data owners, *viz.* the borrowers or the banks which provide them with the data.

With so much data analysis, data profiling, borrower profiling (of individuals as well as the MSME sector) being done by this entity, internal controls if any being followed by the firm before sharing such data to others and the modus operandi being adopted before any such sharing takes place have to be looked into. Compliance audit especially with regard to the existing provisions of 'reasonable security practices and procedures' applicable for 'body corporate' as enshrined in the Information Technology Amendment Act 2008, from a regulatory perspective may be a timely and effective process to initiate now. Hopefully, the Data Privacy Act will be in place shortly in India. The proposed Act provides for 'explicit consent' and such other procedures when critical data are being collected and processed, and to continue to be in business, TransUnion CIBIL has to conform to such procedures. It is interesting to wait and watch what the regulator RBI proposes to do now, *ie* act now as per the existing provisions of IT Act and its IT Amendment Act 2008 and conduct audits and ensure compliance, or wait for the proposed Act and ensure that the firm conforms to the provisions immediately. From a common man's perspective, citizens are quite concerned about the way their loan details are stored, processed, analysed, evaluated and shared!

There are many complaints against CIBIL, with allegations of incorrect data being stored, data being taken from an earlier mobile number with outstanding shown against the person who uses the number but has not taken any loan, mismatch of PAN and Aadhaar, duplication of PAN details and mismatch of borrower's individual capacity with an official capacity, and so on. With many such complaints against CIBIL already being discussed, there may even be complaints of data being shared illegally and incorrect data being shared. It is time the regulator acted and took remedial steps swiftly.

by V.Rajendran, Editor





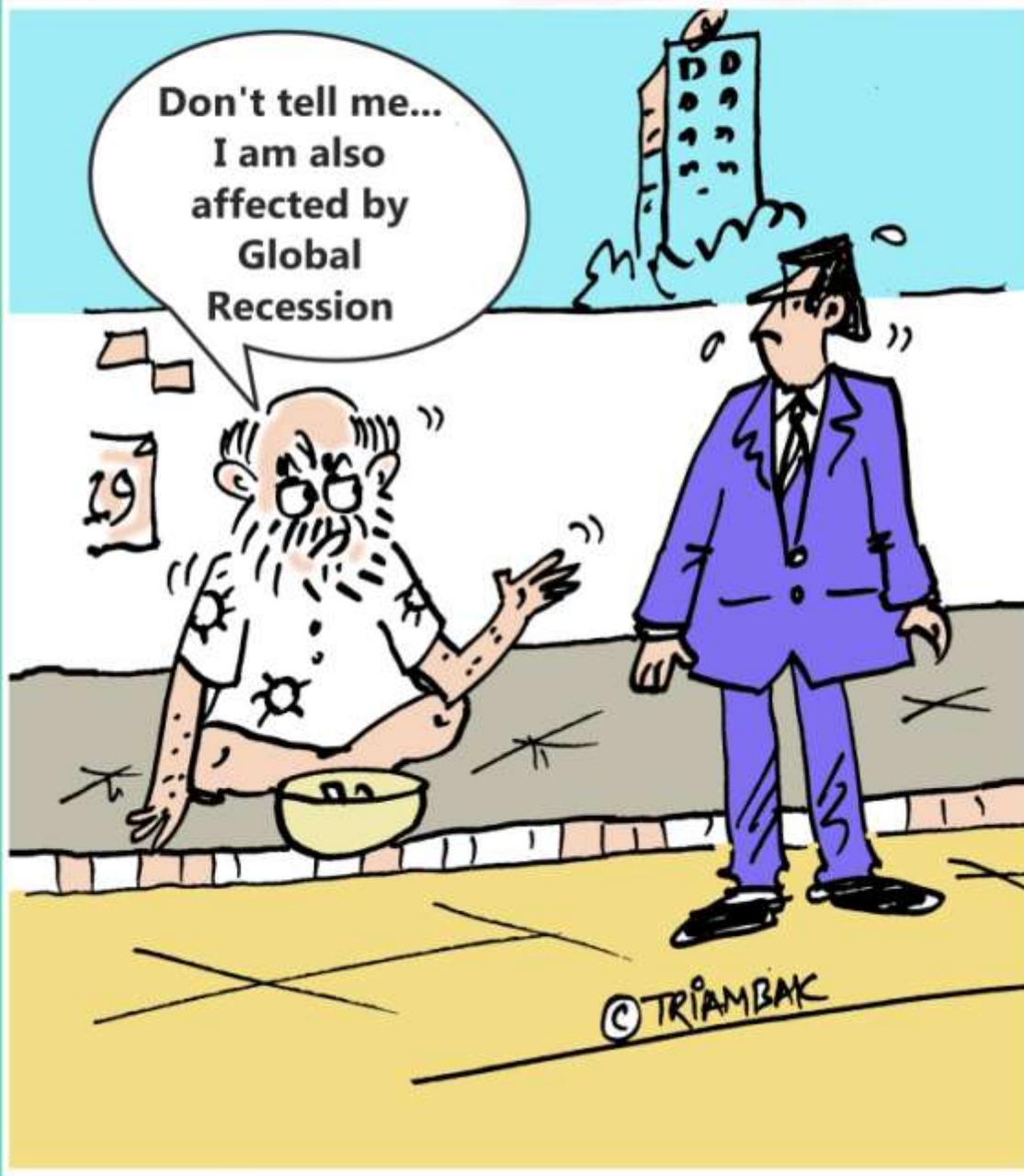
PRince

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PreSense Initiatives

Workshop on “Secur-e-Banking” by Indian Institute of Banking & Finance Jointly with DiSAI



Shri KarnamSekar, MD & CEO, Indian Overseas Bank Inaugurates the workshop by lighting the *KuthuVilakku*. Shri Ramesh Sethuraman (Secretary, DiSAI), Dr J N Misra (CEO, IIBF) and Shri R Govindarajan (Head, Professional Development Centre, IIBF) look on.

Indian Institute of Banking and Finance (IIBF) jointly with Digital Security Association of India (DiSAI) organised a day's workshop on "Banking Today: Secur-e-Banking" at Chennai on 13th September 2019. Shri KarnamSekar, Managing Director & CEO, Indian Overseas Bank inaugurated the workshop. Dr J N Misra, Chief Executive Officer of IIBF was present at the workshop. The faculty support was provided by DiSAI. Senior officials from all the banks participated.

The speeches of Dr J N Misra and Shri KarnamSekar, delivered at the workshop are available in the links below:

Dr J N Misra

<https://youtu.be/HXu7IGOAls8>

Shri KarnamSekar

<https://youtu.be/E5OmQbzRRew>



An Important Picnic Resort With Historical Significance



On September 9th 1945, towards the end of the Second World War, the 46 Indian Beach Group of the British and Indian Army Liberation Forces landed at Pantai Morib. Pantai Morib (*Pantai* meaning 'Beach' in Malay) is located on the western coast of the peninsula of Malaya (now called Malaysia), overlooking the Straits of Melaka. A monument stands in the site in commemoration of the landing of the troops. The monument states that the 46 Indian Beach Group facilitated the landing of 42,651 personnel and 3968 vehicles and 11224 tonnes of stores. The Japanese Army which had occupied Malaya since 1941, surrendered soon thereafter.

Today, Pantai Morib is a popular picnic resort in Malaysia.

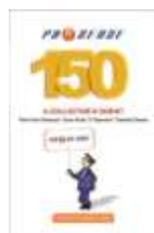
Honorary Doctorate to D K Hari and Hema Hari



Shri D K Hari and Smt Hema Hari are the Founders of Bharat Gyan, an Institution that researches on the ancient Indian culture and wisdom. They regularly contribute interesting articles to our eMagazine *PreSense* under the title, "Ancient Indian Wisdom". They have published many books and articles on ancient India and culture, and produced films also.

Sri Sri University, Cuttack honoured them with 'Honorary Doctorate' during their 6th Convocation held on September 5th 2019 in appreciation of their contribution towards research on ancient India. Congratulations Dr D K Hari and Dr Hema Hari.

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