

Economy Model Answers

Q. To develop a secure environment for the growth of digital ecosystem there is a need of robust data protection law, not surveillance state. Discuss

Answer:

The digital ecosystem is expanding day by day, from the field of economy to education.

Recently news of various data breach has come out, and a data protection bill is introduced to tackle the issue.

Several cases like data leak of Mobikwik, Aadhar data issue etc has drawn attention towards the data protection.

The Supreme Court's verdict in the K.S. Puttaswamy (Retd) v. Union of India case highlighted the need for a more robust data protection law.

B.N. Srikrishna Committee was formed to suggest a draft data protection law.

Need of data protection law:

1. As per the report of Internet and Mobile Association of India (IAMAI)'s Digital in India 2019, there are about 504 million active web users and India's online market is second after China.
2. To ensure that companies, governments, and political parties don't use the valuable data to advertise online based on it.
3. To reduce the online fraud like money laundering as phishing.
4. To ensure the privacy of the citizens, that is classified as fundamental right by Supreme Court in Puttuswamy case.
5. The curtail the use of Indian data outside the Indian territory.
6. Until now, the only legal framework for the information technology in India is the Information Technology Act, 2000 which is outdated.
7. To check the leaks, hacks, cyber crimes.
8. It will provide individuals with greater control over their personal data and prevents misuse of the data by companies for their benefit.
9. To balance between the growth of the digital economy and the need to protect personal data.
10. It will encourage the free flow of information, resulting in economic growth.

Concerns:

1. It fails to make the state accountable for the processing of personal data or sensitive personal data.

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2. Corporate are worried about the categorization of financial data as sensitive personal data as they are used for analysis.
3. Cognizable and non-bailable criminal offence in case of non-compliance makes it arbitrary.
4. It prohibits the cross-border transfer of critical or sensitive personal data by companies. This data localisation will prevent some companies from offering their services in India.
5. There is no provision regarding the issue of surveillance.
6. If personal data is breached, it is not informed directly to the person. Instead to the Data Protection Authority. The Authority decides whether to inform the person or not.
7. There is no strict right to be forgotten.

Way forward:

1. Industry wise consultation should be done to make it more holistic.
2. There is a need for a separate law to address the oversight in intelligence gathering, rather than dealing it within the data protection law itself.
3. A separate tribunal or authority can be established to give prior authorisation for data surveillance and interception.

The law is a remarkable step towards the data protection, with more consultation and debates it will result better.

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Q. How “bad bank” can help in recovering the Indian economy? What are the issues associated with it? Elaborate

Answer:

In budget 2021, government announced New Bad Bank for resolution of huge NPAs (Non-Performing Assets). It is an asset reconstruction company (ARC) that takes over the bad loans of commercial banks, manages them and finally recovers the money over a period of time. It is not involved in lending and taking deposits.

It has two entities:

1. National Asset Reconstruction Company Limited” (NARCL) under the Companies Act to acquire stressed assets worth about Rs 2 lakh crore from various commercial banks.
2. India Debt Resolution Company Ltd (IDRCL), which will then try to sell the stressed assets in the market.

It can help in:

1. Bank will get rid of all its toxic assets and can increase the profits.
2. As it is backed by the government initially it is reliable.
3. It will reduce the burden on pockets of taxpayers in recapitalization.
4. It can provide a sustainable solution to improve the lending operations.
5. This will result in banks’ balance sheets and books being cleaner, transparent, they will now be able to stand on their own and do business.
6. It has a time bound and will resolve the loan in five years.
7. It will be specialised in maximising the recovery out of a bad loan, as this would be its primary task.

Issues associated:

1. Capital adequacy ratio is not defined in it.
2. As it is expected to take over the debts of commercial banks under itself. It can only be expected to aggregate, but not resolve the problem.
3. A huge will be required to establish and run it.
4. It might lead towards unethical practices to boost recovery of loans.

The success of the bad bank will depend on the implementation and management of the transferred NPAs.

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