



All Inclusive IAS

**All Prelims Relevant Content in One Place**

# **ALL – INCLUSIVE**

**Current Affairs for Prelims 2021**

## **Economy**

**May 2020 – Jan 2021**

*I read I forget... I see I remember...*

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# All-Inclusive Current Affairs for Prelims 2021

## Economy Class-1

### Status Paper on Govt. Debt

- By DEA (FinMin) since 2010-11
- 9<sup>th</sup> edition released in May 2020
- Analyses **Debt Position** of Union Govt.
- Medium-term **Debt Management Strategy**

#### Debt Position:

- 45.7% of GDP (Central Govt debt)
- 02.7% of GDP (External Debt)
- 0.90% of GDP (Internal debt at floating rate)

#### Objectives of DMS:

- Borrow at **low rate** for **long time**
- Maintain debt at **sustainable** level
- Develop well-functioning **bond market**
- Rationalize **small saving** scheme interest rate

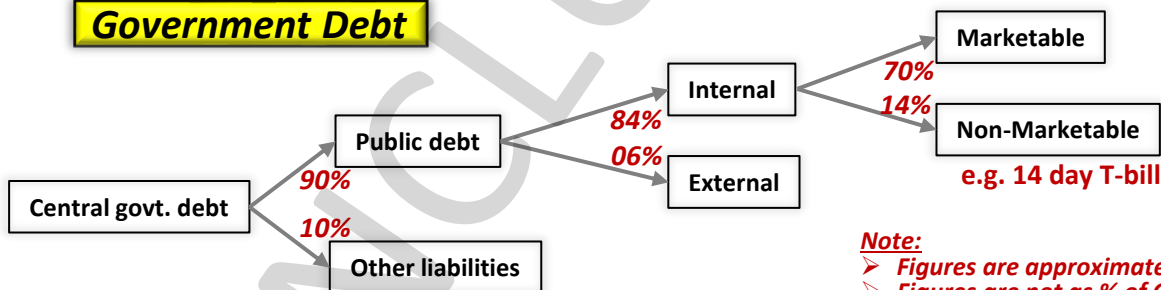
Ministry of Finance  
9th Edition of the Status Paper on Government Debt

Posted On: 22 MAY 2020 4:35PM by PIB Delhi

The Central Government today released the Ninth Edition of the Status Paper on the Government Debt, which provides a detailed analysis of the Overall Debt Position of the Government of India. The Central Government has been bringing-out a Status Paper on Government Debt since 2010-11.



### Government Debt



#### Note:

- Figures are approximate
- Figures are not as % of GDP
- Don't learn figures, just see which is more/less

- **Other liabilities:** liabilities in public account. Govt. acting like a banker. e.g. provident fund
- **Public debt:** liabilities contracted against Consolidated Fund of India
- **Internal:** from domestic sources e.g. T-bills and G-secs
- **External:** from foreign sources

#### External debt of India? \$560 billion

External debt of

- Centre/State Govt. } 4% of GDP
- Companies } 17% of GDP
- Citizens }

No clear trend in last 5 years

Long : Short (80:20)

Short = maturing within 1 year

#### Prelims 2019:

Consider the following statements:

1. Most of India's external debt is owed by govt entities.
  2. All of India's external debt is denominated in US dollars.
- Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

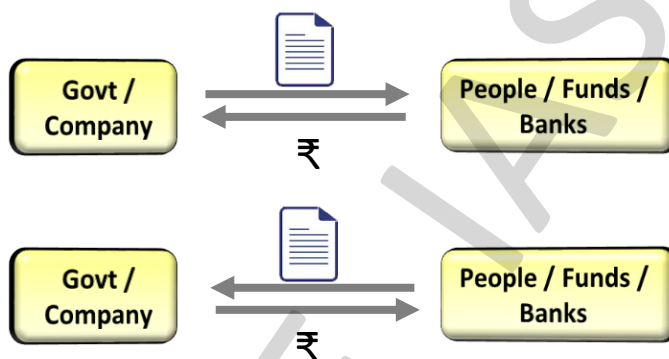
**(d) Neither 1 nor 2**

## Bond ; G-Sec ; T-bill



**India's corporate bond market is shallow:**

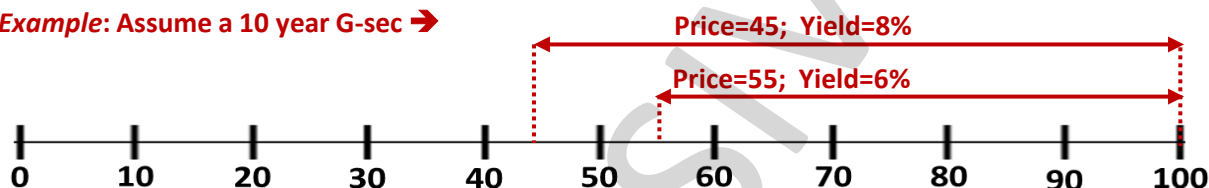
- Most bonds are privately placed
- Most bonds are held to maturity



**Bond:** A financial instrument of indebtedness, just like a loan agreement

**Bond price and yield are inversely related**

**Example:** Assume a 10 year G-sec →



### Types of Bond ?

- **Zero-coupon bond:** Give ₹800 now, get ₹1000 later
  - **Coupon Bond:** Give ₹600 now, get ₹1000 later, in b/w you also get ₹30 every 6 months
  - **Floating Rate Bond:** Give ₹600 now, get ₹1000 later, in b/w you also get something every 6 months.
- FRBs issued by RBI in July 2020 have NSC rate as base and 0.35% over it. (6.80 + 0.35% = 7.15%). Here coupon rate will be reset every 1 January and 1 July, i.e. after every 6 months.

### Government securities (G-sec) ?

- **Bonds** issued by Government.
- They are considered as **risk-free**.
- Tenure less than 90 days : **Cash Management Bills**
- Tenure less than 1 year : **T-bills** (issued by only centre)
- Tenure more than 1 year : **dated securities** (issued by both centre and states (State Development Loans))

### Treasury Bills:

- Zero-coupon; issued at discount
- T-bills tenure : 14, 91, 182, 364 days.
- **14 day T-bills are non-marketable.**

### Can NRIs invest in G-sec?

- Yes, but with some **restrictions**.

### Prelims 2018:

Consider the following statements:

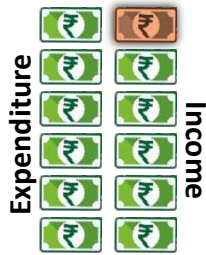
1. RBI manages and services Govt. of India **Securities** but not any State Government Securities.
2. **Treasury bills** are issued by Govt. of India and there are no treasury bills issued by State Govts.
3. **Treasury bills** offer are issued at a discount from the par value.

Which of the statements given above is/are correct?

- (a) 1 and 2 only      (b) 3 only      (c) 2 and 3 only      (d) 1, 2 and 3

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## Fiscal Deficit



Year 1: Expenses > Income → Take loan (Fiscal Deficit for Year 1)  
 Year 2: Expenses > Income → Take loan (Fiscal Deficit for Year 2)  
 Year 3: Expenses > Income → Take loan (Fiscal Deficit for Year 3)  
 Total Debt = [Loans taken] – [repayments done]

**Assume:**

- 140 lakh crore = Previous loans
- 036 lakh crore = Budget
- 016 lakh crore = New loan
- 200 lakh crore = GDP

Fiscal deficit (as %) $= \frac{\text{Fiscal Deficit}}{\text{GDP}}$ $= \frac{16}{200} = 8\%$	Debt to GDP ratio $= \frac{\text{Total Debt}}{\text{GDP}}$ $= \frac{156}{200} = 78\%$
--	--

**Deficits important for Prelims**

(since they are mentioned in Budget):

- Fiscal Deficit (FD)
- Revenue Deficit (RD)
- Effective Revenue Deficit (ERD)
- Primary Deficit (PD)



**Gross Fiscal deficit?**

Loan taken

**Net Fiscal Deficit?**

[Loan taken] – [Loan given]

**Twin deficit?**

Fiscal deficit and CAD at same time

**NDCR:**

Non-Debt Capital Receipts

**Fiscal Deficit** = (Revenue Receipts + NDCR) - (Total expenditure)

**Primary Deficit** = (Fiscal Deficit) - (interest payments)

**Revenue Deficit** = (Revenue expenditure) - (Revenue receipts)

**Effective Revenue Deficit** = (Revenue Deficit) - (Grants for Creation of Capital Assets)

Prelims 2001:

List-I (Term)	List-II (Explanation)
A. Fiscal deficit B. Budget deficit C. Revenue deficit D. Primary deficit	1. Excess of Total Expenditure over Total Receipts 2. Excess of Revenue Expenditure over Revenue Receipts 3. Excess of Total Expenditure over Total Receipts less Borrowings 4. Excess of Total Expenditure over Total Receipts less Borrowings and Interest payments

Codes: (a) A-3; B-1; C-2; D-4    (b) A-4; B-3; C-2; D-1    (c) A-1; B-3; C-2; D-4    (d) A-3; B-1; C-4; D-2

Interest payment to Revenue receipts ?

Suppose:

- 18 lakh crore revenue receipts.
  - 6 lakh crore paid as interest.
  - So, IP-RR becomes 6/18 or 33.33%
- It's like 1/3<sup>rd</sup> of you income is spent on interest of loans you have on you!

Roll-over risk ?

fresh loan costlier than existing loan

Prelims 2002:

A country is said to be a **debt trap** if:

- (a) it has to borrow to make interest payments on outstanding loans
- (b) It has to abide by the conditionalities imposed by the International Monetary fund
- (c) it has been refused loans or aid by creditors abroad
- (d) the World Bank charges a very high rate of interest on outstanding as well as new loans

## Public Debt Management Cell / Agency

**Who managed Public debt earlier?**

RBI → Internal debt  
 FinMin → External debt

**Problem?**

RBI sets interest rates and also sells bonds for govt. i.e. RBI is both **market setter** and **market participant**.

**Solution?**

PDMA : independent body to manage both internal and external debt.

**Present situation?**

PDMA set up in **2016**; to be upgraded into PDMA after two years; Housed at RBI's Delhi office.

I read I forget, I see I remember | See explanation of this PDF on **YouTube** [www.youtube.com/c/allinclusiveias](http://www.youtube.com/c/allinclusiveias)

**Prelims 2010:**

In the context of governance, consider the following:

- 1. Encouraging FDI inflows
- 2. Privatization of higher educational Institutions
- 3. Down-sizing of bureaucracy
- 4. Selling/offloading the shares of PSUs

Which of the above can be used as measures to control the fiscal deficit in India?

- (a) 1, 2 and 3
- (b) 2, 3 and 4
- (c) 1, 2 and 4
- (d) 3 and 4 only

**Prelims 2016:**

There has been a persistent deficit budget year after year. Which action/actions of the following can be taken by the Government to reduce the deficit?

- 1. Reducing revenue expenditure
- 2. Introducing new welfare schemes
- 3. Rationalizing subsidies
- 4. Reducing import duty

Select the correct answer

- (a) 1 only
- (b) 2 & 3 only
- (c) 1 & 3 only
- (d) 1, 2, 3 & 4

**Budget**

**Article 112:** Annual Financial Statement must:

- separately show expenditure charged on Consolidated Fund of India
- distinguish Revenue expenditure from other expenditure

**BUDGET**

**Revenue Budget**

**Capital Budget**

**Revenue Expenditure**

**Revenue Receipts**

**Capital Expenditure**

**Capital Receipts**

- Normal functioning e.g. subsidy, salary
- Interest payments
- Grants given

- Tax revenue e.g. IT, GST
- Non-tax revenue e.g. profits

- Reduces liability e.g. repay loan
- Creates assets e.g. Rail, highway

- Creates liability e.g. taking loan
- Reduces assets e.g. disinvestment

Note: when you repay loan, principal portion is capital expense, interest portion is revenue expense

**Prelims 2010:**

Which one of the following is responsible for the preparation and presentation of Union Budget to the Parliament?

Finance Ministry

- (a) Department of Revenue
- (b) Department of Economic Affairs
- (c) Department of Financial Services
- (d) Department of Expenditure & Dept. of Investment & Public Asset Mgmt

**Prelims 2016:**

Which of the following is/are included in the capital budget of the Government of India?

- 1. Expenditure on acquisition of assets like roads, buildings, machinery, etc.
- 2. Loans received from foreign governments
- 3. Loans and advances granted to the States and Union Territories

Select the correct answer

- (a) 1 only
- (b) 2 & 3 only
- (c) 1 & 3 only
- (d) 1, 2 & 3

**Currency risk / Forex risk**



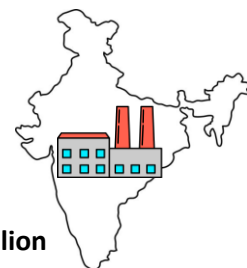
\$ 1.0 billion → ₹ 60 billion

\$ 1.1 billion ← ₹ 66 billion

\$ 1.1 billion ← ₹ 77 billion

\$1 = ₹ 70

Loss = ₹ 11 billion



## India's private credit-to-GDP ratio is low; govt working on framework for credit push: Amitabh Kant

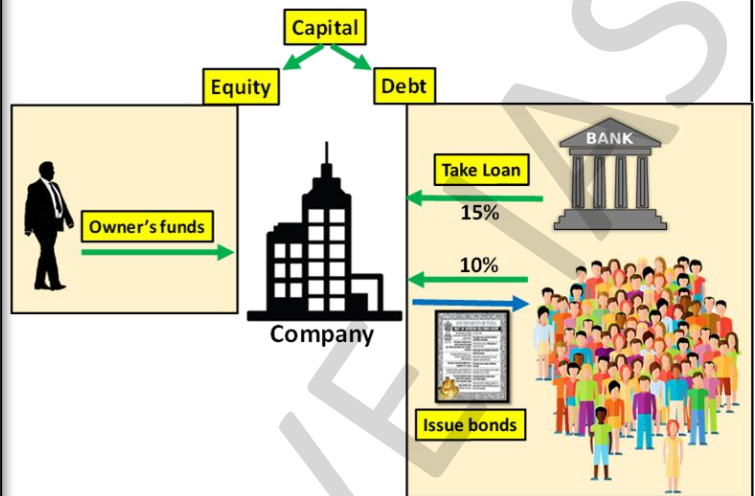
### Synopsis

"Countries such as China and South Korea have had tremendous growth, massive improvement in their living standard on the back of high leverage. Even Vietnam's recent development has been partially a result of growth in its private debt," Kant said.

PTI

Last Updated: Dec 12, 2020, 11:39 AM IST

## Credit-to-GDP ratio



### Credit growth:

- increase in loans given by banks



### Loan:

- people spend more
- companies invest more



### Result:

- faster economic growth

### Prelims 2013:

Economic growth in country X will necessarily have to occur if

- there is technical progress in world economy
- there is population growth in X
- there is **capital formation** of X
- volume of trade grows in world economy

### Prelims 2014:

If interest rate is decreased in an economy, it will

- decrease consumption expenditure in economy
- increase tax collection of Government
- increase **investment expenditure** in economy
- increase total savings in economy

### Prelims 1995:

The main reason for low growth rate in India, inspite of high rate of savings and capital formation is:

- high birth rate
- low level of foreign aid
- low capital output ratio
- high capital-output ratio**

### Prelims 2018:

Despite being a high saving economy, capital formation may not result in significant increase in output due to

- weak administrative machinery
- illiteracy
- high population density
- high capital-output ratio**

### Prelims 2013:

In India, **deficit financing** is used for raising resources for

- economic development**
- redemption of public debt
- adjusting the balance of payments
- reducing the foreign debt

**Problem?** Deficit financing is inflationary

### Prelims 2013:

Which one of the following is likely to be the most inflationary in its effect?

- Repayment of public debt
- Borrowing from the public to finance a budget deficit
- Borrowing from banks to finance a budget deficit
- Creating new money to finance a budget deficit**

## FRBM Act, 2003

3% → 5% of GSDP (due to Covid)

Conditions:

- (a) One Nation One Ration Card; (b) Power Sector
- (c) Ease of Doing Business; (d) Urban Local Bodies

### State govt borrowing limit hiked to 5% of GSDP; mostly linked to reform goals

By: Prasanta Sahu  
May 18, 2020 4:01 AM

The Centre on Sunday acceded to a strident demand from states that their market borrowing limit be enhanced to meet the expenditure contingencies of the Covid-19 pandemic amid a glaring revenue deficit.

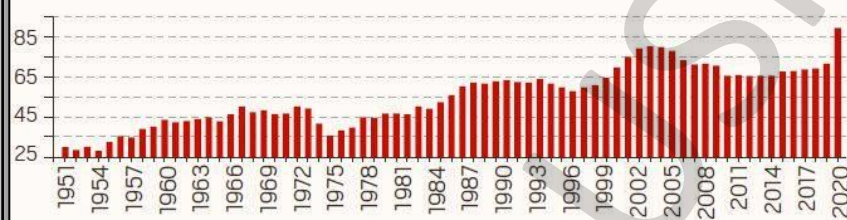
### FRBMA mandates 3 policy statements with Budget:

- 1) Macroeconomic Framework Statement
- 2) Fiscal Policy Strategy Statement
- 3) Medium-term Fiscal Policy Statement  
→ Sets 3-year rolling target for: Debt, FD, PD, RD, Tax & Non-Tax Revenue

### Escape clause:

- National security
- National calamity
- Collapse of agriculture
- Structural reforms in economy
- 3% fall in a quarter's growth, compared to previous 4 quarters

Figure 1: GENERAL GOVERNMENT DEBT, 1951-2021 (PERCENT OF GDP)



### Year 2003:

- Debt/GDP at all time high
- This pushed govt. to bring FRBM Act, 2003
- Initial target was by 2009:  
→ 0% Revenue deficit  
→ 3% Fiscal deficit

### Prelims 2006:

Which of the following statements is correct?

FRBM Act concerns:

- (a) Fiscal Deficit only
- (b) Revenue deficit only
- (c) Both fiscal deficit and revenue deficit
- (d) Neither fiscal deficit nor revenue deficit

### Prelims 2020:

Along with the Budget, the Finance Minister also places other documents before the Parliament which include 'The Macro Economic Framework Statement'. The aforesaid document is presented because this is mandated by

- (a) Long standing parliamentary convention
- (b) Article 112 and Article 110(1) of the Constitution of India
- (c) Article 113 of the Constitution of India
- (d) Provisions of the Fiscal Responsibility and Budget Management Act, 2003

### Prelims 2018:

Consider the following statements

1. The Fiscal Responsibility and Budget Management (FRBM) Review Committee Report has recommended a debt to GDP ratio of 60% for the general (combined) government by 2023, comprising 40% for the Central Government and 20% for the State Governments.
2. The Central Government has domestic liabilities of 21% of GDP as compared to that of 49% of GDP of the State Governments.
3. As per the Constitution of India, it is mandatory for a State to take the Central Government's consent for raising any loan if the former owes any outstanding liabilities to the latter.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3



## Treasury Single Account

**BusinessLine**  
**Soon, 'Treasury Single Account' for all ministries, departments**  
 Shishir Sinha | New Delhi | Updated on June 08, 2020

The government mulls putting in place a 'Treasury Single Account' for all Central ministries and departments to help lower the cost of borrowing and enhance efficiency in fund flows.

**FINANCIAL EXPRESS**  
 Read to Lead

**Cost control: Centre asks autonomous bodies to return idle funds parked in their bank accounts**

By: Prasanta Sahu  
 September 17, 2020 6:45 AM

According to sources, from August 1, over a dozen ABs have been mandated to open Treasury Single Account (TSA) with the Reserve Bank of India for meeting their actual expenditure requirements on a real-time basis. TSA ensures just-in-time releases to ABs to pay vendors and suppliers, bypassing the earlier system of transferring their annual budget allocations in tranches to respective AB's bank accounts. The move has cut down fresh floating of funds with these bodies as the funds will now remain parked with the CFI until actual expenditure.

## Inverted Duty

Taxing components at higher rates than finished product

**Mobile = Circuit board + screen + battery + plastic**

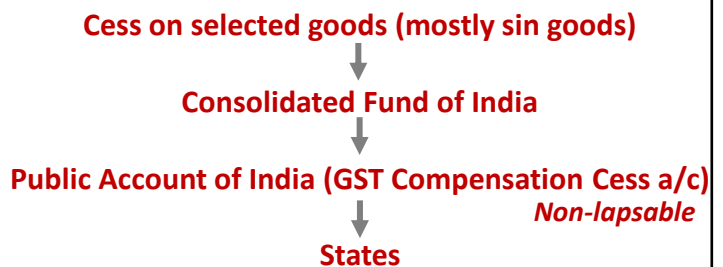
<b>Basic price</b>	4000	1000	1000	1000	1000
<b>Taxes</b>	5%	8%	7%	10%	20%
<b>Final Price</b>	4200	1080	1070	1100	1200

**4450**

## GST Compensation Cess

### Why GST Compensation Cess?

- GST is destination based tax
- Some states would lose revenue
- Cess to compensate states for loss of revenue due to implementation of GST
- Assumption: 14% annual growth
- For five years 2017-22
- Now will be extended to repay 1 lakh crore loan taken by Centre and passed to states.



## PDRD Grants

### Post Devolution Revenue Deficit Grants:

- Given by Centre to States u/a 275 of Constitution.
- Amount decided as per recommendation of FC.
- 15<sup>th</sup> FC recommended PDRDG to 17 states.

# Economic Recovery and GDP

2021

2019

2021



NEWS SERVICES DIVISION  
ALL INDIA RADIO

Jan 30, 2021, 7:56AM

India's GDP to grow at 11 per cent next fiscal as it makes V-Shaped recovery

The government has said that the country is witnessing a V-Shaped Economic Recovery which is a testimony to the resilience and intrinsic strength of its economy. It happened due to Mega Vaccination Drive, Robust Recovery in the Services Sector and Robust Growth in Consumption and Investment.

The Economic Survey tabled in the Parliament projects India's real GDP to record a 11 per cent growth in Financial Year 2021-22 and nominal GDP to grow by 15.4 per cent, the highest since independence.

**India facing prolonged slowdown: Manmohan Singh**

SPECIAL CORRESPONDENT  
SEPTEMBER 01, 2019 10:36 IST  
UPDATED: JUNE 08, 2020 22:35 IST

**Former Prime Minister blames it on demonetisation, GST.**

Former Prime Minister Manmohan Singh on Sunday said the 5% growth in India's Gross Domestic Product (GDP) signalled a prolonged slowdown and asked the government to engage with "thinking minds by shunning vendetta politics to take the economy out of a man-made crisis."

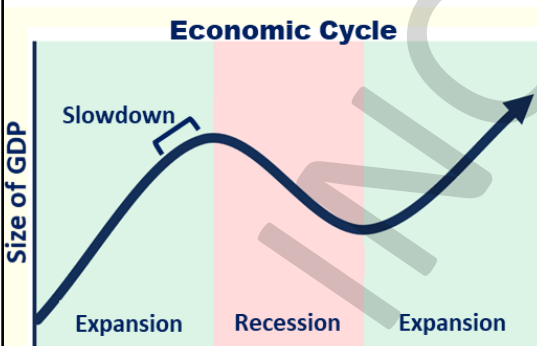
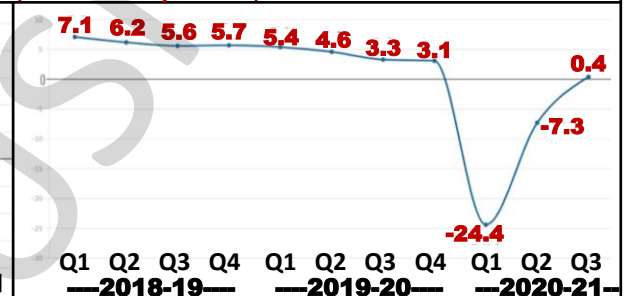
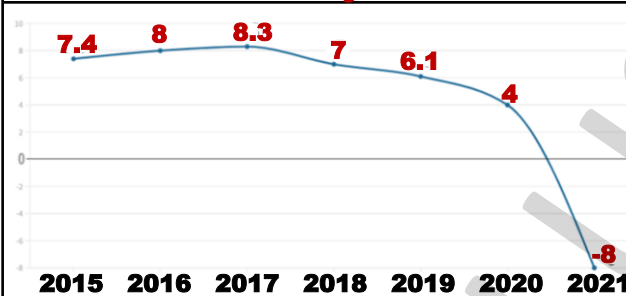
**India 'out of recession' GDP grows 0.4%**

SPECIAL CORRESPONDENT  
NEW DELHI, FEBRUARY 26, 2021 23:17 IST  
UPDATED: FEBRUARY 26, 2021 23:17 IST

**Agri stays resilient, manufacturing returns to growth; NSO widens FY21 estimate to 8% contraction**

India's economy resurfaced to growth territory in the third quarter of fiscal year (FY) 2020-21, clocking a 0.4% rise in the gross domestic product (GDP), as per data from the National Statistical Office (NSO).

## India's GDP growth rate: For Prelims, trend is important, not numbers



<b>Slowdown</b>	<input type="checkbox"/> GDP growth rate reduces? Yes <input type="checkbox"/> Size of GDP reduces? No
<b>Recession</b>	<input type="checkbox"/> GDP growth rate? Negative for two consecutive quarters <input type="checkbox"/> Size of GDP reduces? Yes
<b>Depression</b>	<input type="checkbox"/> Prolonged Recession <input type="checkbox"/> Size of GDP reduces by 10% <input type="checkbox"/> e.g. USA in 1930s

Double dip Recession? Recession → Recovery → Recession

## Prelims 2001:

List-I (Term)	List-II (Explanation)
A. Boom	1. Business activity at high level with increasing income, output and employment at macro level
B. Recession	2. Gradual fall of income, output and employment with business activity in a low gear
C. Depression	3. Unprecedented level of under employment, and unemployment, drastic fall in income output and employment.
D. Recovery	4. Steady rise in the general level of prices, income, output and employment.

Codes: (a) A-1; B-2; C-3; D-4 (b) A-1; B-2; C-4; D-3 (c) A-2; B-1; C-4; D-3 (d) A-2; B-1; C-3; D-4

I read I forget, I see I remember See explanation of this PDF on [YouTube](https://www.youtube.com/c/allinclusiveias) www.youtube.com/c/allinclusiveias

**Prelims 2010:**

In the context of Indian economy, consider the following pairs:

- | Term         | Most appropriate description |
|--------------|------------------------------|
| 1. Meltdown  | Fall in stock prices         |
| 2. Recession | Fall in growth rate          |
| 3. Slowdown  | Fall in GDP                  |

Which of the above pairs are correctly matched?

- (a) 1 only                      (b) 2 & 3 only  
(c) 1 & 3 only                (d) 1, 2 & 3

**Prelims 2010:**

Consider the following actions by the Govt:

- Cutting the tax rates
- Increasing the government spending
- Abolishing subsidies in the context of economic recession

Which of the above actions can be considered a part of the "fiscal stimulus" package?

- (a) 1 and 2 only              (b) 2 only  
(c) 1 and 3 only              (d) 1, 2 and 3

**Prelims 2011:**

Which one of the following statements appropriately describes the "fiscal stimulus"?

- (a) It is a massive investment by the government in manufacturing sector to ensure the supply of goods to meet the demand surge caused by rapid economic growth.  
(b) It is an intense affirmative action of the govt to boost economic activity in the country.  
(c) It is govt's intensive action on financial institutions to ensure disbursement of loans to agriculture and allied sectors to promote greater food production and contain food inflation.  
(d) It is an extreme affirmative action by the govt. to pursue its policy of financial inclusion.

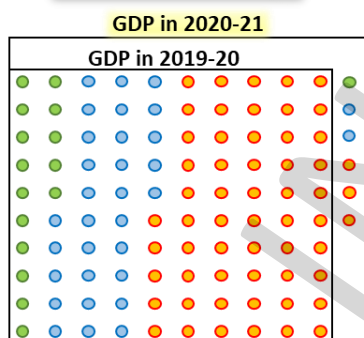
**Prelims 2020:**

If another global financial crisis happens in near future, which of the following actions/policies are most likely to give some immunity to India?

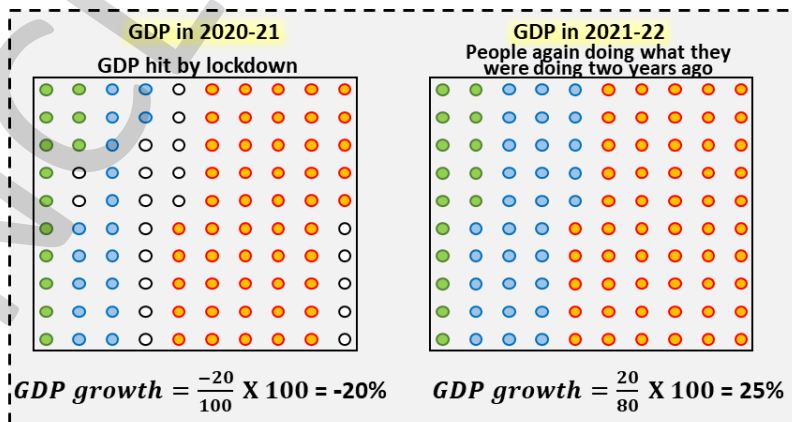
- Not depending on short-term foreign borrowings
- Opening up to more foreign banks
- Maintaining full capital account convertibility

Select the correct answer using the code given below:

- (a) 1 only    (b) 1 & 2 only    (c) 3 only    (d) 1, 2 & 3

**Base Effect**

$$GDP \text{ growth} = \frac{5}{100} \times 100 = 5\%$$



Base effect creating illusion of unprecedented growth

**Note:** imaginary figures used for explanation purpose

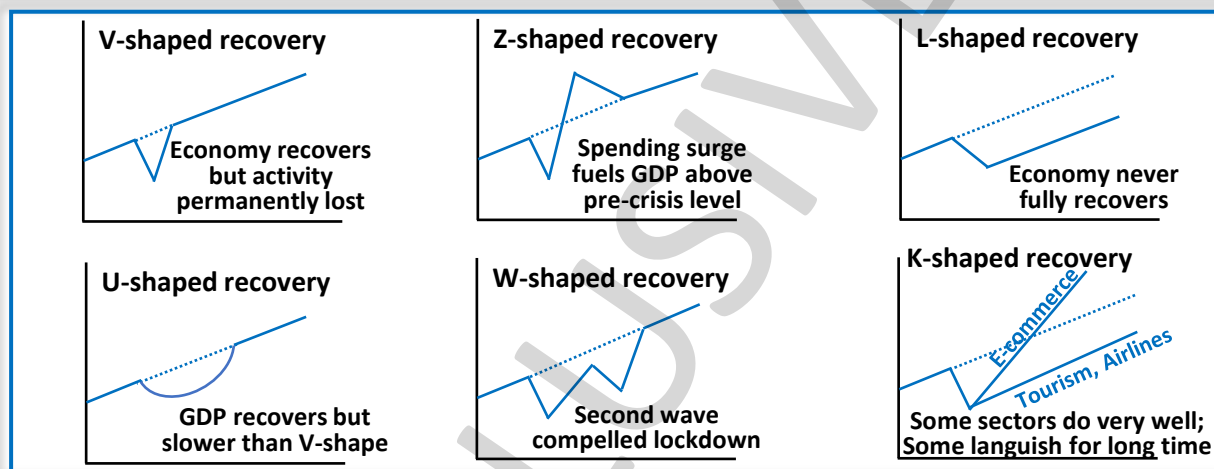
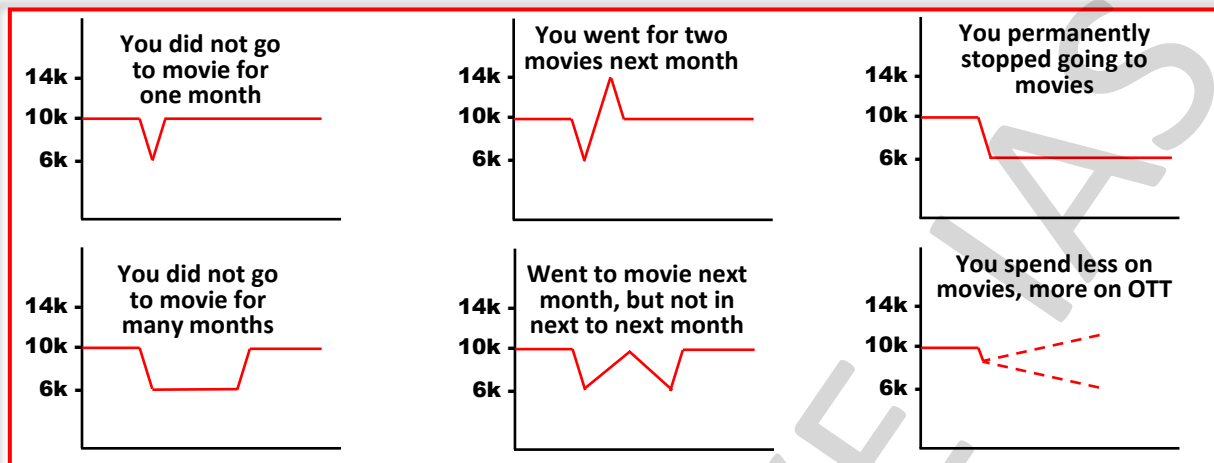
**Typical CSAT Question:** 20% discount and 25% price increase leads to? No change

**Prelims 2011:**

Rapid increase in rate of inflation is sometimes attributed to "base effect". What is "base effect"?

- (a) It is the impact of drastic deficiency in supply due to failure of crops  
(b) It is the impact of the surge in demand due to rapid economic growth  
(c) It is the impact of the price levels of previous year on calculation of inflation rate  
(d) None of the statements (a), (b) and (c) given above is correct in this context

## Shape of Economic Recovery



☰ FINANCIAL EXPRESS 🔍  
Read to Lead

**RBI: Household savings rate slides to 10.4% in Q2 from 21% in Q1**

By: FE Bureau  
March 20, 2021 3:00 AM

The household financial savings rate slid to 10.4% of gross domestic product (GDP) — closer to pre-pandemic levels — in Q2FY21 from 21% in Q1 in a counter-seasonal manner, the Reserve Bank of India said in an article in its March bulletin, released on Friday. The savings rate may have fallen further in Q3 with a pick-up in consumption and economic activity, the article said.

## Household Financial Savings

HFS = savings in bank, insurance, etc.  
 HFL = loans from bank, NBFC, etc.  
 Net HFS = HFS - HFL

### Impact of slowdown:

- More savings (due to less expenditure)
- Less new liabilities
- Result: increase in Net HFS

## Automatic Fiscal Policy

### Automatic Fiscal Policy:

➤ Automatic changes in taxes and govt. spending

### Discretionary Fiscal Policy:

➤ Policy brings change in taxes and govt. spending

## Nominal GDP vs Real GDP

GDP: market value of all finished goods & services produced within a country's borders in a specific time period

	Goods and Services produced	Nominal GDP GDP at Current Price	Real GDP GDP at Constant Price
Year 1	₹ 1 lakh ₹ 1 lakh ₹ 1 lakh ₹ 1 lakh ₹ 1 lakh 	₹ 5 lakh	₹ 5 lakh
	₹ 1.2 lakh ₹ 1.2 lakh ₹ 1.2 lakh ₹ 1.2 lakh ₹ 1.2 lakh 	₹ 6 lakh	₹ 5 lakh
Year 2	₹ 1 lakh ₹ 1 lakh ₹ 1 lakh ₹ 1 lakh ₹ 1 lakh ₹ 1 lakh 	₹ 6 lakh	₹ 6 lakh
	₹ 1.2 lakh ₹ 1.2 lakh ₹ 1.2 lakh ₹ 1.2 lakh ₹ 1.2 lakh ₹ 1.2 lakh 	₹ 7.2 lakh	₹ 6 lakh

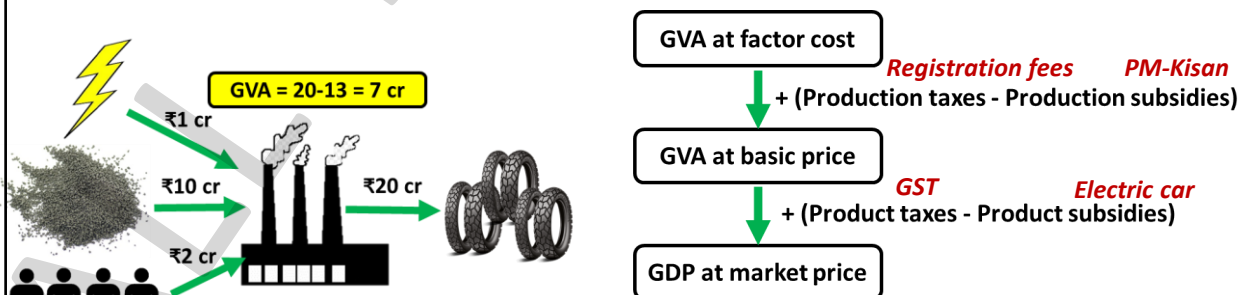
GDP deflator	CPI
Considers all goods & services produced in India	Only few
Does not consider imported goods	Considers some imported goods
Weightages vary as per production volume	Weightages are fixed

Inflation → Nominal > Real  
Deflation → Nominal < Real

$$\text{GDP deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}}$$

Inflation → GDP deflator > 1  
Deflation → GDP deflator < 1

## Factor cost → Basic price → Market price



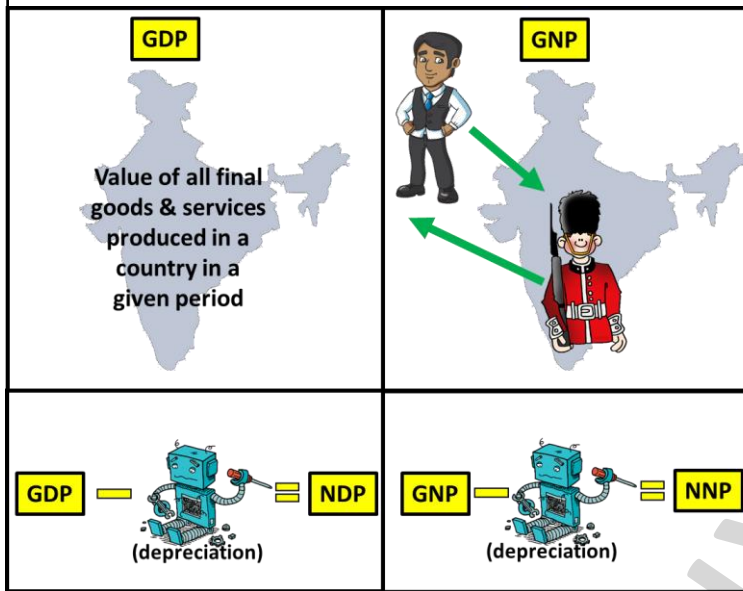
- Production tax/subsidy is independent of volume
- Product tax/subsidy is dependent on volume (per unit)

I read I forget, I see I remember

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## GDP, GNP, NDP, NNP

Gross Domestic Product  
Gross National Product  
Net Domestic Product  
Net National Product



Domestic + NFIFA = National  
Gross - Depreciation = Net

Is it possible?

GDP > GNP	Yes	} NFIFA can be +ve or -ve
GDP < GNP	Yes	
GDP < NDP	No	} Depreciation is always +ve
GNP < NNP	No	



National Income = NNP at factor cost

### Prelims 2001:

The term National Income represents:

- (a) gross national product at market prices minus depreciation
- (b) gross national product at market prices minus depreciation plus net factor income from abroad
- (c) gross national product at market prices minus depreciation and indirect taxes plus subsidies
- (d) gross national product at market prices minus net factor income from abroad

### Prelims 2013:

The national income of a country for a given period is equal to the

- (a) total value of goods and services produced by the nationals
- (b) sum of total consumption and investment expenditure
- (c) sum of personal income of all individuals
- (d) money value of final goods and services produced

### Prelims 2001:

The most appropriate measure of economic growth is its:

- (a) Gross Domestic Product
- (b) Net Domestic Product
- (c) Net National Product
- (d) Per Capita Real Income

### Prelims 2018:

GDP → Per capita GDP → Poverty & jobs

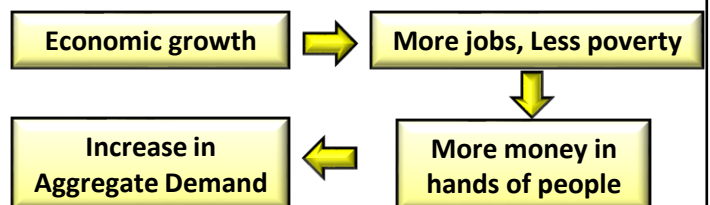
Increase in absolute and per capita real GNP do not connote a higher level of **economic development**, if

- (a) industrial output fails to keep pace with agricultural output.
- (b) agricultural output fails to keep pace with industrial output.
- (c) **poverty** and unemployment increase.
- (d) imports grow faster than exports.

### Prelims 2011:

Economic growth is usually coupled with

- (a) Deflation
- (b) Inflation
- (c) Stagflation
- (d) Hyperinflation



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**Centre's over-reliance on cesses, surcharges put state finances at risk**

2 min read . Updated: 07 Jul 2020, 05:55 AM IST

**Asit Ranjan Mishra**

The share of states in Centre's gross tax revenue (GTR) fell sharply from 36.6% in FY19 to 32.4% in FY20

**NEW DELHI :** The share of states from the divisible pool of central taxes during the five-year period to FY20 has remained well below the 14th Finance Commission recommendation of 42%, with transfers plummeting to 32.4% in FY20, mostly due to over-reliance of the Centre on cesses and surcharges that are not shared with state governments.

correct

misleading

**Surcharge & Cess**

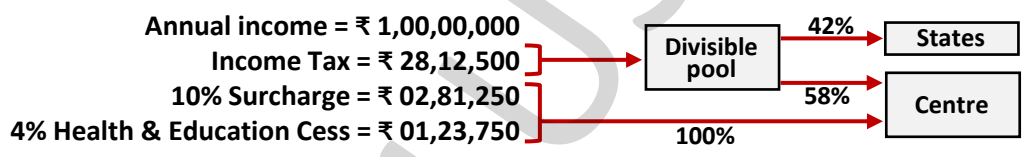
Tax	Surcharge	Cess
For any purpose	For any purpose	For specific purpose
Shared with States	Not shared	Not shared
Goes to CFI	Goes to CFI	Goes to CFI

**Gross Tax Revenue**



**Share of Cess and Surcharge in GTR:**  
 10% in 2010-11 ; 16% in 2020-21  
 (Figures exclude GST Compensation Cess)

**Remember:** Centre needs to transfer 42% of divisible pool, not 42% of GTR.

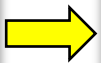


**TOI** OPEN APP

**CAG: 40% of cess collections not going to designated funds**

TNN | Updated: Sep 26, 2020, 02:30 IST

NEW DELHI: The Comptroller and Auditor General has pulled up the government for diverting a large chunk of the money it collected as cess to the general pool making it difficult to ensure that the funds were used for the intended purpose. It also said the Centre had overstated its revenue and transferred a lower share of Goods and Services Tax (GST) to the states than it should have.



**THE HINDU** 15

**The Hindu Explains | Where are the funds collected through cess parked?**

Suresh Seshadri

SEPTEMBER 27, 2020 00:38 IST  
 UPDATED: SEPTEMBER 27, 2020 01:06 IST

**What has the Comptroller and Auditor General of India found in its audit of government accounts?**

Cess → CFI → Designated fund → Expenditure

**Constitution:** Article 270 allows Centre to keep full amount of Cess and Surcharge  
**Parliament:** makes law to create cess and its designated fund

## Equalization Tax

Bloomberg | Quint

### India To Levy New Tax On Foreign E-Commerce Companies

Nikunj Ohri  
@Nikunj\_Ohri

Published: Mar 23 2020, 9:57 PM  
Last Updated: Mar 23 2020, 9:57 PM

India will levy an equalisation levy of 2 percent on sales made by foreign e-commerce companies in the country.

This will impact those companies that don't have a base in India, but sell their goods here. The levy would be imposed on those companies that have a turnover or sales of over Rs 2 crore in the previous year, according to amendments to the Finance Bill 2020 that was approved by the Parliament today.

### Steps taken by India to prevent tax avoidance:

- ✓ GAAR (General Anti-Avoidance Rules)
- ✓ POEM rules (Place of Effective Management)
- ✓ APA (Advance Pricing Agreement)
- ✓ Digital Service Tax (Equalization levy)

### GAAR:

Tax officials can deny tax benefits, if a deal is found without any commercial purpose other than tax avoidance.

### POEM:

Place of effective management. To target companies that are registered abroad, but managed from India.

### Advance Pricing Agreement:

Agreement between company and govt on Transfer Pricing methodology

### Equalization levy (Digital Service Tax):

- 6% tax on online advertisements services offered by non-resident entities.
- 2% on foreign e-commerce companies
- In 2019, France introduced 3% GAFA tax
- Response: USA launched Section 301 investigation

### Prelims 2018:

With reference to India's decision to levy an equalization tax of 6% on online advertisement services offered by non-resident entities, which of the following statements is/are correct?

1. It is introduced as a part of the Income Tax Act.
2. Non-resident entities that offer advertisement services in India can claim a tax credit in their home country under the "Double Taxation Avoidance Agreements".

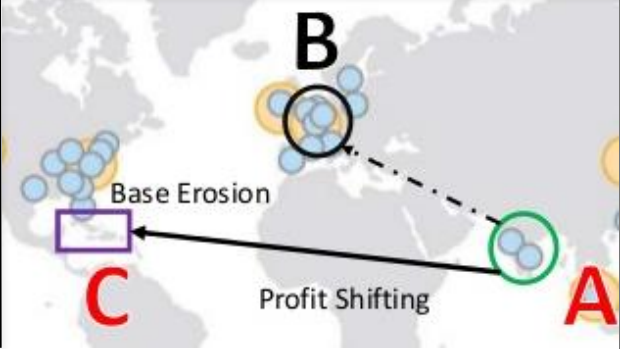
Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2**

### BEPS: Base Erosion and Profit Shifting

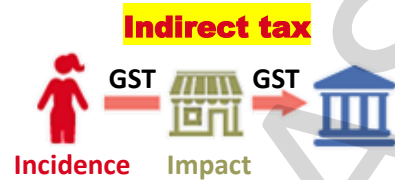
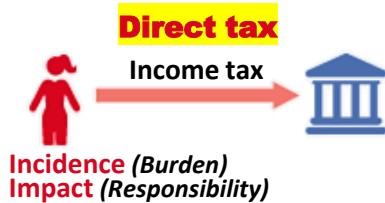
Companies shifting profits from higher-tax jurisdictions to lower-tax jurisdictions, thus "eroding" the "tax-base" of the higher-tax jurisdictions.

Tax-base of India erodes when a company shifts profits to tax-haven like Cayman islands.





## Taxation



### **Prelims 2009:**

Consider the following:

1. Fringe Benefit Tax
2. Interest Tax
3. Securities Transaction Tax

Which of the above are **Direct Taxes**?

- (a) 1 only                      (b) 1 and 3 only  
(c) 2 and 3 only            (d) 1, 2 and 3

### **Prelims 2001:**

Consider the following taxes:

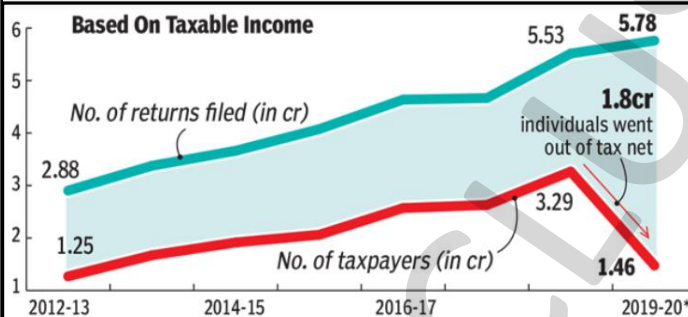
1. Corporation tax
2. Customs duty
3. Wealth tax
4. Excise duty

Which of these are **Indirect Taxes**?

- (a) 1 only      (b) 2 and 4      (c) 1 and 3      (d) 2 and 3

### **Ignore these two points for Prelims 2021:**

- FBT (2005-09): paid by companies for non-cash benefits that they gave to employees
- Interest Tax (1974-2000): paid by banks on interest income



\*Estimates | Number of tax-return filers who don't pay tax now stands at 4.3 crore – a 3X jump in 8 years

### **How many people pay income tax?**

- 5.8 crore file IT return
- 1.5 crore pay IT

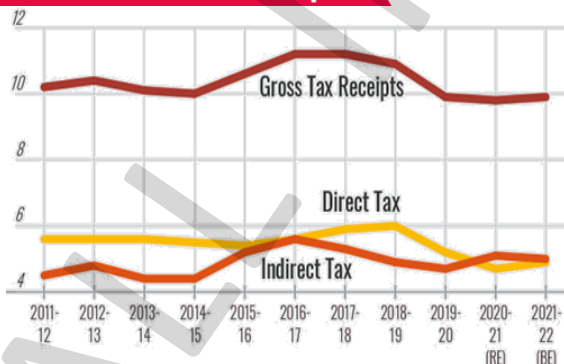
### **Tax expenditure:**

- opportunity cost of giving exemptions, deductions, etc.

### **Be careful with wordings:**

- Just 1.5 crore Indians actually pay tax? No
- Reason: "Everyone" pays indirect tax

## Trends in Tax Receipts % of GDP



For Prelims just remember:

Approximate values\*: **Direct + Indirect = Gross**

$$5\% + 5\% = 10\%$$

Including states: **5% + 10% = 15%**

\*Figures may slightly vary due to change in size of GDP

Trend in (Direct/Indirect/Gross) tax-to-GDP ratio?

- No clear trend (lines are almost horizontal)

Don't confuse it with Tax buoyancy

$$\text{Tax buoyancy} = \frac{\% \text{ change in tax revenue}}{\% \text{ change in GDP}}$$

Form **26AS**, Form **16**, **SARAL** and **TRACES** are related to? Income Tax

**Turant Customs?** Initiative of CBIC, for **faster customs clearances**. e.g. use of faceless assessment.

I read I forget, I see I remember

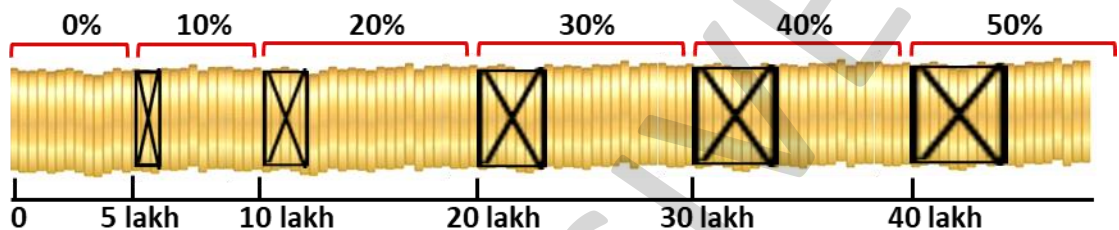
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## Progressive Tax



Progressive tax	Rich pays <b>more % of income</b> as tax	Income tax	0 % of income	15% of income	35% of income
Proportional tax	Rich and poor pay <b>same % of income</b> as tax	Corporate tax (approx.)	25% of income	25% of income	25% of income
Regressive tax	Rich pays <b>small % of income</b> as tax	GST 	1% of income	0.01% of income	0.00001% of income

Note: Corporate Tax in India is 'not' Proportional Tax; Imaginary figures used for explanation purpose



### Prelims 1996:

Redistribution of income in a country can be best brought through:

- (a) progressive taxation combined with progressive expenditure
- (b) progressive taxation combined with regressive expenditure
- (c) regressive taxation combined with regressive, expenditure
- (d) regressive taxation combined with progressive expenditure

## Tax & Inflation



## Angel Tax

- To prevent money laundering
- Introduced in 2012, by amending IT Act, 1961
- 30% of investment in startups above fair value
- Abolished in 2019? No (weakened, not abolished)

Angel investing	Venture Capital
Individual Investor	Group of Investors
Invests own money	Invests money of group
In very early stage	In early to late stage
Does not get control	Gets some control

General comparison, don't learn for Prelims

## Vishwas Schemes

- Vivad se Vishwas Scheme:
  - to settle direct tax disputes
- Sabka Vishwas Scheme:
  - to settle indirect tax disputes

## Income Tax Litigations

Monetary limit for filing appeal:

- 50 lakh for Appellate Tribunal
- 1 crore for HC
- 2 crore for SC

I read I forget, I see I remember | See explanation of this PDF on [www.youtube.com/c/allinclusiveias](https://www.youtube.com/c/allinclusiveias)

## Dividend Distribution Tax

- ❑ Dividend:
  - profit shared by company with shareholders
- ❑ DDT:
  - 1997-2020; type of Direct tax
- ❑ Tax on dividend:
  - earlier paid by company as DDT
  - now paid by tax payer as income

## Security Transaction Tax

### Prelims 2010:

Consider the following statements:

In India, taxes on transactions in Stock Exchanges and Futures Markets are

1. levied by the Union
2. collected by the States

Which of the above statements are correct?

- (a) 1 only                      (b) 2 only  
(c) Both 1 and 2            (d) Neither 1 nor 2

### Prelims 1999:

Which one of the following statements regarding the levying, collecting and distribution of **Income Tax** is correct?

- (a) The Union levies, collects and distributes the proceeds of income tax between itself and states  
(b) The Union levies, collects and keeps all the proceeds of income tax to itself  
(c) The Union levies and collects the tax but all the proceeds are distributed among the states  
(d) Only the surcharge levied on income tax is shared between the Union and the states

## Honoring the Honest

### Transparent Taxation – Honouring the Honest:

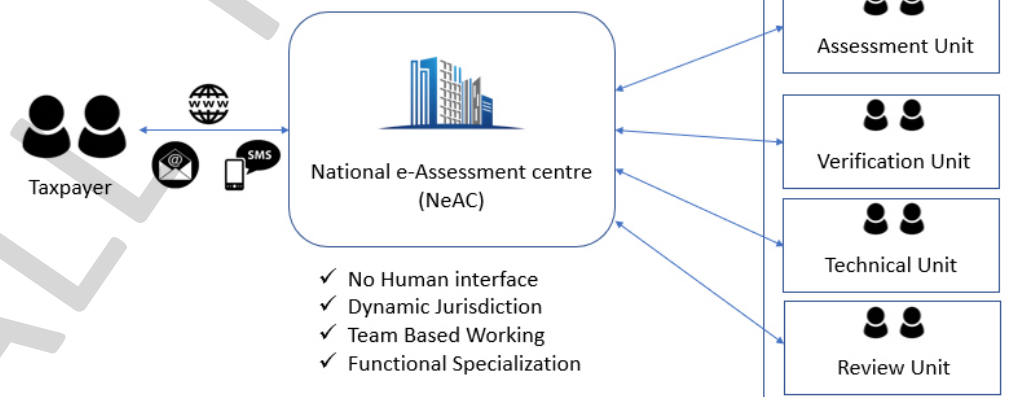
- Computerized case selection
- Complete anonymity
- No need to visit officer
- Appeals: randomly allotted; team-reviewed

### Exceptions:

- International tax
- Black money and Benami property
- Serious fraud, major evasions, sensitive & search matters

### Taxpayer Charter:

- rights and responsibilities of taxpayers and officers



## GST

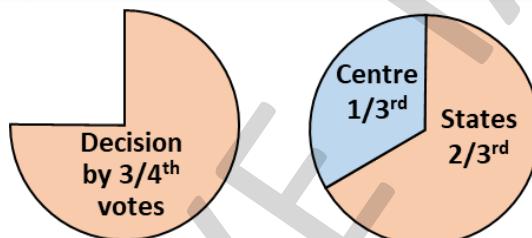
### GST Network

- Manages **IT system** for GST
- Established in **2013** as a **private** company  
51% private; 24.5% Centre; 24.5% States
- 2018: Cabinet approved **100% govt** ownership; but implementation delayed

- By **101<sup>st</sup>** Constitution Amendment Act
- Makes India one unified **common market**
- Destination** based tax
- Four slabs of **5, 12, 18, 28%**
- India has **dual GST model** (both Centre and States administer GST)
- Intra-state: CGST and SGST
- Inter-state: IGST
- Imported: IGST

### GST Council

- Constitutional body (article **279-A**)
- Decisions **binding** on Centre & States
- Chair: Union **FM**
- FMs** of all States/UTs are members
- Finance **Revenue Secretary** is Ex-Officio Secretary to the GST Council



### Prelims 2011:

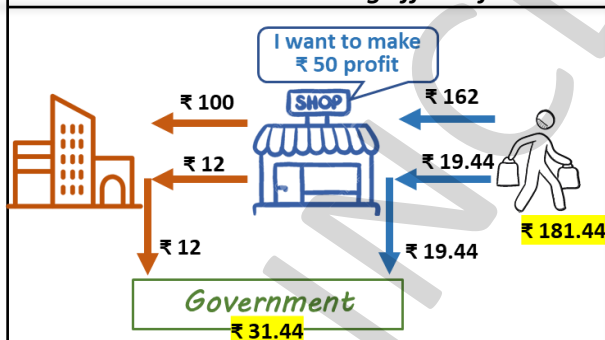
Which one of the following is not a feature of "Value Added Tax"?

- (a) It is **multi-point destination-based** system of taxation.
- (b) It is a tax levied on **value addition at each stage** of transaction in the production distribution chain.
- (c) It is a tax on the **final consumption** of goods or services and must ultimately be borne by the **consumer**.
- (d) It is basically a subject of the central government and the state governments are only a facilitator for its successful implementation.

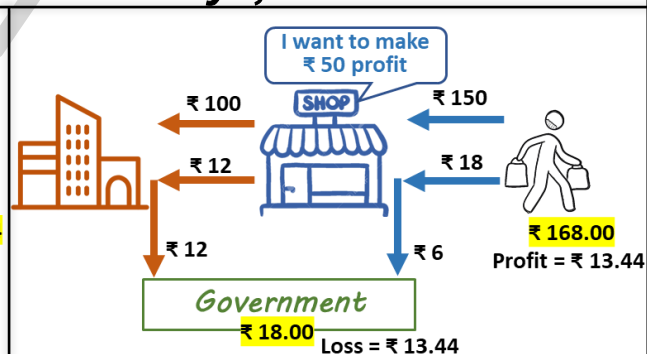
### National Anti-Profiteering Authority:

- Under GST Act, 2017
- It was made for two-years (now extended).
- Chairman, four Technical members.
- Appeals against its orders are made in High Courts.

### Without GST Cascading effect of taxes



### Since July 1, 2017 Tax on value addition



### Prelims 2017:

What is/are the most likely **advantages** of implementing GST ?

1. It will **replace multiple taxes** collected by multiple authorities and will thus **create a single market in India**.
2. It will **drastically reduce the 'Current Account Deficit'** of India and will enable it to increase its foreign exchange reserves.
3. It will enormously increase the growth and size of economy of India and will enable it to **overtake China** in the near future.

Select the correct answer using the code given below:

- (a) 1 only (b) 2 & 3 only (c) 1 & 3 only (d) 1, 2 & 3

#### Advantages of GST:

- ✓ It will reduce tax on Goods
- ✓ It will increase Tax revenue

I read I forget, I see I remember

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**Prelims 2018:**

Consider the following items:

1. Cereal grains hulled
  2. Chicken eggs cooked
  3. Fish processed and canned
  4. Newspaper containing advertising material
- Which of the above items are exempted under GST?

- (a) 1 only (b) 2 and 3 only  
 (c) 1, 2 and 4 only (d) 1, 2, 3 and 4

*Examiner intended:  
Supplies taxable at  
a 'NIL' rate of tax  
(0% tax)*

**Non-taxable under GST:**

1. Petroleum products
2. Alcohol
3. Real estate#
4. Electricity

# Note:

- No GST on sale of completed property
- 12% GST on sale of under construction property

**Taxes subsumed under GST**

**Taxes related to Centre**

- 1) **Central Excise duty**
- 2) Duties of Excise (Medicinal and Toilet Preparations)
- 3) Additional Duties of Excise (Goods of Special Importance)
- 4) Additional Duties of Excise (Textiles and Textile Products)
- 5) Additional Duties of Customs (commonly known as **Countervailing Duty**)
- 6) Special Additional Duty of Customs (SAD)
- 7) **Service Tax**
- 8) Central Surcharges and Cesses so far as they relate to supply of goods or services.

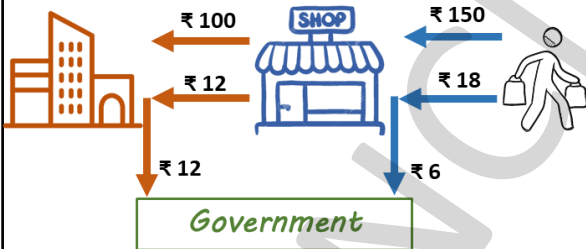
**Taxes related to States**

- 1) **State VAT**
- 2) **Central Sales Tax**
- 3) **Luxury Tax**
- 4) Octroi and Entry Tax (all forms)
- 5) Entertainment and Amusement Tax (except when levied by the local bodies)
- 6) Taxes on advertisements
- 7) Purchase Tax
- 8) Taxes on lotteries, betting and gambling
- 9) State Surcharges and Cesses so far as they relate to supply of goods or services.

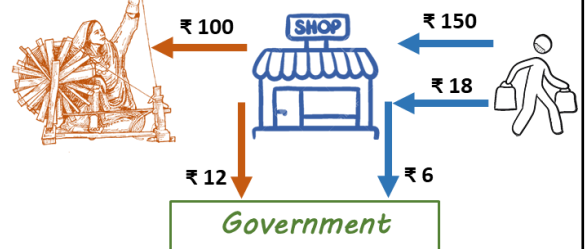
*For Prelims, underlined taxes are important*

**Reverse Charge in GST**

*Normally, Supplier pays GST*

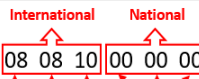


*Reverse Charge: buyer pays GST, if supplier not registered under GST*



**HSN Code**

Apple  
HS Code: 08081000



Section 02: Vegetable Products

Chapter 08: Edible Fruit and nuts, peel of citrus/melons

Heading 08: Apples, Pears and Quinces, Fresh

Subheading 10: Apples

Country Specific Divisions

**Harmonised System of Nomenclature Code:**

- To classify traded products, since 1988
- 6-digit** identification code by **WCO**
- 8-digit** (Indian Trade Classification Code)
- Allotted by **Ministry of Commerce & Industry**
- In 2019, **Khadi** got its own HS code

**World Customs Organization:**

- UN** agency Inter-governmental organization
- Est. in 1952; HQ: Brussels (Belgium)
- India member since **1971**

**E-way Bill**

- for inter-state movement of goods
- for intra-state movement of goods (> ₹ 50,000; > 10 km)

I read I forget, I see I remember

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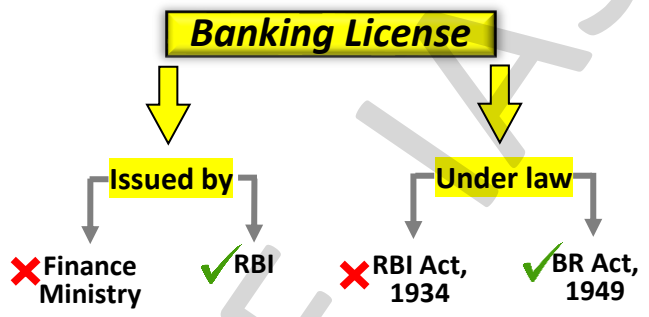
**The Indian EXPRESS**

**Bank licences for corporates: RBI group ignored advice of experts**

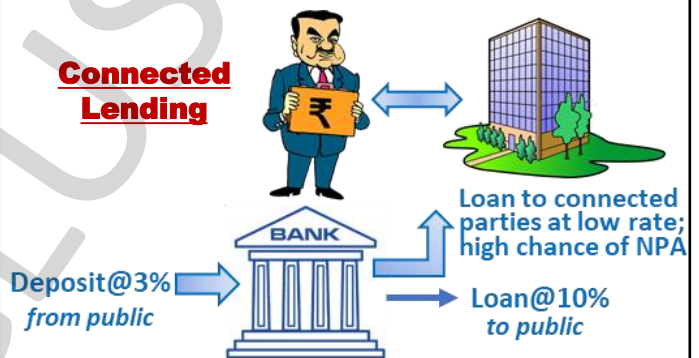
Rajan, Acharya said that the proposal to let industrial houses into banking will lead to “connected lending” which, according to them, is “invariably disastrous” and would further “exacerbate the concentration of economic (and political) power in certain business houses”.

By: **ENS Economic Bureau** | New Delhi | Updated: November 24, 2020 8:34:39 am

On Monday, former Reserve Bank Governor Raghuram Rajan and ex-Deputy Governor Viral Acharya criticised the proposal, saying that all the experts consulted by the IWG except one “were of the opinion that large corporate/ industrial houses should not be allowed to promote a bank”. “Yet it recommends change,” they said, in a note posted on Rajan’s [LinkedIn](#) site.



	Benefit	Problem
Banking license to large company	Recapitalization	Connected lending Circular banking
Banking license to large NBFC	Cheap funds; Help in ALM	Owned by large companies

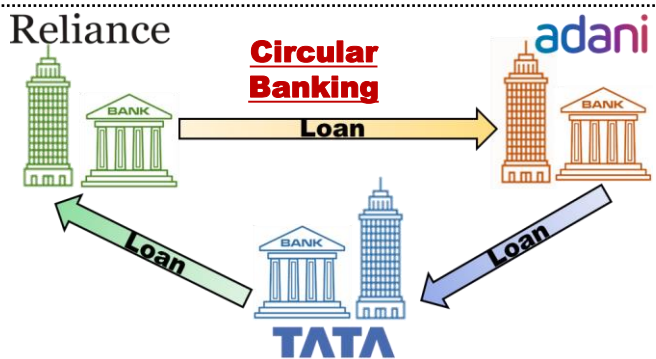


**Business Standard**

**RBI panel suggests hike in promoter stake cap to 26%, non-promoter to 15%**

Raghu Mohan | Mumbai | Last Updated at November 21 2020 03:16 IST

The cap on promoters' stake in private banks has been proposed to be raised to 26 per cent from 15 per cent over a period of 15 years. For



<b>Bank Nationalization</b>	<b>Old Private Banks</b>	<b>New Private Banks</b>
<p><b>1947:</b> most banks private; loan to rich, not poor</p> <p><b>1969:</b> govt. nationalized 14 biggest private banks e.g. PNB, Canara</p> <p><b>1980:</b> some more private banks nationalized e.g. Punjab &amp; Sind</p>	<p>Not nationalized due to small size; Survive even today e.g. Dhanlaxmi, Federal</p>	<p><b>1991:</b> economic reforms</p> <p><b>1993:</b> many new private banks opened e.g. ICICI, Axis, HDFC</p>

## LAF and MSF

- ✓ Commercial Banks
- ✓ Cooperative Banks
- ✓ Regional Rural Banks

### Business Standard

**RBI Announces Introduction of Liquidity Adjustment Facility And Marginal Standing Facility for Regional Rural Banks**

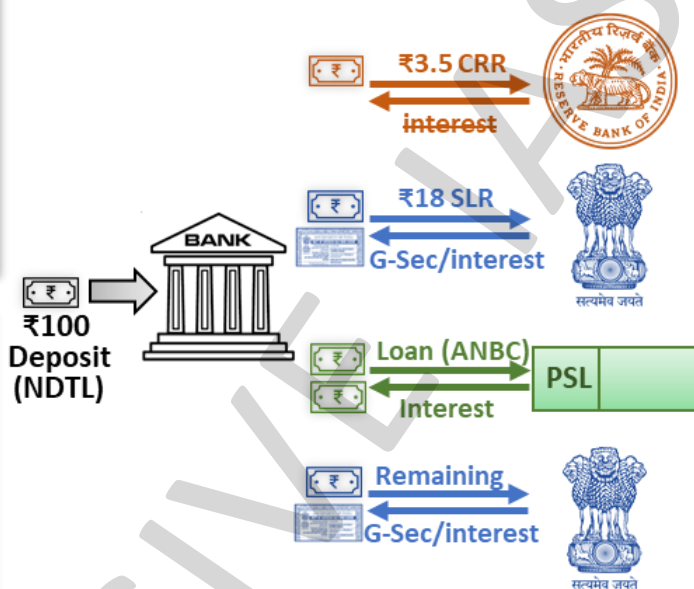
Capital Market | Last Updated at December 07 2020 12:31 IST

### The Telegraph

#### Reverse repo alternative

A standing deposit facility allows banks to park surplus funds with RBI without it offering government securities as collateral and at a lower interest rate

Calcutta | Published 10.05.20, 09:43 PM



	Loan	Duration	Collateral
Repo	RBI → Bank	1 day	G-sec outside SLR
Reverse-Repo	Bank → RBI	1 day	
Long-term Repo	RBI → Bank	1-3 years	
MSF	RBI → Bank	1 day	G-sec of SLR
Call Money	Bank → Bank	1 day	None
Notice Money		2-14 days	
Term Money		> 14 days	

- ❑ **CRR** is held with RBI, but **SLR** is held at the bank itself
- ❑ **SLR**: Cash, Gold, T-bill, G-sec, SDL, etc
- ❑ **LAF** means Repo and Reverse-Repo

- CRR**: Cash Reserve Ratio
- SLR**: Statutory Liquidity Ratio
- NDTL**: Net Demand & Time Liabilities
- ANBC**: Adjusted Net Bank Credit
- LAF**: Liquidity Adjustment Facility
- MSF**: Marginal Deposit Facility
- LIBOR**: London Interbank Offered Rate
- MIBOR**: Mumbai Interbank Offered Rate

#### Repo: (and MSF)

Banks borrow money from RBI by lending securities.



4.25% MSF  
4.00% Repo  
3.35% Reverse-Repo  
90 bps Policy Corridor



#### Reverse repo:

RBI borrows money from banks by lending securities.




#### Standing Deposit Facility:

RBI borrows money from banks without lending securities.



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See explanation of this PDF on [YouTube](https://www.youtube.com/c/allinclusiveias) www.youtube.com/c/allinclusiveias

<p><b>Prelims 2010:</b> When the Reserve Bank of India announces an increase of the <u>Cash Reserve Ratio</u>, what does it mean?</p> <p>(a) Commercial banks will have less money to lend (b) RBI will have less money to lend (c) Union Government will have less money to lend (d) Commercial banks will have more money to lend</p>	<p><b>Prelims 2010:</b> Which of the following terms indicates a mechanism used by commercial banks for providing <u>credit to the government</u>?</p> <p>(a) Cash Credit Ratio (b) Debt Service Obligation (c) Liquidity Adjustment Facility (d) Statutory Liquidity Ratio</p>			
<p><b>Prelims 2014:</b> In context of Indian economy, which of the following is purpose of '<u>Statutory Reserve Requirements</u>'?</p> <ol style="list-style-type: none"> <li>To enable the Central Bank to control the amount of advances the banks can create</li> <li>To make people's deposits with banks safe &amp; liquid</li> <li>To prevent commercial banks from making excessive profits</li> <li>To force banks to have sufficient vault cash to meet their day-to-day requirements</li> </ol> <p>Select the correct answer using the code:</p> <p>(a) 1 only (b) 1 and 2 only (c) 2 and 3 only (d) 1, 2, 3 and 4</p>	<p><b>Prelims 2015:</b> When the Reserve Bank of India reduces the <u>Statutory Liquidity Ratio</u> by 50 basis points, which of the following is likely to happen?</p> <p>(a) India's GDP growth rate increases drastically (b) Foreign Institutional Investors may bring more capital into our country (c) Scheduled Commercial Banks may cut their lending rates (d) It may drastically reduce the liquidity to the banking system</p>			
<p><b>Prelims 2014:</b> The terms '<u>Marginal Standing Facility Rate</u>' and '<u>Net Demand and Time Liabilities</u>', sometimes appearing in news, are used in relation to</p> <p>(a) banking operations (b) communication networking (c) military strategies (d) supply &amp; demand of agricultural products</p>	<p><b>Prelims 2020:</b> If RBI decides to adopt an <u>expansionist monetary policy</u>, which of the following would it not do?</p> <ol style="list-style-type: none"> <li>Cut and optimize the Statutory Liquidity Ratio <b>Do</b></li> <li>Increase the Marginal Standing Facility Rate</li> <li>Cut the Bank Rate and Repo Rate <b>Do Not do</b></li> </ol> <p>Select the correct answer using the code:</p> <p>(a) 1 and 2 only (b) 2 only (c) 1 and 3 only (d) 1, 2 and 3</p>			
<p><b>Regional Rural Banks</b></p>				
<p><b>RRBs:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Recommended by Narasimham Working Group 1975</li> <li><input type="checkbox"/> Set up under <u>RRB Act, 1976</u></li> <li><input type="checkbox"/> Regulated by <u>RBI</u>; Supervised by <u>NABARD</u></li> <li><input type="checkbox"/> Ownership: <b>50%</b> Centre, <b>35%</b> Sponsor bank, <b>15%</b> State</li> <li><input type="checkbox"/> Their branches can be in rural areas only? No!</li> </ul>	<p><b>Prelims 2011:</b> In India, which of the following have the <u>highest</u> share in the disbursement of <u>credit to agriculture</u> and allied activities?</p> <p>(a) Commercial Banks <b>79%</b> (b) Cooperative Banks <b>15%</b> (c) Regional Rural Banks <b>5%</b> (d) Microfinance Institutions <b>1%</b></p>			
<p><b>NABARD:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <b>1982</b>; HQ: Mumbai</li> <li><input type="checkbox"/> Statutory body formed under <u>NABARD Act, 1981</u>.</li> <li><input type="checkbox"/> On recommendation of B. Sivaramman Committee.</li> <li><input type="checkbox"/> Ownership: <b>100% Govt.</b> of India.</li> </ul>				
<p>I read I forget, I see I remember   See explanation of this PDF on  <a href="http://www.youtube.com/c/allinclusiveias">www.youtube.com/c/allinclusiveias</a></p>				
Prelims 2021	Current Affairs	Economy	Page-22	© All Inclusive IAS




## Urban Cooperative Banks

- Registered** as coop. society under **State** coop society Act or **Multi-state** Coop society Act 2002.
- Administration** is regulated by **Registrar** of Cooperative Societies (of State or Centre)
- Banking** functions are regulated by **RBI** under Banking Regulations Act, 1949 and Banking Laws (Co-operative Societies) Act, 1955.
- Supervisory Action Framework** (similar to Prompt Corrective Action for Commercial Banks)
- System Based Asset Classification** for assets more than ₹ 1,000 crore.

## Banking Regulation (Amendment) Act, 2020

- It **extends powers** already available with RBI in respect of other banks to **Co-operative Banks**.
- It empowers RBI to **supersede the board** of CBs for 5 years.
- It **does not apply** to Primary Agricultural Credit Societies.
- It **does not end powers** of state **Registrar** of Cooperative Societies
- It allows CBs to issue **equity shares** to any person residing in its area of operation.
- It empowers RBI to **enforce reconstruction or amalgamation of bank**, even when the bank is not under **moratorium**.

## Priority Sector Lending

THE HINDU 

### RBI alters priority sector norms to help start-ups, farmers avail loans

SPECIAL CORRESPONDENT  
MUMBAI, SEPTEMBER 04, 2020 22:55 IST  
UPDATED: SEPTEMBER 04, 2020 22:58 IST

**Assigns higher weightage to areas with low credit flow**

The **Reserve Bank of India** (RBI) on Friday released revised priority sector lending guidelines to augment funding to segments including start-ups and agriculture.

Bank finance of up to ₹50 crore to start-ups, loans to farmers both for installation of solar power plants for solarisation of grid-connected agriculture pumps, and for setting up compressed biogas (CBG) plants have been included as fresh categories eligible for finance under the priority sector.

**PSL target:** No specific interest rate

75% : RRBs, SFBs, (UCBs by 2024)  
40% : Other banks (not payment banks)

### **Categories under PSL:**

Agri; Education; MSME; Export; Housing; Social Infra; Renewable energy

### **If PSL target not achieved:**

1. Buy PSL **certificate**, or
2. Give shortfall to **RIDF**


### **Rural Infra Development Fund:**

- Set up in **1995**; Maintained by **NABARD**
- Gives **loans to State** Governments for Rural Infra projects

### **Prelims 2013:**

Priority Sector Lending by banks in India constitutes the lending to

- (a) agriculture
- (b) micro and small enterprises
- (c) weaker sections
- (d) All of the above

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## IPO by Small Finance Banks

**BusinessLine** THE HINDU

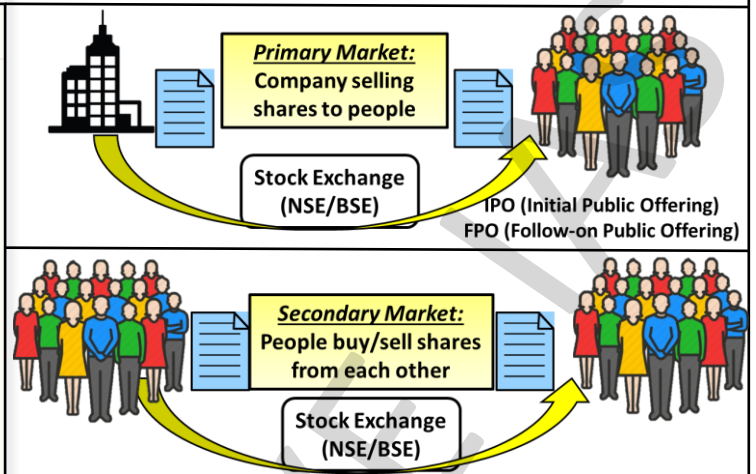
### Small finance banks with plans to float IPO hope RBI will extend deadline to list

Surabhi | Mumbai | Updated on January 04, 2021

A clutch of small finance banks, which are preparing to launch their initial public offerings (IPOs), are hoping to get an extension in their listing deadline.

The Reserve Bank of India (RBI) guidelines require small finance banks to list within three years of their net worth reaching ₹500 crore.

Of the 10 entities that had started SFB operations, only three, including AU, Ujjivan and Equitas, have been listed so far.



	<b>PB</b>	<b>SFB</b>	<b>CB</b>
Minimum Capital	₹ 100 crore	₹ 200 crore	₹ 500 crore
Deposit size limit	₹ 1 lakh	No limit	No limit
Loan size limit	Can't give loans	50% loans should be up to ₹ 25 lakh	No limit
Credit Card	No	Yes	
ATM/Debit card	Yes		
International Remittance	Yes		
BR Act 1949	Yes		
CRR	Same for all		
SLR	75%	Same for both	
CAR		15%	9%

**PB: Payment B; SFB: Small Finance B; CB: Commercial B**

### Prelims 2016:

The establishment of 'Payment Banks' is being allowed in India to promote **financial inclusion**. Which of the following statements is/are correct in this context?

1. Mobile telephone companies and supermarket chains that are owned and controlled by residents are eligible to be **promoters** of Payment Banks.
2. Payment Banks can issue both **credit cards** and debit cards.
3. Payment Banks **cannot** undertake **lending** activities.

Select the correct answer using the code given below.

- (a) 1 and 2 only                      **(b) 1 and 3 only**  
 (c) 2 only                              (d) 1, 2 and 3

### Prelims 2017:

What is the purpose of setting up of **Small Finance Banks** (SFBs) in India?

1. To supply credit to small **business** units
2. To supply credit to small and marginal **farmers**
3. To encourage young entrepreneurs to **set up business** particularly in **rural** areas.

Select the correct answer:

- (a) 1 and 2 only**    (b) 2 and 3 only  
 (c) 1 and 3 only    (d) 1, 2 and 3

### Differentiated (Niche) Banks



- Banks with focus on **specific task** e.g. SFB, RRB, PB
- Nachiket Mor Committee 2013** recommended setting up Payment Banks and Wholesale banks
- Govt. planning to set-up **Wholesale Banks**:
  - aka Development Banks (Finance Institutions)
  - Long-term loans and deposits
  - e.g. IFCI 1948, IDBI 1964

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## Stressed Assets

Delay in repayment	Classification
1 – 30 days	SMA-0
31 – 60 days	SMA-1
61 – 90 days	SMA-2

NPA for	Classification
Up to 12 months	Substandard asset
More than 12 months	Doubtful asset
Considered uncollectible	Loss asset

THE ECONOMIC TIMES

### RBI clears fog on special provisioning

#### Synopsis

An SMA2 loan which has been given moratorium and is not serviced by the borrower becomes an NPA by March 30. Such a loan will attract a total provisioning of 10% — of which 5% will be as of March-end and another 5% at the close of the June quarter.

By SUGATA GHOSH

ET Bureau

Last Updated: May 06, 2020,

08:32 AM IST

### Provisioning



For every loan given, bank keeps some money in a separate account. Why? To reduce the shock in case someone does not repay the loan.

Gross NPA = 100  
Provisions = 10  
Net NPA = 90  
PCR = 10/100 = 10%



₹ 150 loan given

₹ 50 loan repaid



₹ 1, ₹ 9, ₹ 10;  
₹ 10, ₹ 70

Provision Coverage Ratio = Provision / GNPA  
High PCR is good (bank is not vulnerable)

## BusinessLine

### Banks write off ₹5.85-lakh crore over last 3 years

Our Bureau | New Delhi | Updated on March 08, 2021

Recovery amounts to little over ₹68,000 crore

### Write-off

- Bank has made 100% provision
- No longer NPA on balance sheet
- Bank still has right to recovery

## SARFAESI Act, 2002

THE INDIAN EXPRESS

### Co-operative banks can use Sarfaesi Act to recover dues: Supreme Court

The SC held that all such cooperative banks involved in the activities related to banking are covered within the meaning of 'banking company'.

By: ENS Economic Bureau | New Delhi |

May 6, 2020 3:01:10 am

A five-judge Constitution Bench of the Supreme Court (SC) on Tuesday ruled that all co-operative banks in the country could make use of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (Sarfaesi) to make recovery against defaulting persons.

### Securitization And Reconstruction of Financial Assets and Enforcement of Securities Interest:

- For recovery of money from loan defaulters
- Banks can sell collateral (except agri land), without intervention of courts
- Security?** A tradeable financial asset, e.g. shares
- Securitization?** conversion of an asset, especially a loan, into marketable securities. (2008 GFC !)
- Asset reconstruction?** Converting bad asset into performing asset.

### Asset Reconstruction Company:

- Buys bad assets from Banks
- Improves management, sale, etc.
- Registered with RBI under SARFAESI Act, 2002
- ARC India Ltd. Set up in 2002, was the first ARC
- 100% FDI by automatic route permitted in ARCs.

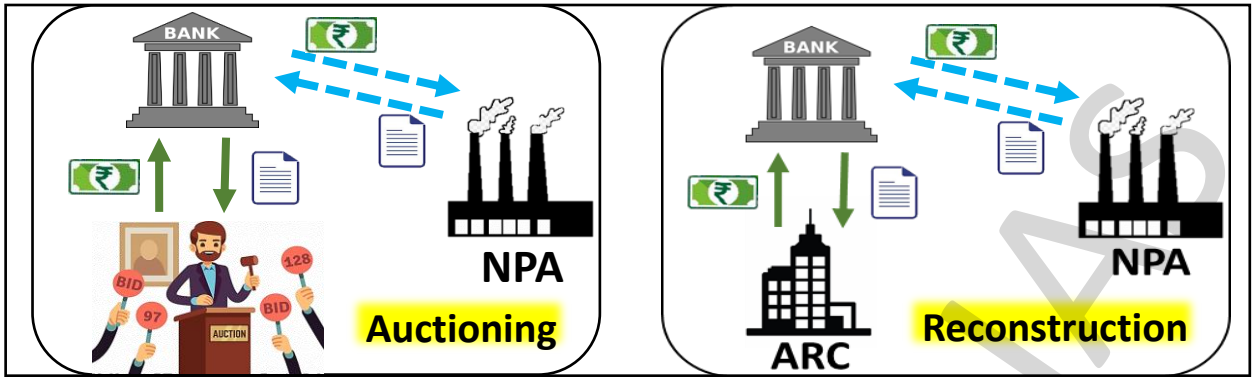
### Bad Bank:

- A national ARC to buy large NPAs of banks.
- aka Public Sector Asset Rehabilitation Agency)

Caution: PARA and Bank Investment Company are different

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## Insolvency and Bankruptcy Code, 2016

- **Insolvency?** inability to pay the dues
  - **Bankruptcy?** legal declaration of insolvency
  - **Liquidation?** process of winding up an entity
- IBC:** time-bound process to resolve insolvency
  - Govt. suspended initiation of fresh insolvency proceedings under IBC, due to Covid.

### IBC Process:

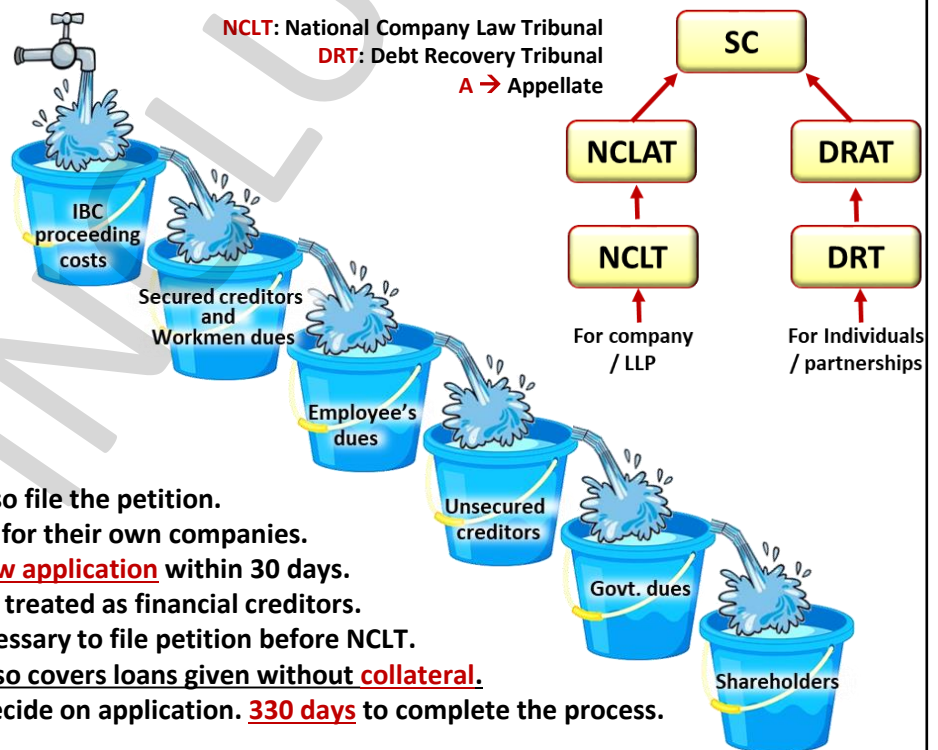
- Petition before **NCLT**
- Committee of Creditors (**CoC**) constituted.
- Resolution Professional (**RP**) takes charge.
- CoC approves **resolution plan**.
- Failure leads to **liquidation**.

### Pre-packs under IBC: Agreement between secured creditors and potential investors

- Existing management retains control in the mean time
- Problem? No public bidding; less transparency; fair value; rights of other creditors

### Waterfall model:

it gives order of priority for repayment of dues



### Facts for Prelims:

- ✓ **Company** itself can also file the petition.
- ✓ **Promoters cannot bid** for their own companies.
- ✓ Creditors can **withdraw application** within 30 days.
- ✓ **Home buyers** are now treated as financial creditors.
- ✓ **Rs 1 crore** default necessary to file petition before NCLT.
- ✓ **Unlike Sarfaesi**, IBC also covers loans given without **collateral**.
- ✓ **14 days** for NCLT to decide on application. **330 days** to complete the process.

SARFAESI	IBC
Only for secured financial creditors	Also for unsecured and non-financial creditors
DRT for both individuals and companies	DRT for individuals; NCLT for companies

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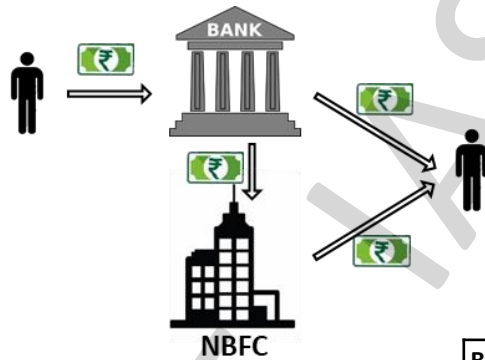
### RBI proposes 4-layered framework for regulation of shadow banks

By: FE Bureau  
January 23, 2021 4:30 AM

Going further, the next layer — the upper layer — will consist of NBFCs which are identified as systemically significant among NBFCs.

### Non-Banking Finance Company

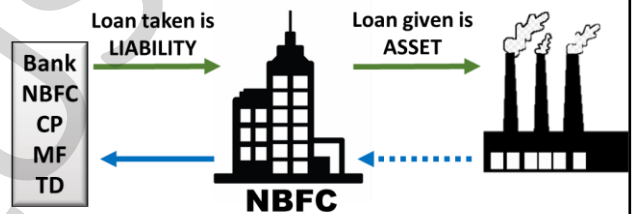
Company engaged in business of loans & advances



Every NBFC must be registered with RBI under RBI Act, 1934?	False
NBFCs cannot take deposits from public?	False
RBI limits the term and interest that NBFCs can pay to depositors?	True

	Bank	NBFC
Accept Demand Deposit	✓	X
Issue cheque drawn on itself	✓	X
Part of Payment & Settlement System	✓	X
Deposit insurance from DICGC	✓	X
Take Term Deposit	✓	✓

- ❑ **Special Liquidity Scheme:** SPV will purchase short term papers from NBFCs.
- ❑ **Partial Credit Guarantee:** Offered by Govt. to PSBs for purchasing assets of NBFCs to prevent distress sale.
- ❑ **Emergency Credit Line Guarantee Scheme:** Offered by National Credit Guarantee Trustee Co. Ltd. to lenders for giving loans to MSMEs.



### Prelims 2010:

With reference to **NBFCs** in India, consider the following statements:

- They cannot engage in the acquisition of **securities issued by Govt.**
- They cannot accept **demand deposits** like Savings Account

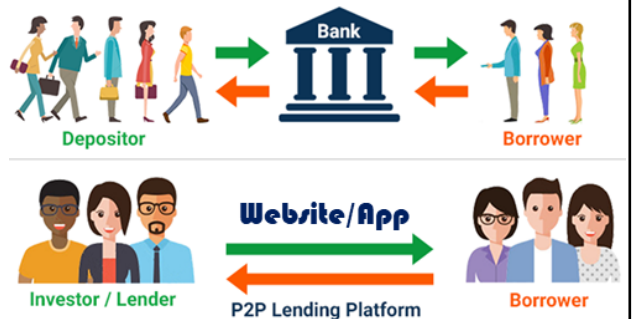
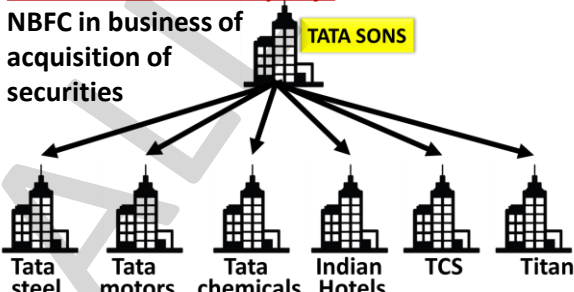
Which of the statement given above is/ are correct?

- (a) 1 only    **(b) 2 only**    (c) Both 1 and 2    (d) Neither 1 nor 2

- ❑ **15% SLR** for Deposit taking NBFC (No CRR for any NBFC)
- ❑ **15% CAR** for Deposit taking NBFC, or Systematically Important NBFC (Asset size > ₹ 500 crore)
- ❑ **Housing Finance Company:** NBFC for housing loans
- ❑ **P2P** lending platform? Peer-to-Peer loans, instead of loan from some institution

### Core Investment Company:

NBFC in business of acquisition of securities



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## Inflation Targeting

☰
FINANCIAL EXPRESS  
Read to Lead
🔍

**At 6.09% in June, inflation breaches RBI threshold, MPC may yet stay put on rate cut path**

By: FE Bureau  
July 14, 2020 12:40 AM

Of course, transportation services (thanks to recent duty hikes on fuel) and certain food articles were among the major drivers of the June inflation.

- Central Bank changes **policy rates** to keep inflation in a target band.
- India adopted inflation targeting in **2016**.
- Target:**
  - **CPI**  $4 \pm 2\%$
  - Reviewed every **5 years**
  - Decided by? **Government**, after consulting RBI
- Failure:**
  - Either limit crossed for **3 consecutive quarters**
  - RBI will explain reasons, actions, future.
  - **Governor will resign**

### Monetary Policy Committee:

- Statutory body under **RBI Act, 1934**
- RBI:** Gov. ; Dy. Gov. in-charge of MP ; One officer
- Govt:** Three; 4 years; no reappointment
- Must meet at least **4 times** a year

### Prelims 2015:

With reference to **inflation** in India, which of the following statements is correct?

- (a) Controlling inflation in India is responsibility of Govt of India only
- (b) The Reserve Bank of India has no role in controlling the inflation
- (c) Decreased money circulation helps in controlling the inflation
- (d) Increased money circulation helps in controlling the inflation

### Prelims 2017:

Which of the following statements is/are correct regarding the **MPC**?

1. It decides the RBI's benchmark interest rates.
2. It is a 12-member body including the Governor of RBI and is reconstituted every year.
3. It functions under the chairmanship of the Union Finance Minister.

Select the correct answer from below:

- (a) 1 only    (b) 1 & 2 only    (c) 3 only    (d) 2 & 3 only

### Prelims 2015:

Which of the following brings out 'CPI for Industrial Workers'?

- (a) Reserve Bank of India
- (b) Dept. of Economic Affairs
- (c) **Labour Bureau**
- (d) Dept. of Personnel & Training

CPI	For	By	Base
CPI-IW	Industrial Workers	Labour Bureau in Ministry of Labour	<b>2016</b>
CPI-AL	Agricultural Labourers		1986-87
CPI-RL	Rural Labourers		1986-87
CPI-UNME	Urban Non-Manual Employees	CSO in MoSPI	2012

### Prelims 2020:

Consider the following statements

1. The weightage of **food** in CPI is higher than that in WPI
2. WPI does not capture change in price of **services**, which CPI does.
3. **RBI** has now adopted WPI as its key measure of inflation and to decide on changing the key policy rates.

Which of the statements given above is/are correct?

- (a) 1 and 2 only    (b) 2 only    (c) 3 only    (d) 1, 2 and 3

- CPI-UNME has been replaced by CPI Rural, Urban and Combined
- Released by CSO in MoSPI
- Base 2012

	Consumer Price Index <b>CPI</b>	Wholesale Price Index <b>WPI</b>	Producer Price Index <b>PPI</b>	Index of Industrial Production <b>IIP</b>	Purchasing Manager's Index <b>PMI</b>
Released by	CSO in MoSPI	OEA in DPIIT	OEA in DPIIT	CSO in MoSPI	Markit & Nikkei
Base year	2011-12	2011-12	2011-12	2011-12	-
Frequency	monthly	monthly	monthly	monthly	monthly
Remarks	46% weightage to food items. Used by MPC.	Excludes services. 64% weightage Manufacturing	Includes Services. Plans to replace WPI by PPI.	77% weightage to Manufacturing	Sentiment tracker. 50 is neutral.

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## Monetization of deficit

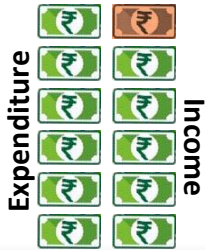
### Households:

- income is known; we adjust expenses
  - **income decides expenditure**
- When expenditure > income
  - Take loan now; return it later



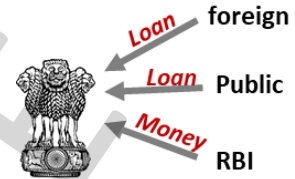
### Government:

- expenses are known; govt. adjusts income
  - **expenditure decides income**
- When expenditure > income
  - a) Take loan now; return it later
  - b) Take loan now; never return it



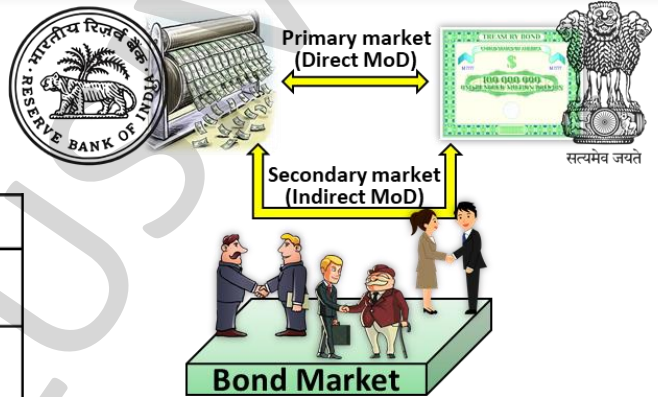
**Deficit:** excess of expenditure over income  
**Deficit financing:** arranging this excess money.  
 Options: Foreign; Public; RBI; etc.

**Monetization of Deficit:** money comes from RBI  
 ➢ **Direct MoD:** money comes directly from RBI  
 ➢ **Indirect MoD:** money comes via Bond market



MoD is a form of **non-debt** financing because:

	Present	Future
Loan	A $\xleftrightarrow{\text{Bonds}}$ B A $\xleftrightarrow{\text{Money}}$ B	A $\xleftrightarrow{\text{Bonds}}$ B A $\xleftrightarrow{\text{Money}}$ B
Monetization	A $\xleftrightarrow{\text{Bonds}}$ B A $\xleftrightarrow{\text{Money}}$ B	Nothing



### Facts for Prelims:

- ✓ India stopped using direct MoD in **1997**.
- ✓ **FRBM Act, 2003** barred direct MoD.
- ✓ **2017 amendment** to FRBM Act allowed direct MoD
- ✓ MoD is a form of **non-debt** financing.
- ✓ MoD **prevents crowding-out** effect.
- ✓ MoD can cause **inflation**.

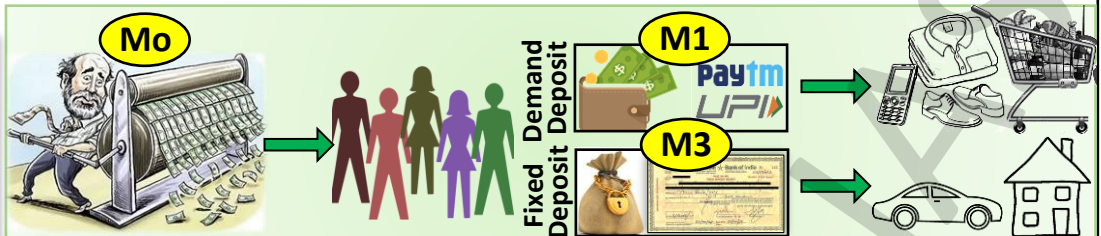
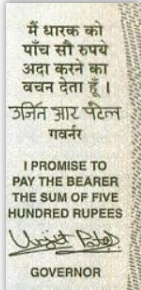
### Security Printing and Minting Corporation of India Limited:

- ✓ PSU under **Department of Economic Affairs** (FinMin)
- ✓ Formed in **2006**; HQ at **New Delhi** (not Mumbai)
- ✓ It has **4 presses, 4 mints, 1 paper mill**.
- ✓ Currency notes, coins, stamp papers, passport, postage stamps, bonds, refining of gold and silver, etc.

**Note:** the four presses shown on map are not the same as those owned by SPMCIL

## Measures of Money Supply

$$M1 + \text{POST OFFICE} = M2$$



- ✓ Total **liability** of RBI (includes deposits with RBI)
- ✓ High **powered** money
- ✓ Monetary **base**

$$M3 + \text{POST OFFICE} = M4$$

**M1** = Currency with people + Demand deposit in bank

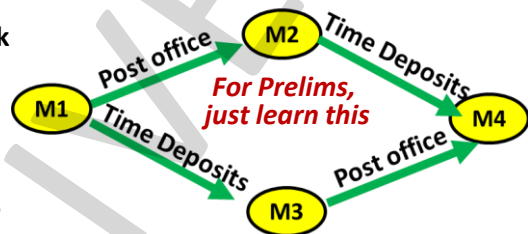
**M2** = M1 + Post Office

**M3** = M1 + Time deposits

**M4** = M3 + Post Office

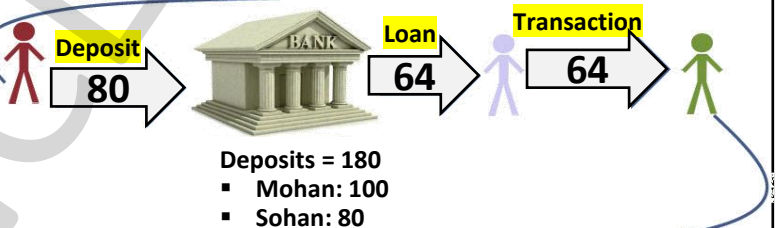
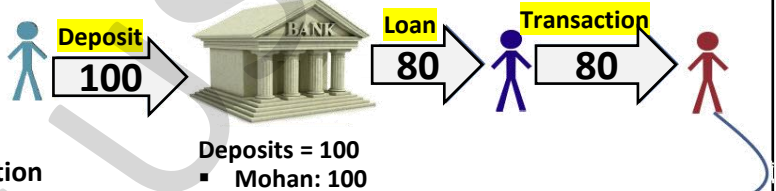
"1" is **narrow** money (demand deposit)

"3" is **broad** money (fixed deposit also)



## Credit creation

- ✓ aka money creation.
- ✓ It means expansion of deposits.
- ✓ Low CRR or SLR → high credit creation
- ✓ High CRR or SLR → low credit creation
- ✓ Low credit creation leads to:
  - ✓ Low velocity of money
  - ✓ Low inflation risk



### Velocity of money:

- It tells rate at which money is exchanged in an economy.
- Approx. formula:

$$\text{Velocity} = \frac{\text{GDP}}{\text{Money supply}}$$

### Prelims 2002:

Consider the following:

1. Currency with public
2. Demand deposit with banks
3. Time deposits with banks

Which of these are included in Broad Money (M3) in India?

- (a) 1 and 2      (b) 1 and 3  
(c) 2 and 3      (d) 1, 2 and 3

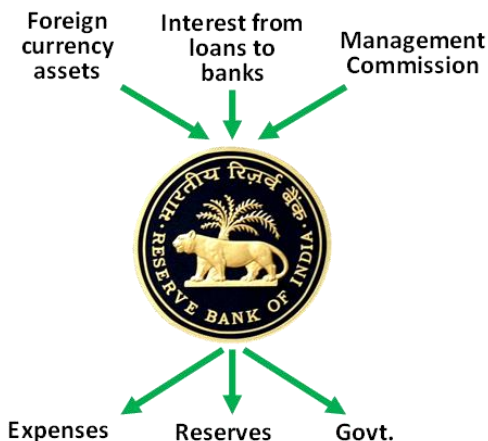
### Prelims 2020:

If you **withdraw** Rs 1,00,000 in cash **from** your **Demand Deposit** Account at your bank, the **immediate effect** on aggregate **money supply** in the economy will be

- (a) to reduce it by Rs 1,00,000  
(b) to increase it by Rs 1,00,000  
(c) to increase it by more than Rs 1,00,000  
(d) to leave it unchanged



## Reserve Bank of India



### RBI SURPLUS TRANSFERRED TO THE CENTRAL GOVERNMENT



#### RBI:

- Recommended by **Hilton Young** Commission
- Commenced operations on 1 April **1935**
- First Governor **Sir Osborne Smith**
- Nationalised on 1<sup>st</sup> January **1949** by RBI (Transfer to Public Ownership) Act, 1948

#### Financial year of RBI:

- Earlier from 1 July – 30 June
- Now 1 April – 31 March (from 1 April 2021)
- Section 7 of RBI Act, 1934:**
- Empowers govt to issue directions to RBI
- Used only once till now (in October 2018)

#### All four Financial regulators are statutory bodies:

RBI → RBI Act, 1934      IRDAI → IRDAI Act, 1999  
 SEBI → SEBI Act, 1992      PFRDA → PFRDA Act, 2013

#### Section 47 of RBI Act, 1934:

- Transfer profit to Govt. (after other things)

≡ Bloomberg | Quint
🔍 5+ 👤

### In A First, RBI To Buy State Government Bonds Via Open Market Operations

Advait Rao Palepu  
@advait\_palepu

Published: Oct 09 2020, 12:04 PM  
Last Updated: Oct 09 2020, 10:28 PM

In a first-of-its-kind measure, the Reserve Bank of India will buy bonds issued by state governments via secondary market open market operations, to ensure they don't face rising interest costs amid high borrowings.

#### Open Market Operations:

Sale/purchase of G-secs in open market by RBI, to adjust liquidity / money supply / interest rates.

#### State Development Loans:

- Bonds issued by state governments
- Gives higher interest than G-Sec
- Eligible as Bank's SLR quota

#### Consolidated Sinking Fund:

- Set up by RBI in 1999-2000
- To enable states to easily repay debts
- States put 1-3% of outstanding loans annually

#### Prelims 2013:

In the context of Indian economy, 'Open Market Operations' refers to

- (a) borrowing by scheduled banks from RBI
- (b) lending by commercial banks to industry & trade
- (c) purchase and sale of govt. securities by RBI
- (d) None of the above

#### Operation Twist:

- To reduce long-term interest rates.
- RBI sold short-term G-Secs and purchased long-term G-secs, of equal amount.

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**CAR: Capital Adequacy Ratio**

**CRAR: Capital to Risk-weighted Assets Ratio**

## CAR or CRAR

### Prelims 2018:

Consider the following statements:

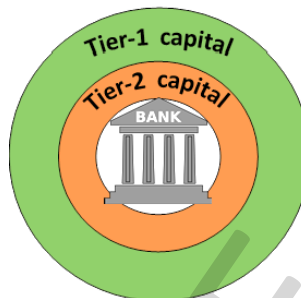
1. Capital Adequacy Ratio (CAR) is the amount that banks have to maintain in the form of their own funds to offset any loss that banks incur if the account-holders fail to repay dues.
  2. CAR is decided by each individual bank.
- Which of the above statements are correct?

- (a) 1 only                      (b) 2 only  
(c) Both 1 and 2              (d) Neither 1 nor 2

NPA eating into Bank's capital



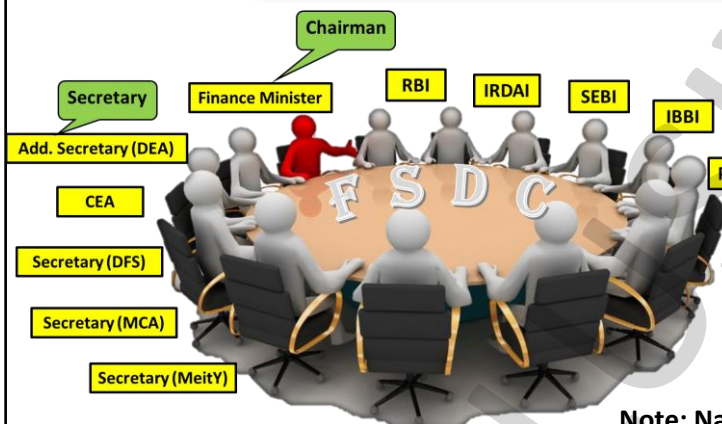
Non Performing Asset



**Tier-1 capital:** to absorb losses without stopping operations. e.g. owner's equity

**Tier-2 capital:** to absorb losses in case bank shuts down. e.g. revaluation reserves

## Financial Stability Development Council



- formed in **2010** on recommendation of **Raghuram Rajan committee**
- To prevent 2008 GFC like crisis by **inter-regulatory coordination**

### National Centre for Financial Education

- 2013**; by RBI, SEBI, IRDAI, PFRDA
- works under FSDC
- Made National Strategy for Financial EDUCATION 2013-18 and 2020-25

Note: Nat. Str. for Fin. INCLUSION 2019-24 is by RBI

### Prelims 2016:

With reference to FSDC, consider the following statements:

1. It is an organ of NITI Aayog.
2. It is headed by the Union FM.
3. It monitors macroprudential supervision of the economy.

Which of the above statements are correct?

- (a) 1 and 2 only                      (b) 3 only  
(c) 2 and 3 only                      (d) 1, 2 and 3

Financial Stability Report → **RBI**  
Global Financial Stability Report → **IMF**

### Financial Sector Regulatory Appointment Search Committee:

- Formed in 2015; Headed by **Cabinet Secretary**
- Recommends names for **RBI, SEBI, IRDAI, PFRDA**
- Recommendations sent to **Appointments Committee of Cabinet** headed by PM

**D-SIB:** Domestic Systemically Important Banks

- Identified by RBI; currently SBI, ICICI, HDFC

**D-SII:** Domestic Systemically Important Insurer

- Identified by IRDAI; currently LIC, GIC, NIAC

## Liquidity Trap

**Liquidity trap** A situation of very low rate of interest in the economy where every economic agent expects the interest rate to rise in future and consequently bond prices to fall, causing capital loss. Everybody holds her wealth in money and speculative demand for money is infinite.

– NCERT

- Low interest rate
- High savings rate
- People avoid bonds

I read I forget, I see I remember

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## Umbrella Entity for Payment System

### Prelims 2017:

Consider the following statements:

1. NPCI helps in promoting the **financial inclusion** in the country.
2. NPCI has launched **RuPay**, a card payment scheme.

Which of these statements are correct?

- (a) 1 only                      (b) 2 only  
**(c) Both 1 and 2**            (d) Neither 1 nor 2

Framework for Umbrella Entity for payment system: RBI plans to end monopoly of NPCI. Guidelines are not important. Details of NPCI are important.

### National Payments Corporation of India:

- ✓ Formed in **2008**, HQ **Mumbai**
- ✓ Initiative of **RBI** and **Indian Bank Association**, authorised under Payment & Settlement Systems Act, 2007
- ✓ Its owners include both **Public and Private banks**

### Prelims 2018:

Which one of the following links all the ATMs in India?

- (a) Indian banks' Association  
 (b) National Securities Depository Limited  
**(c) National Payments Corporation of India**  
 (d) Reserve Bank of India

### Some of its famous products are:

- **NFS:** National Financial Switch (connects ATMs)
- **IMPS:** Immediate Payment Service
- **AEPS:** Aadhaar Enabled Payment System
- **CTS:** Cheque Truncation System
- **NACH:** National Automated Clearing House
- **NETC:** National Electronic Toll Collection
- \*99#, UPI, BHIM, Bharat Bill Pay, RuPay card (2012)



**Brown Label ATM**  
 ATM has logo of Bank  
 Bank outsources ATM operations

**White Label ATM**  
 ATM has logo of NBFC  
 'Indicash' of TATA was first



### Positive Pay Mechanism:

- It is a fraud prevention mechanism
- Issuer shares cheque details with bank
- Matched with cheque deposited by beneficiary

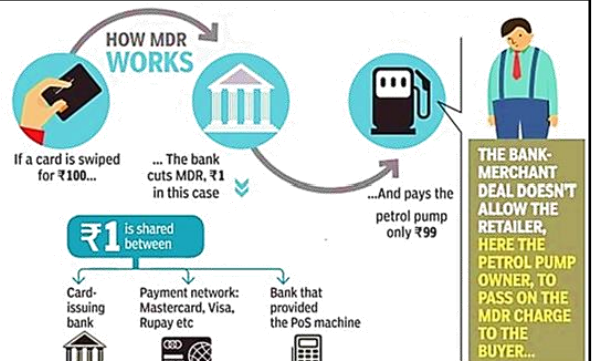
	IMPS	RTGS	NEFT
Minimum	-	2 lakh	-
Maximum	2 lakh	-	-
Settlement	Real Time	30 minutes	
Available	24 x 7 x 365		
Mode	Online	Online/Offline	
By	NPCI	RBI	

### Payments Infra Development Fund:



PoS machine (Point of Sale)

- 500 crore fund; managed by RBI
- For PoS infra in Tier-3 to Tier-6 cities and NE states.



### Prelims 2018:

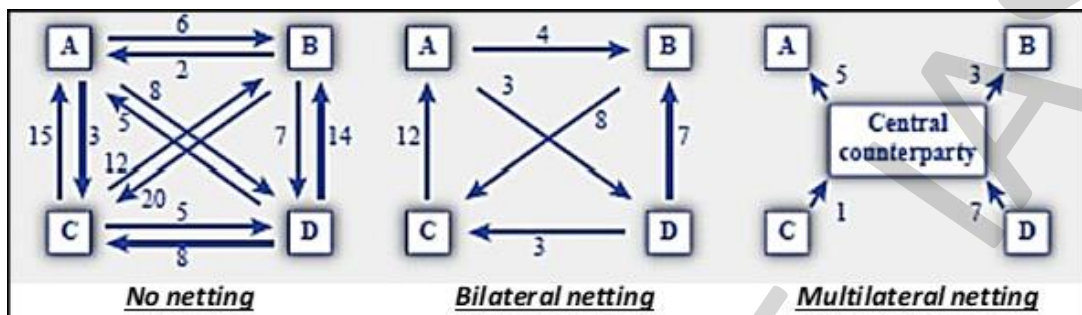
Which of the following best describes the term "**Merchant Discount Rate**" sometimes seen in news?

- (c)** The charge to a merchant by a bank for accepting payments from his customers through the bank's debit cards.

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## Bilateral Netting of Qualified Financial Contracts Act, 2020

- ❑ Allows bilateral netting of OTC contracts
- ❑ Will reduce risk of default, need for liquidity, etc.



## International Financial Services Centres Authority

- ❑ Statutory body under IFSCA Act, 2019
- ❑ To regulate international exchanges
- ❑ HQ: GIFT City, Gandhinagar, Gujarat

**BSE INX** – 100% owned by BSE 2017 January  
**NSE IFSC** – 100% owned by NSE 2017 June

Ministry of Finance

IFSCA introduces Framework for Regulatory Sandbox to tap into innovative FinTech solutions

Posted On: 19 OCT 2020 6:08PM by PIB Delhi



### Regulatory Sandbox:

- ❑ allowing innovators to conduct live experiments in a controlled environment.

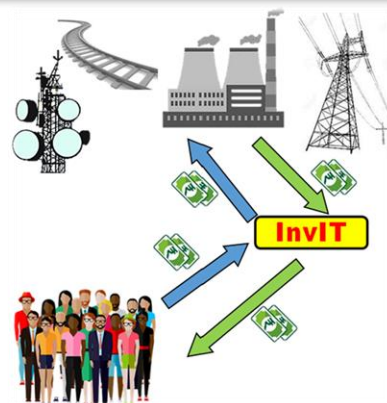
### Fintech:

- ❑ use of technology in financial services and processes

Ministry of Finance

IFSCA prescribes regulatory framework for REITs and InvITs in IFSC

Posted On: 21 OCT 2020 6:38PM by PIB Delhi



### InvITs and REITs:

- ❑ Like Mutual Funds: pool money → invest → distribute return
- ❑ Set up under **Indian Trust Act, 1882**
- ❑ Regulated by **SEBI**

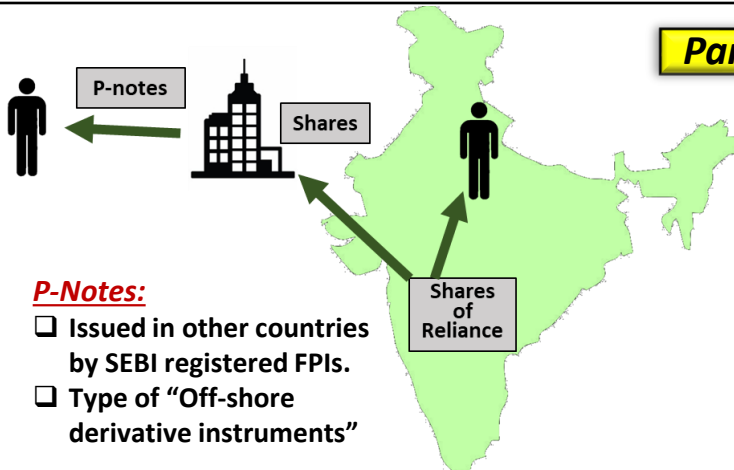
**REITs:** Real Estate Investment Trusts

**InvITs:** Infrastructure Investment Trusts

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## Participatory Notes



### P-Notes:

- Issued in other countries by SEBI registered FPIs.
- Type of "Off-shore derivative instruments"

### Prelims 2019:

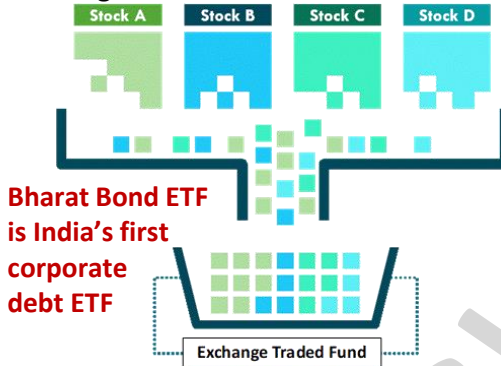
Which of the following is issued by registered foreign portfolio investors to overseas investors who want to be part of Indian stock market without registering themselves directly?

- (a) Certificate of Deposit
- (b) Commercial Paper
- (c) Promissory Note
- (d) Participatory Note

**Correction:** Class-1 pg-2; "Types of Bond"; please interchange the values ₹ 800 and ₹ 600

### Exchange Traded Fund:

- Clubbing shares of multiple companies into a single offering.
- e.g. CPSE-ETF and Bharat-22 ETF



### Municipal Bonds:

- SEBI guidelines; so not every MC can issue bonds
- Purpose: infra, sanitation, waste mgmt, etc.
- 1997: Bangalore MC was first ULB to issue MB

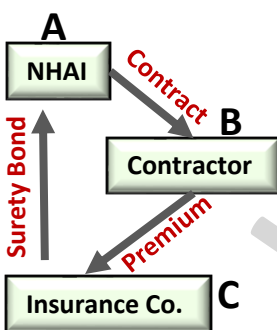
### Perpetual Bonds: (Consol Bonds)

- No maturity date; but Buyer gets regular coupons

### Social Stock Exchange:

A SEBI panel has prepared draft norms for SSE

- to invest in shares of social enterprise.
- Social enterprise: a business whose main aim is some social objective like health, education, clean energy
- UK, USA, Canada, Singapore, etc. have SSEs.

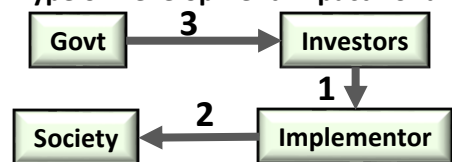


### Surety Bonds:

- 'A' gives road contract to 'B'.
  - 'B' pays money to 'C'.
  - 'C' gives SB to 'A'
  - If 'B' does not perform, 'A' will get money from 'C'
  - Currently, Banks issue 'performance guarantee'.
- IRDAI is exploring if insurance companies can do this job.

### Social Impact Bonds:

- PPP for social impact projects.
- Type of Development Impact Bond



### Serious Fraud Investigation Agency:

- Set up in 2003 on recommendations of Naresh Chandra Committee on corporate governance
- Statutory recognition by Companies Act, 2013
- Under Ministry of Corporate Affairs (not FinMin)

### Shell Company:

- No real business/assets; No legal definition in India.
- Mostly for money laundering, electoral funding, etc.
- Multiple layers, hides real owner/source of money.

### Invest India:

- Set up in 2009; to promote FDI
- Under DPIIT; Manages 'Make in India'

### Voluntary Retention Route:

- If FPIs remain invested, RBI will apply easier rules on them.

### Liberalised Remittance Scheme:

- Introduced by RBI in 2004
- Individuals can send \$2,50,000/year
- For current/capital transaction

I read I forget, I see I remember

See explanation of this PDF on

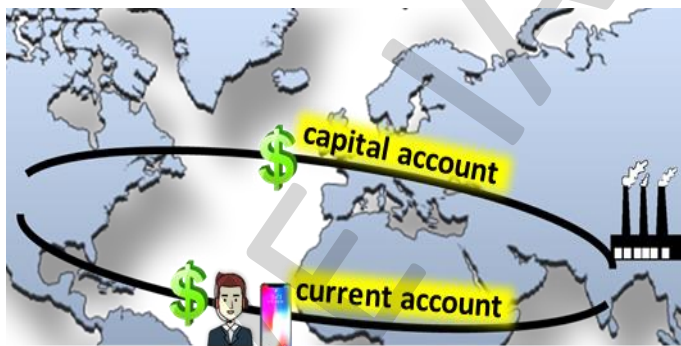
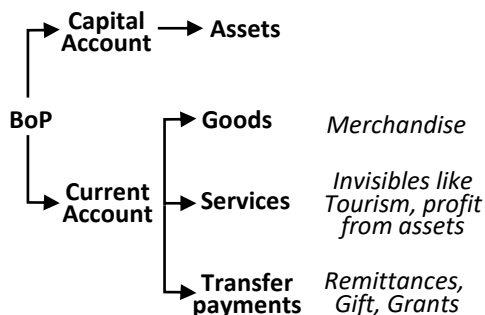


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# All-Inclusive Current Affairs for Prelims 2021

## Economy Class-3

### Current Account vs Capital Account



Can a country have Trade deficit and Current Account surplus simultaneously?  
Yes, if earnings from Services and Transfers are more than Trade deficit

#### Prelims 2013:

Which of the following constitute **Capital Account**?

1. Foreign loans
2. FDI
3. Remittances
4. Portfolio investments

Select the correct answer.

- (a) 1, 2 and 3      **(b) 1, 2 and 4**  
(c) 2, 3 and 4      (d) 1, 3 and 4

#### Prelims 2014:

With reference to Balance of Payments, which of the following constitutes **Current Account**?

1. Balance of Trade
2. Foreign Assets
3. Balance of invisibles
4. Special Drawing Rights

Select the correct answer.

- (a) 1 only      (b) 2 and 3  
**(c) 1 and 3**      (d) 1, 2 and 4

**Business Standard**

India has trade deficit with 9 of top 10 commerce partners, shows data **USA is the odd one out**

Subhayan Chakraborty | New Delhi | Last Updated at August 08 2020 06:05 IST

#### India's top trading partner:

2021 China; 2019,2020: USA; 2014-2018: China

#### India's share in Global exports:

- 1.7% - merchandise exports
- 3.4% - services exports

**FINANCIAL EXPRESS**  
Road to Lead

Eco Survey 2020-21: India likely to post current account surplus after 17 years

By: PTI      **Because imports fell much more than exports**  
January 29, 2021 8:39 PM

Economic Survey 2020-21: India's current account deficit averaged 2.2 per cent of gross domestic product (GDP) in the last 10 years.

#### Economic Survey 2020-21:

- Trade surplus with USA, Bangladesh, Nepal
- Trade deficit with China, Iraq, Saudi Arabia

#### Prelims 2020:

Consider the following statements:

1. The value of Indo-Sri Lanka trade has consistently increased in the last decade.
2. "Textile and textile articles" constitute an important item of trade between India and Bangladesh.
3. In the last five years, Nepal has been the largest trading partner of India in South Asia.

Which of the statements given above is/are correct?

- (a) 1 and 2 only      **(b) 2 only**      (c) 3 only      (d) 1, 2 and 3

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### Surplus BoP helps build forex reserves

Exports > Imports



### Prelims 2013:

Which one of the following groups of items is included in **India's foreign-exchange reserves**?

- (a) Foreign-currency assets, SDRs and loans from foreign countries
- (b) Foreign-currency assets, gold holdings of the RBI and SDR's**
- (c) Foreign-currency assets, loans from the World Bank and SDRs
- (d) Foreign-currency assets, gold holdings of the RBI and loans from the World Bank

### Forex reserves of India consists of:

- Foreign Currency Assets (92%)
- Gold (6%)
- Special Drawing Rights (SDRs)
- Reserve Tranche Position

### Forex reserves:

China \$3.3 trillion; India \$590 billion

### Prelims 2020:

"Gold Tranche" (**Reserve Tranche**) refers to

- (a) A loan system of the World bank
- (b) One of the operations of a central bank
- (c) Credit system granted by WTO to its members
- (d) Credit system granted by IMF to its members**

### Special Drawing Rights:

- International reserve asset; created by the IMF in 1969
- To **supplement** its member countries' official **reserves**
- Symbol **XDR**, but its not a currency
- **Dollar** (40%), Euro, Sterling, Yen, Yuan

### Prelims 2010:

Which of the following are treated as **artificial currency**?

- (a) ADR (b) GDR **(c) SDR** Both ADR and SDR

### Prelims 2016:

Recently, which one of the following currencies has been proposed to be added to the basket of **IMF's SDR**?

- (a) Ruble (b) Rand (c) Indian Rupee **(d) Renminbi**

### Non-tariff barriers:

- Import quotas
- Sanitary & Phytosanitary
- Technical barriers to trade

### Tariff barriers:

- Safeguard duty : to protect domestic industry
- Countervailing duty : to counter other country's subsidies
- Anti-dumping duty : goods exported at less than domestic price

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#### India seeks tariff renegotiations at WTO

2 min read · Updated: 17 Dec 2020, 06:12 AM IST

Asit Ranjan Mishra

India has proposed to renegotiate the upper tariff limits on certain items, reportedly information technology products, at the World Trade Organization (WTO) beginning 1 January. The move comes at a time when the Centre has been encouraging domestic manufacturing in select sectors through a production-linked incentive scheme under the **Atmanirbhar Bharat** Abhiyan.

### Note:

ADD is recommended by MoC&I, imposed by FM

### Bound rate:

- Maximum tariff** that a country can impose
- Varies** with country and commodity
- Binding coverage:**
  - Percentage of products with bound rate
  - India 74%, China 100%

### Import Substitution:

- Replace imports with domestic production
- By creating **barriers** or increase **competitiveness**
- Post-Independence India: created barriers
- Atmanirbhar India: creating barriers, but saying we are increasing competitiveness
- Example: Embargo on 101 arms imports. Blocking Chinese investments & imports; raising tariffs

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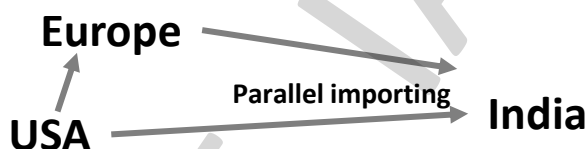
## TRIPS

**TRIPS : Trade-Related Aspects of Intellectual Property Rights**

- Negotiated in **Uruguay Round**; effective since **1995**
  - It introduced **IPR rules** into multilateral trading system for the **first time**.
  - It sets minimum protection that **all WTO members** must give to IPR of nationals of other countries
- TRIPS+ :** higher level of protection norms demanded by developed countries

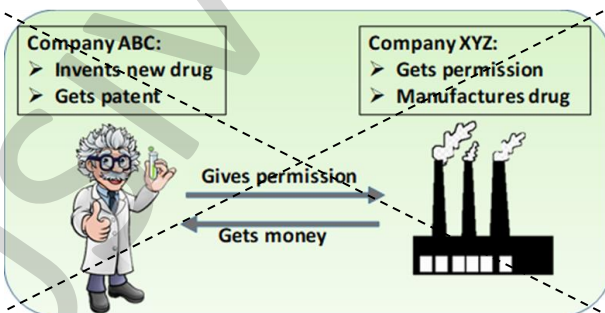
### TRIPS flexibilities:

- Policy spaces to mitigate impact of patents
- IPR rules be relaxed in certain cases
- Example:
  - Compulsory licensing
  - Parallel importation



### Compulsory licensing:

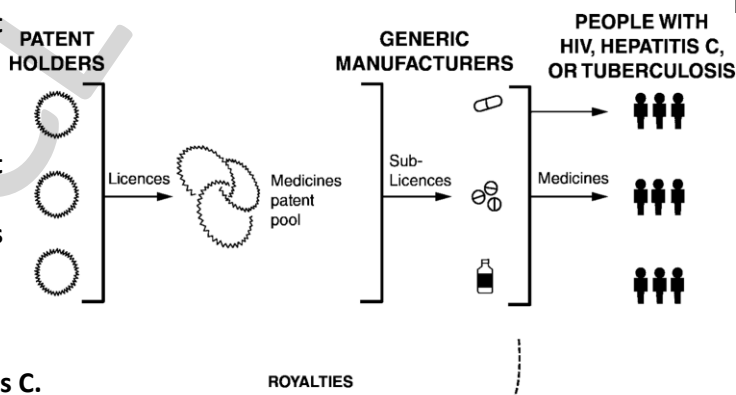
- Govt allowing someone to use/produce patented product **without patent owner's permission**.
- It is allowed both in India (**Patent Act, 1970**) and internationally (**TRIPS agreement since 1995**).
- Example: 2012 **Nexavar drug** to treat kidney and liver cancer.
- It is given only for medicines? No
- Grounds for granting compulsory licence?
  - TRIPS does not give list of reasons.
  - Countries are free to decide.
- Patent owner still has rights over the patent including **right to be paid compensation** for copies made under compulsory licence.



### Patent Pool:

1. Different patent **owners** submit patents to a central party
2. Patents are **bundled** together
3. **Licenses** are given to third parties
4. **Royalties** are shared among patent owners.

Indian Patents Act 1970 neither has guidelines on, nor prohibits Patent pool.



### Medicine Patent Pool:

- ✓ formed in 2010; HQ in Geneva
- ✓ for cheaper drugs for HIV, TB, Hepatitis C.

### Made In?



## CAROTAR 2020

### Rules of origin:

- ✓ criteria that determine country of origin of a product.

### Country of Origin:

- ✓ Country where a product was made.
- ✓ **E-commerce sites** must display country of origin of imported products.
- ✓ Sellers on **GeM portal** must declare country of origin of their goods when registering new products.

I read I forget, I see I remember

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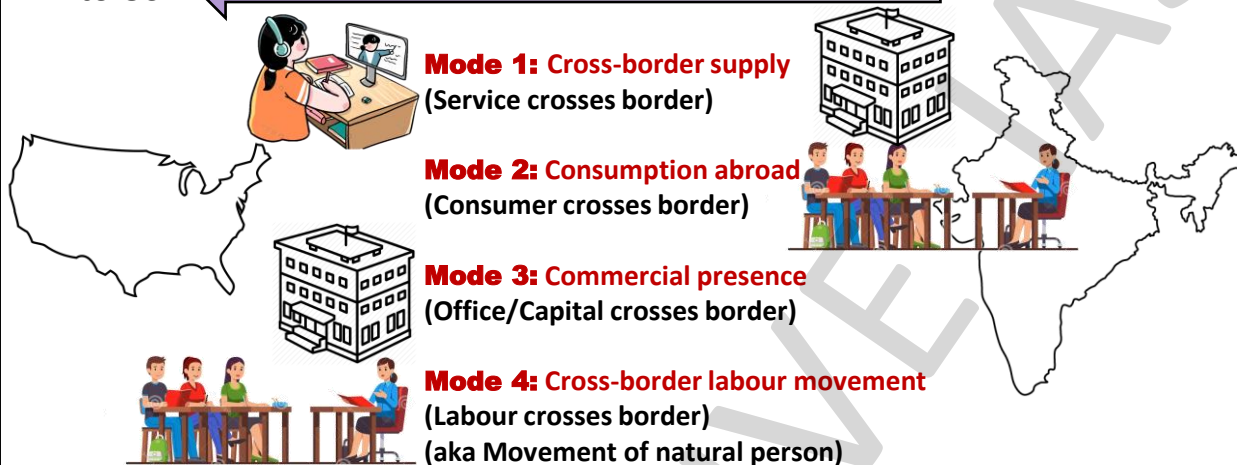
## Trade in Services

GATT → General Agreement on Tariffs and Trade  
 GATS → General Agreement on Trade in Services  
 GATT is for goods; GATS is for services

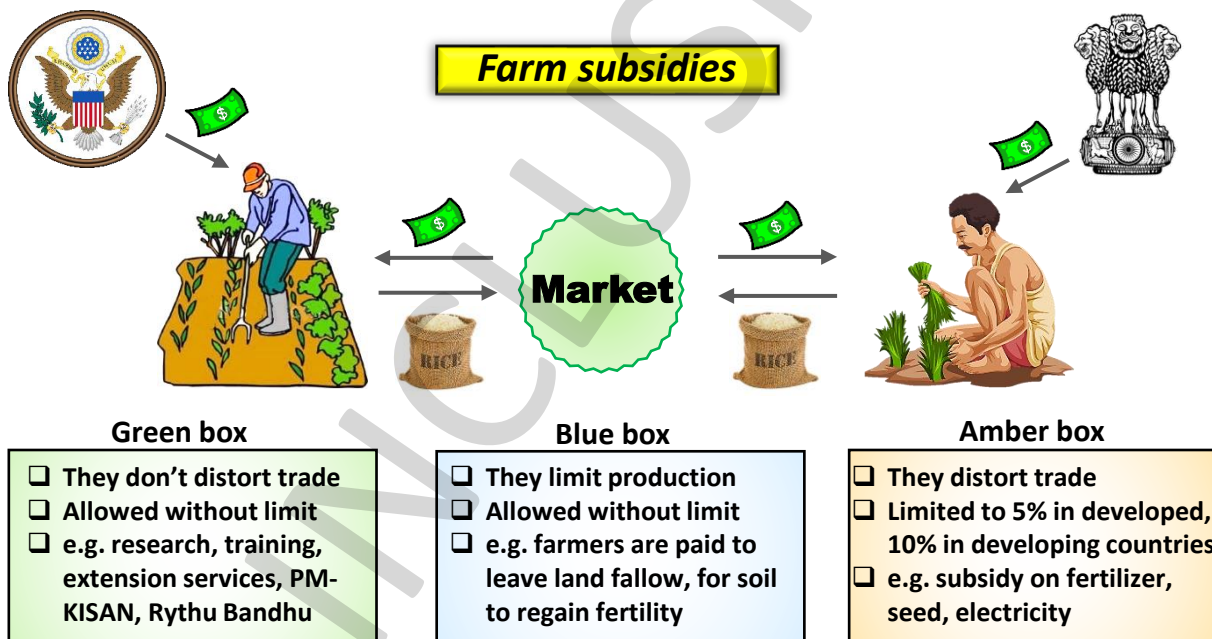
### Export of Services

to USA

from India



## Farm subsidies



**2013 Peace clause:** Food security program cannot be challenged even if subsidy limits are breached.  
 (National Food Security Act, 2013 !!!)

### Prelims 2015:

The terms 'Agreement on Agriculture', 'Agreement on the Application of Sanitary and Phytosanitary Measures' and '**Peace Clause**' appear in the news frequently in the context of the affairs of the

- (a) FAO                      (b) UNFCCC  
 (c) WTO                      (d) UNEP

### Prelims 2016:

In the context of which of the following do you sometimes find the terms 'amber box, blue box and green box' in the news?

- (a) WTO affairs  
 (b) SAARC affairs  
 (c) UNFCCC affairs  
 (d) India-EU negotiations on FTA

## Foreign Direct Investment

Sector	Limit	Auto/Govt.
Defence	100%	74% automatic
Coal mining	100%	Automatic
Print media	26%	Govt.
Digital news media	26%	Govt.
News TV	49%	Govt.
Single brand retail	100%	49% automatic
Multibrand retail	51%	Govt.
E-commerce (Inventory)	NA	-
E-commerce (Marketplace)	100%	Automatic

Ministry of Commerce & Industry

India attracted highest ever total FDI inflow of US\$ 81.72 billion during 2020-21, 10% more than the last financial year

Posted On: 24 MAY 2021 3:56PM by PIB Delhi

### **FDI inflows (\$ billion) in FY2021:**

- Top sources: Singapore 29%, USA 23%
  - Top recipient: Gujarat 37%
  - Top sector: Computer Software & Hardware
- 5-year Trend: FYs 2016-2021: 60-61-62-74-82

**Inventory model**  
Amazon purchases goods from manufacturers, and sells to public

**FDI not allowed**

**Marketplace model**  
Amazon is just a website that connects buyers and sellers

**100% FDI allowed (automatic)**

### **FDI is not allowed in:**

- Lottery, Gambling, Cigarette
- Chit fund, Nidhi company
- Two areas where private sector is not allowed: Atomic energy, railway operations.

**Note:** In railways, 100% FDI under automatic route is allowed in infra, high speed rail, etc. but not in railway operations.

### **World Bank Group:**

1. International Bank for Reconstruction and Development (**IBRD**)
2. International Development Association (**IDA**)
3. International Finance Corporation (**IFC**)
4. Multilateral Investment Guarantee Agency (**MIGA**)
5. International Centre for Settlement of Investment Disputes (**ICSID**)

**Note:** First three are specialized agencies of UN.

**Note:** India is member of first four.

### **Bilateral Investment Treaty:**

- Treaty between two governments to **protect investors** of both countries.
- They protect rights of investors by imposing conditions on **regulatory behaviour** of the host state.

### **India's BITs:**

- India's first BIT was in **1994**, with **UK**.
- Till now India has signed BITs with **84 countries**.
- After some disputes since 2011, India framed a new **model BIT in 2016**.
- Between 2016-19, India **terminated 66** existing BITs, and **signed three** news BITs (not in force yet).

I read I forget, I see I remember | See explanation of this PDF on **YouTube** [www.youtube.com/c/allinclusiveias](http://www.youtube.com/c/allinclusiveias)

### Prelims 2012:

Which of the following would include Foreign Direct Investment in India?

1. **Subsidiaries** of foreign companies in India
2. **Majority** foreign equity holding in Indian companies
3. Companies **exclusively financed** by foreign companies
4. Portfolio investment

Select the correct answer:

- (a) 1, 2, 3 and 4      (b) 2 and 4 only  
(c) 1 and 3 only       (d) 1, 2 and 3 only

### Prelims 2011:

Both Foreign Direct Investment (**FDI**) & Foreign Institutional Investor (**FII**) are related to investment in a country. Which of the following best represents an important difference between the two?

- (a) FII helps bring better management skills and technology, while FDI only brings in capital.  
 (b) FII helps in increasing **capital** availability in general, while **FDI** only targets **specific sectors**  
(c) FDI flows only into the secondary market while FII targets primary market  
(d) FII is considered to be more stable than FDI.

### Prelims 2020:

With reference to Foreign Direct Investment in India, which one of the following is considered its major **characteristic**?

- (a) It is the investment through capital instruments essentially in a listed company.  
 (b) It is largely non-debt creating capital flow.  
(c) It is the investment which involves debt-servicing.  
(d) It is the investment made by foreign institutional investors in the Government securities.

## Startups

### Recognition by DPIIT:

- Criteria:** <10 years, <100 crore revenue, innovative  
 **Benefits:** tax, compliance, IPR fast-tracking, etc.

### National Startup Advisory Council:

- Chairperson: Minister of C&I  
 Members: govt and private  
 States: no representation

### Startups Intellectual Property Protection:

- Helps startups in getting IPR  
 Charges reimbursed by govt.

### NIDHI:

- N**ational **I**nitiative for **D**evelopment & **H**arnessing **I**nnovation  
 by Department of Science and Tech  
 help convert innovations into startups

### Unicorn:


- private startup with valuation of over \$1 billion

### Prelims 2014:

What does venture capital mean?

- (a) A short-term capital provided to industries  
 (b) A long-term start-up capital provided to new entrepreneurs  
(c) Funds provided to industries at times of incurring losses  
(d) Funds provided for replacement and renovation of industries

*Angel investor and Venture capital are explained on page-16*

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**Periodic Labour Force Survey (PLFS) – Annual Report [July, 2018 – June, 2019]**

Posted On: 04 JUN 2020 5:31PM by PIB Delhi

**A. Introduction**

1. Considering the importance of availability of labour force data at more frequent time intervals, National Statistical Office (NSO) launched Periodic Labour Force Survey (PLFS) on April 2017. The objective of PLFS is primarily twofold:

to estimate the key employment and unemployment indicators (viz. Worker Population Ratio, Labour Force Participation Rate, Unemployment Rate) in the short time interval of three months for the urban areas only in the Current Weekly Status (CWS)

to estimate employment and unemployment indicators in both usual status (ps+ss) and CWS in both rural and urban areas annually.

**Labour Force**

**PLFS:**

- Since 2017
- By National Statistical Office
- Quarter: CWS for urban areas
- Annually: CWS & US for Urban and Rural areas

**Q. US, CWS, CDS** are seen in news with reference to? **Unemployment data**

**US:** Usual Status (365 days)

**CWS:** Current Weekly status (7 days)

**CDS:** Current Daily Status (each of the last 7 days)

	Total	Male	Female
LFPR	37%	55%	18%
WPR	35%	52%	17%
UR	5.8%	6.0%	5.2%

*All three more for Males*

	Rural	Urban
Salaried	13%	50%
Self-employed	58%	37%
Casual	29%	13%
UR	5%	7.7%

Most people in Urban areas are Salaried

Most people in Rural areas are Self-employed

$$LFPR = \frac{\text{Employed} + \text{Unemployed}}{\text{Total Population}}$$

$$WPR = \frac{\text{Employed}}{\text{Total Population}}$$

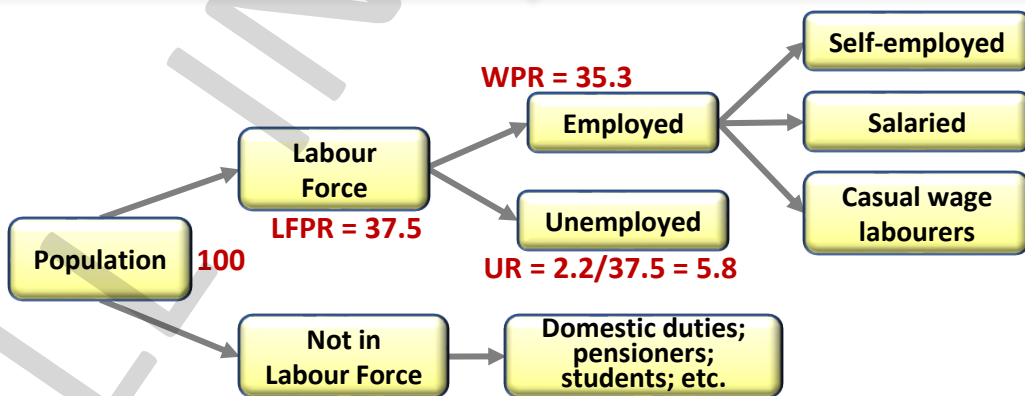
$$UR = \frac{\text{Unemployed}}{\text{Employed} + \text{Unemployed}}$$

**Source:**

[http://mospi.nic.in/sites/default/files/publication\\_reports/Annual\\_Report\\_PLFS\\_2018\\_19\\_HL.pdf](http://mospi.nic.in/sites/default/files/publication_reports/Annual_Report_PLFS_2018_19_HL.pdf)

**MosPI:**

- 1) Statistics wing (NSO)
  - Central **S**tatistical **O**ffice
  - National **S**ample **S**urvey **O**ffice
- 2) Programme Implementation wing
  - MPLADS
  - Twenty Point Programme
  - Infra & Project Monitoring
- 3) National Statistical Commission
- 4) Indian Statistical Institute



**Time Use Survey:**

- time spent by people on different activities
- like unpaid domestic work, socializing, etc.
- by NSSO; Done for first time in 2019 (Jan-Dec)
- Covered whole of India except A&N villages.

I read I forget, I see I remember

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## Labour Codes

Code on Wages, 2019	Code on Social Security, 2020	Code on Industrial Relations, 2020	Code Occupational Safety, Health and Working Conditions, 2020
<input type="checkbox"/> Payment of <u>Wages</u> Act 1936 <input type="checkbox"/> Minimum <u>Wages</u> Act 1948 <input type="checkbox"/> Payment of <u>Bonus</u> Act 1965 <input type="checkbox"/> Equal <u>Remuneration</u> Act 1976	<input type="checkbox"/> Employees <u>Compensation</u> Act 1923 <input type="checkbox"/> Employees <u>Provident Fund</u> Act 1952 <input type="checkbox"/> Employees <u>State Insurance</u> Act 1948 <input type="checkbox"/> <u>Maternity</u> Benefit Act 1961 <input type="checkbox"/> Payment of <u>Gratuity</u> Act 1972	<input type="checkbox"/> Industrial <u>Disputes</u> Act 1947 <input type="checkbox"/> Trade <u>Union</u> Act 1962 <input type="checkbox"/> Industrial <u>Employment</u> (Standing Orders) Act 1946	<input type="checkbox"/> <u>Factories</u> Act 1948 <input type="checkbox"/> <u>Mines</u> Act 1952 <input type="checkbox"/> <u>Contract Labour</u> Act 1970 <input type="checkbox"/> Inter-State <u>Migrant</u> Workmen Act 1979 <input type="checkbox"/> <u>Construction</u> Workers Act 1996 <input type="checkbox"/> Working <u>Journalist</u> (Fixation of rates of wages) Act 1958

### Code on Wages, 2019

- Floor wage to be fixed by Central govt.
- Minimum wage to be fixed by Centre/State; must be higher than Floor wage; must be reviewed every five years.
- Overtime wage at least twice the normal wage rate

### Code on Social Security, 2020

- Covers unorganized workers, gig workers, platform workers
- Schemes to be funded by Centre, States, Aggregators
- Epidemic/Pandemic/Disaster: Gives central govt. additional powers e.g. reduce PF contributions

### Code on Occupational Safety, Health, and Working conditions, 2020

- Covers Factory with **20** workers (with electricity) or **40** workers (without electricity) or doing hazardous work.
- Limit of 8 hours/day and 6 days/week.
- Women can be employed in all types of work
- State govt can exempt any new factory
- It bars the jurisdiction of civil courts

### Code on Industrial Relations, 2020

- Worker < Rs 18,000/month
- Companies with more than 300 workers cannot fire workers without govt. permission
- Only TUs with > 51% workers can negotiate.
- Tribunal: Govt. can modify/reject their award
- Strike: only after 14 days notice
- Fund for reskilling of fired workers

### Fixed Term Employment:

- Hired on company's payroll for specific time.
- Contract can be renewed any number of times.
- Under Code on IR 2020:
  - Permanent jobs can be converted into fixed-term jobs
  - Company must give them same benefits, wages, etc. as permanent employees

### Prelims 2019:

As per the Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018:

1. If rules for fixed-term employment are implemented, it becomes easier for firms/companies to lay off workers
2. No notice of termination of employment shall be necessary in the case of temporary workman

Which of the above statements is/are correct?

- (a) 1 only                      (b) 2 only  
 (c) Both 1 and 2              (d) Neither 1 nor 2

## Skill Development

- 1956: **NCVT**: National Council for Vocational Training
- 2008: **NSDC**: National Skill Development Corporation (PPP model; 49% govt, 51% private)
- 2013: **NSDA**: National Skill Development Agency
- 2014: **MSDE**: Ministry of Skill Development & Entrepreneurship
- 2018: **NCVT**: formed as skill regulator by subsuming NSDA & NCVT

- Indian Institute of Skills**: on PPP model, in three cities (Mumbai, Ahmedabad, Kanpur)
- Indian Skill Development Service**: Group-A service; through CSE? No, ESE
- India Skills Report**: by MSDE? No, Wheebox
- SWADES**: by MSDE/MoCA/MEA; for those returning to India from Abroad
- ASEEM**: by NSDC; for those returning from cities to villages

### NSSO 2011-12:

- Only **2.4%** of workforce is **formally trained**.

### PLFS 2017-18:

- 1.8%** of population received **formal** vocational training
- 5.6%** of population received **informal** vocational training
- 33%** of trained youth are **unemployed**

### Prelims 2017:

'**Recognition of Prior Learning Scheme**' is sometimes mentioned in the news with reference to

- (a) Certifying the skills acquired by construction workers through traditional channels.
- (b) Enrolling the persons in Universities for distance learning programmes.
- (c) Reserving some skilled jobs to rural and urban poor in some public sector undertakings.
- (d) Certifying the skills acquired by trainees under the National Skill Development Programme.

### Prelims 2017:

With reference to '**National Skills Qualification Framework** (NSQF)', which of the statements given below is/are correct?

- Under NSQF, a learner can acquire certification for competency **only through formal learning**.
- An outcome expected from the implementation of NSQF is the **mobility between vocational and general education**.

Select the correct answer using the code given below:

- (a) 1 only       (b) 2 only      (c) Both 1 and 2      (d) Neither 1 nor 2

### Prelims 2018:

With reference to **Pradhan Mantri Kaushal Vikas Yojana**, consider the following statements

- It is the flagship scheme of the Ministry of Labour and Employment.
- It, among other things, will also impart training in soft skills, entrepreneurship, financial and digital literacy.
- It aims to align the competencies of the unregulated workforce of the country to the National Skill Qualification Framework.

Which of the statements given above is/are correct?

- (a) 1 and 3 only      (b) 2 only       (c) 2 and 3 only      (d) 1, 2 and 3

# All-Inclusive Current Affairs for Prelims 2021

Update for page-24:  
Payments Bank deposit limit is now ₹ 2 lakh

## Economy Class-4

### Three Farm Laws

Farmer's Produce Trade & Commerce (Promotion & Facilitation) Act, 2020	Farmers (Empowerment & Protection) Agreement on Price Assurance & Farm Services Act, 2020	Essential Commodities (Amendment) Act, 2020
<ul style="list-style-type: none"> <li><input type="checkbox"/> Farmer can sell <b>outside APMC/State</b> (even without auction)</li> <li><input type="checkbox"/> Farmer can directly sell <b>online</b></li> <li><input type="checkbox"/> <b>Anyone</b> (with PAN card) can purchase directly from farmer.</li> <li><input type="checkbox"/> State can't impose <b>fee</b> on sale outside APMC</li> <li><input type="checkbox"/> <b>Dispute</b> between farmer and trader to be resolved through SDM/ADM</li> <li><input type="checkbox"/> States will have to shut down APMC? No</li> <li><input type="checkbox"/> It will <b>end MSP</b> system? No</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> <b>Farming agreement</b> between farmer and buyer before production (One crop season to 5 years)</li> <li><input type="checkbox"/> <b>Price</b> and <b>process</b> of price determination must be mentioned in the agreement.</li> <li><input type="checkbox"/> Disputes: Resolution board → SDM → DM</li> <li><input type="checkbox"/> No action can be taken against <b>farmer's land</b> for recovery of any dues.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Regulate certain food items only under <b>extraordinary circumstances</b>: war, famine, natural calamity, extraordinary price rise.</li> <li><input type="checkbox"/> Price rise:                             <ul style="list-style-type: none"> <li>→ Perishable: 100%</li> <li>→ Non-Perishable: 50%</li> <li>→ Increase calculated over last 1 or 5 year average</li> </ul> </li> <li># Seeds, Fertilizers, Food items</li> <li># Jute, Cotton hank yarn,</li> <li># Petroleum products,</li> <li># Drugs, Masks, Sanitizers</li> </ul>

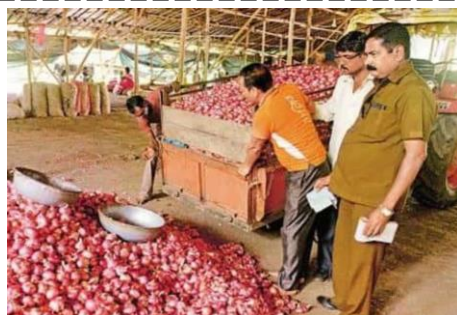


### Background

**Farming** (weather dependent; seasonal income; can't store hold for long)  
**Distress sale** (Fraud; Inequality; Information asymmetry; Asset loss)  
**Exploitation** (of poor farmer by Big farmer/trader/moneylender)

#### Solution:

- So govt. devised system of **APMC** in 1960s/70s
- First sale** in a designated mandi area, through auction
- APMC committee**: 50% farmers, some traders, some govt. officials
- Problem**: license barrier; cartels
- To break cartel, govt. introduced own trader, i.e. **FCI** (gets rates from Govt.)



#### Still many imperfections:

- Limited capacity at counter, long wait, no storage, officials prefer big farmer over small.
- Small farmer left behind → Sells produce to large farmer with MSP as reference price → Large farmer sells at MSP to FCI



#### Model APMC Act 2003:

- free to sell outside APMC, free to sell to anyone. Some states adopted with modifications. Some delisted certain items from APMC like fruits and vegetables.

#### e-NAM:

- Launched in 2016, electronically connected thousands of APMCs.

I read I forget, I see I remember

See explanation of this PDF on [www.youtube.com/c/allinclusiveias](https://www.youtube.com/c/allinclusiveias)

## Why farmers don't want this freedom?

Pre-APMC days	Inside APMC Govt FCI	Outside APMC

### Big companies:

- Good: they bring efficiency to system
- Bad: they monopolize trade and dictate price

THE ECONOMIC TIMES

### 2012 news

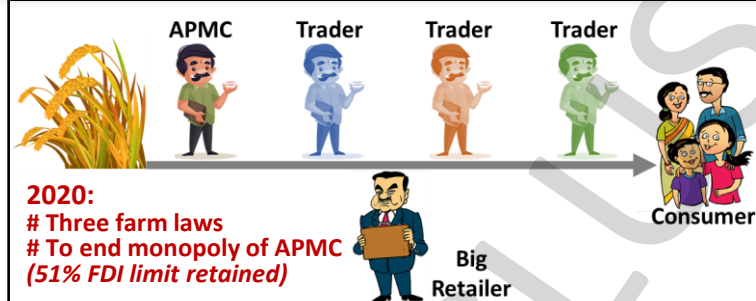
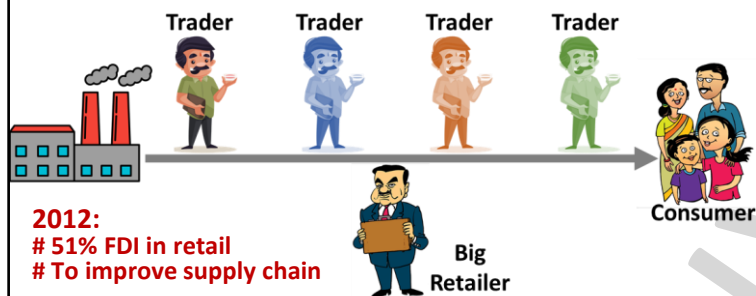
## BJP will never accept FDI in retail: Venkaiah Naidu

BANGALORE: Stressing that **BJP** will continue to oppose the decision taken by UPA government as part of economic reforms, BJP leader **Venkaiah Naidu** today said the party would never accept **FDI** in multi-brand retail and fight against the reforms undertaken by UPA government. Talking to reporters on the sidelines of a party function here, he said **FDI in retail** would "kill" the Indian trade.

Naidu said once the multinational retailers are allowed, millions of small traders will be put of business.

These retailers will then monopolise the trade and dictate the price of commodities used by common man, hence FDI in retail is against the interests of farmers and also consumers, he said.

He alleged that country leadership had "vested interest" behind the decision on FDI in retail.



### Food Corporation of India:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li><input type="checkbox"/> Statutory body (FCI Act, 1964)</li> <li><input type="checkbox"/> Under Min. of Consumer Affairs, Food and Public Distribution</li> </ul> | <h3>Objectives:</h3> <ul style="list-style-type: none"> <li><input type="checkbox"/> Price support to farmers;</li> <li><input type="checkbox"/> Foodgrains for PDS;</li> <li><input type="checkbox"/> Buffer for nation's food security</li> </ul> |
|--|---|

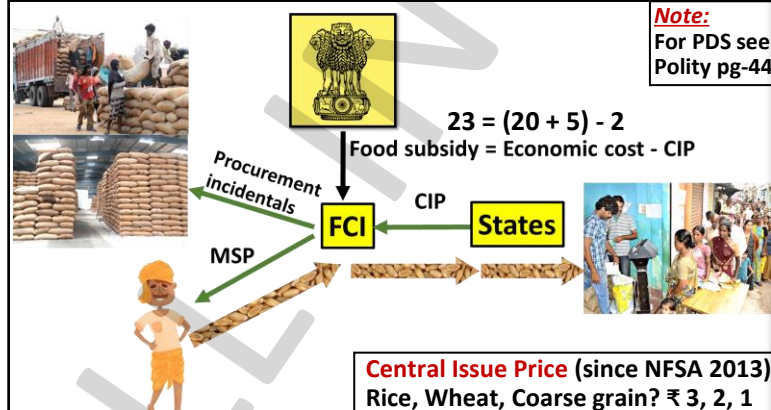
February 2021

Ministry of Consumer Affairs, Food & Public Distribution

### Direct cash transfer under PDS

Posted On: 05 FEB 2021 6:20PM by PIB Delhi

A scheme of direct cash transfer into the bank account of beneficiaries of Public Distribution System instead of providing foodgrains is already being implemented on a pilot basis in the three Union Territories of Chandigarh, Puducherry and urban areas of Dadra & Nagar Haveli. The scheme of cash transfer of food subsidy is implemented as per provisions of the Cash Transfer of Food Subsidy Rules, 2015, notified under the National Food Security Act, 2013 (NFSA) which inter alia provides food subsidy in cash directly into the bank accounts of entitled households to enable purchase of entitled quantity of foodgrains from the open market. The scheme can be



### Prelims 2019:

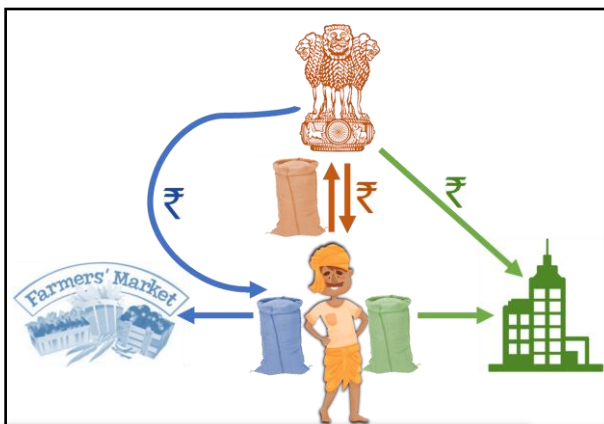
Economic cost of food grains to FCI is **MSP** and bonus (if any) paid to the farmers plus

- (a) Transportation cost only
- (b) Interest cost only
- (c) Procurement incidentals & distribution costs
- (d) Procurement incidentals & charges for godowns

I read I forget, I see I remember

See explanation of this PDF on [YouTube](https://www.youtube.com/c/allinclusiveias) [www.youtube.com/c/allinclusiveias](https://www.youtube.com/c/allinclusiveias)





**PM-AASHA: (Pradhan Mantri Annadata Aay SanrakshAn Abhiyan)**

- Price Support Scheme** – physical procurement by Centre and States.
- Private Procurement & Stockist Scheme** – physical procurement by private companies; Govt will compensate private companies.
- Price Deficiency Payment Scheme** – farmers are paid the difference between the MSP price and sale/modal price on disposal in notified market.

**After paddy record, wheat procurement at all-time high**

The latest data available with the Food Corporation of India (FCI) shows wheat procurement reached 405 lakh metric tonnes (LMT) till May 29 in the ongoing rabi marketing season (RMS)—4 per cent higher than 390 LMT in RMS 2020-21.

Written by **Harikishan Sharma** | New Delhi | Updated: June 1, 2021 7:52:45 am

**Prelims 2004:**

Consider the following statements:

1. Regarding the procurement of food-grains, Govt. of India follows a **procurement target** rather than an **open-ended** procurement policy.
2. Govt. of India announces MSP **only for cereals**.
3. For distribution under Targeted Public Distribution System (TPDS), wheat and rice are issued by Govt. of India at **uniform Central Issue Prices** to States/Union Territories.

Which of the statements given above is/are correct?

- (a) 1 and 2    (b) 2 only    (c) 1 and 3    **(d) 3 only**

<p><b>A2</b> [actual] Money that farmer actually spends (seeds, fertilizers, interest, etc.)</p>	<p><b>A2 + FL</b> [family labour] Add assumed cost of family labour</p>	<p><b>C2</b> [comprehensive] Add assumed cost of rent on owned land, interest on owned capital</p>

**Prelims 1995:**

Which of the following are the objectives of the Commission for Agricultural Costs and Prices (CACP)?

1. To **stabilize agricultural prices**
2. To ensure **meaningful real income level to farmers**
3. To protect the interest of consumers by providing **essential agricultural commodities** at reasonable rates through PDS
4. To ensure **maximum price for farmer**

- (a) 1, 2 and 3**    (b) 1, 2 and 4  
(c) 1, 3 and 4    (d) 2, 3 and 4

**Prelims 2018:**

Consider the following:

1. Areca nut    2. Barley    3. **Coffee**
4. Finger millet    5. Groundnut
6. Sesamum    7. Turmeric

Cabinet Committee on Economic Affairs has announced **MSP** for which of the above?

- (a) 1, 2, 3 and 7 only**  
**(b) 2, 4, 5 and 6 only**  
(c) 1, 3, 4, 5 and 6 only  
(d) 1, 2, 3, 4, 5, 6 and 7

**CACP: 1965/85; Under MoA&FW; Recommends MSP for 23 commodities:**

- 7 cereals** (paddy, wheat, maize, sorghum, pearl millet, barley and ragi)
- 7 oilseeds** (groundnut, rapeseed-mustard, soyabean, seasmum, sunflower, safflower, nigerseed)
- 5 pulses** (gram, tur, moong, urad, lentil)
- 4 commercial crops** (copra, sugarcane, cotton and raw jute)

## E-NAM

- Launched in **2016**
- Connects existing **APMCs**
- Small Farmers Agribusiness Consortium** (under MoAFW) is responsible for implementation

### Prelims 2017:

What is/are the advantage/advantages of implementing the '**National Agriculture Market**' (NAM) scheme?

1. It is a pan-India electronic trading portal for agricultural commodities.
2. It provides the farmers access to nationwide market, with prices commensurate with quality of their produce.

Select the correct answer using the code given below:

- (a) 1 only   (b) 2 only   (c) Both 1 and 2   (d) Neither 1 nor 2

## -Fake Misleading news!

NEWS18

### Now, Farmers Can Sell Produce Outside States as Cabinet Approves Amendments to Essential Commodities Act

NEWS18.COM  
Updated: June 03, 2020, 19:30 IST

2020 news

The Union Cabinet on Wednesday approved amendments to the Essential Commodities Act, 1955, that will now allow farmers to sell produce outside their own states.

## Contract Farming



### 'Model Contract Farming Act, 2018':

- It includes horticulture, livestock, dairy, poultry, fishery.
- It prohibits transfer of land from farmer to buyer.
- It keeps Contract Farming agreements outside APMC Acts of states.
- Stockholding limits will not be applicable to purchases made under Contract Farming.
- Tamil Nadu is the first state to enact a Contract farming law on lines of Model Contract Farming Act, 2018.

## FPOs

- Producer Organization:** legal entity formed by Primary Producers
- In 2011, government helped 2.5 lakh farmers form 250 FPOs
- Today: More than 5,000

### Formation & Promotion of FPOs:

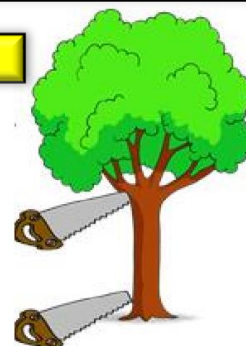
- Form another 10,000 FPOs b/w 2019-24
- Implementation agencies: SFAC, NABARD, Nat. Coop. Dev. Corporation

## MSP for MFP

- Since **2011**
- Revised every **3 years**
- By **Pricing cell** under MoTA
- **TRIFED** is the nodal agency

### Minor Forest Produce:

- Forest produce **other than timber (NTFP)**
- Obtained without cutting trees
- e.g. Bamboo, fruits, honey, leaves, wax, resin.
- FRA 2006 gives **ownership** of MFP to forest dwellers.



## Agri Commodity Trading

**AGRIDEX:** Agri-commodity futures index on NCDEX

**BEAM:** Agri-commodity spot trading platform

### Prelims 2009:

In the context of Indian news in recent times, what is MCXSX?

- (a) A kind of supercomputer
- (b) Title of Moon Impact Probe
- (c) Stock exchange**
- (d) Nuclear-powered submarine

- Spot: now
- Forward: OTC in future
- Futures: Forward through exchange

### Stock exchange:

- Shares of companies
- BSE, NSE

### Commodity exchange:

- Commodities like gold, cotton
- MCX, ICX, NMCE, etc

### Derivatives:

- Derives value from something else.
- Forwards, Futures, Options, etc.
- See pg-35 P-notes

### Over-the-counter (OTC) trades:

- Trades that occur directly between a buyer and seller,
- There is no centralized exchange.

## Animal Husbandry

### AHIDF:

- To create processing infra for dairy, meat, animal feed
- For FPO, MSME, private companies. (marginal farmers)
- Up to 90% loan; 3% interest subvention
- Ministry of Fisheries, Animal Husbandry and Dairying

### Livestock Census:

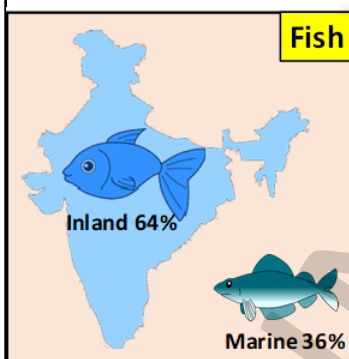
- First time in 1919; 20<sup>th</sup> in 2019
- Done after every 5 years.
- By Department of Animal Husbandry and Dairying.

### Prelims 2008:

Which one amongst the following has the largest livestock population in the world?

- (a) Brazil
- (b) China
- (c) India**
- (d) USA

- #1 in livestock (53.5 crore)
- #1 in buffalo (10.9 crore)
- #1 in milk production since 1998
- #2 in fish, poultry, goat.



### Data:

6% of agri GDP  
 20% of agri exports  
 5% of total exports  
 India is 2<sup>nd</sup> largest **producer**  
 India is 4<sup>th</sup> largest **exporter**

### State subject:

**State:** Inland / upto 12 NM  
**Centre:** 12-200 NM (EEZ limit)

### PM Matsya Sampada Yojana:

- September 2020; for 5 years
- Infra; Startups; FPOs; Genetic improvement

### Fish Cryobanks:

- Fish sperms for fish farmers

### Central Marine Fisheries

### Research Institute:

1947; Kochi; under ICAR

## Agri-Exports

\*Approx figures

Silviculture	Forest	Yellow	Edible oil
Sericulture	Silkworms	White	Milk
Pisciculture	Fish	Pink	Meat
Apiculture	Bees	Green	Foodgrains
Aviculture	Birds	Grey	Coffee/Leather
Horticulture	Fruits/Veggies	Blue	Fish

India has consistently maintained trade surplus in agricultural products

### Agri Exports:

2.5 lakh crores  
 10% of agri GDP  
 2.3% global share

### Agri Imports:

1.5 lakh crores  
 05% of agri GDP  
 1.9% global share

### High domestic demand, so:

**Fruits:** #2 in production, #23 in exports

**Wheat:** #2 in production, #34 in exports

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## Cotton



### Kasturi Cotton:

- Branding for premium Indian cotton
- Initially for long-staple cotton

### India:

- 2<sup>nd</sup> largest producer**; Largest consumer
- 23% of global cotton; 51% of global organic cotton
- Only country to grow all four species (**Gossypium**)
- Most **area: Maharashtra**; Most **production: Gujarat**

### Khadi and Village Industries Commission Act, 1956:

- It established **KVIC**.
- KVIC comes under Ministry of **MSME**.
- It defined khadi as any cloth woven on **handlooms** in India from yarn **handspun** in India.

### Cott-Ally:

- App by Cotton Corporation of India
- CCI is PSU under Min. of Textiles
- CCI does **price support** ops for cotton

### Prelims 2020:

“The crop is subtropical in nature. A hard frost is injurious to it. It requires at least **210 frost-free days** and 50 to 100 centimeters of rainfall for its growth. A light well-drained soil capable of retaining moisture is ideally suited for cultivation of the crop.” Which one of the following is the crop?

- (a) Cotton (b) Jute  
(c) Sugarcane (d) Tea

## Rice

### APEDA:

- Statutory body; APEDA Act **1985**
- Under Min. of **Commerce** & Industry
- Agricultural & Processed Foods Export Promotion Development Authority**

### Prelims 2019:

With reference to cultivation of Kharif crops in India in last five years, consider the following statements:

1. Area under **rice** cultivation is the highest.
2. Area under the cultivation of **jowar** is more than that of oilseeds.
3. Area of **cotton** cultivation is more than that of **sugarcane**.
4. Area under **sugarcane** cultivation has steadily decreased.

Which of the statements given above are correct?

- (a) 1 and 3 only (b) 2, 3 and 4 only  
(c) 2 and 4 only (d) 1, 2, 3 and 4

### Prelims 2019:

Which among the following is the **largest exporter of rice** in the world in the last five years?

- (a) China (b) India  
(c) Myanmar (d) Vietnam

### Prelims 2020:

Which of the following factors/policies were **affecting price of rice** in India in the recent past?

1. Minimum Support Price
2. Government's trading
3. Government's stockpiling
4. Consumer subsidies

Select the correct answer using the code given below:

- (a) 1,2 and 4 only (b) 1,3 and 4 only  
(c) 2 and 3 only (d) 1,2, 3 and 4

### Direct Seeding of Rice



Rice plant grown in nursery

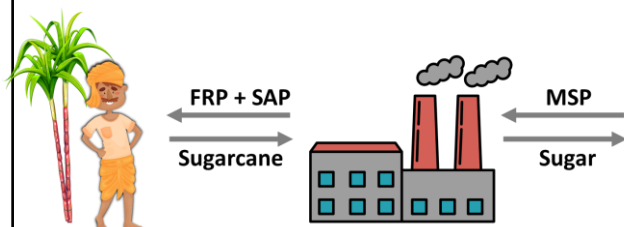


Transplanting



In DSR, there is no need of submerging field in water and transplanting, since herbicides are used.

## Sugarcane



### Fair and Remunerative Price:

- By **Centre**, on recommendation of **CACP**
- Under Sugarcane Control Order **1966**
- Factors**: production cost, recovery of sugar/molasses/bagasse, margins, etc.
- 2009**: FRP replaced **Statutory Minimum Price**

**State Advised Price**: by State govt

### Minimum Selling Price (MSP) of sugar:

- Under Sugar Price (Control) Order, 2018
- For sale by sugar mills at the factory gate

### Prelims 2003:

Consider the following statements:

1. **Molasses** is a by-product of sugar production process.
2. **Bagasse** obtained in sugar mills is used as fuel in boilers to generate steam for sugar factories.
3. **Sugar** can only be produced from sugarcane as the raw material.

Which of these statements are correct?

- (a) 1,2** (b) 2,3 (c) 1,3 (d) 1,2,3



**Jute Packaging Material Act, 1987**: 100% of foodgrains and 20% of sugar shall be mandatorily packed in jute bags

**Note: Ethanol blending will be taken up in updated material**

Rastriya Kamdhenu Aayog announces Kamdhenu Gau-Vigyan Prachar-Prasar Exam

Posted On: 05 JAN 2021 6:25PM by PIB Delhi

Establishment of Kamdhenu Chair or Kamdhenu Study Centre or Kamdhenu Research Centre in all colleges and universities across the country has been appreciated by all and it is getting the country-wide momentum. For raising mass awareness about Indigenous Cows among young Students and every other citizen, RASTRIYA KAMDHENU AAYOG(RKA) has come out with a noble initiative of making Study materials about Cow Science available and conduct "**Kamdhenu Gau-Vigyan Prachar-Prasar Examination**". This will infuse the curiosity into all Indians about the cows, and make them aware of the unexplored potential and business opportunities a cow can offer, even after it stops giving milk.

## Cow Science Exam

The Indian EXPRESS

### Cow science exam postponed after Aayog chief's exit

"Please note that online Kamdhenu Gau Vigyan Prachar Prasar Exam /Pratiyogita, scheduled for 25th Feb 2021 including Mock Examination on 21st Feb 2021, has been postponed," read a notice on RKA's website.

Written by **Harikishan Sharma** | New Delhi | Updated: February 23, 2021 8:20:06 am

A day after Rashtriya Kamdhenu Aayog (RKA) chairman Vallabhbhai Kathiria left office, the commission has postponed the Kamdhenu Gau-Vigyan Prachar-Prasar Exam, earlier scheduled for February 25.

### Rashtriya Kamdhenu Aayog:

- Formed in 2019
- Statutory body? No
- Ministry? Fisheries, Animal Husbandry & Dairying
- Purpose? develop animal husbandry on **scientific** lines; improve **breed**; stop **slaughter** of cows, etc.

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## Company

Proprietorship → OPC

Partnership → LLP

### Company:

- Separate legal entity
- Limited liability of owner

### Companies Act 1956:

- repealed in 2019
- some provisions still in force

### Companies Act 2013:

- Mandatory CSR
- Introduced OPC

### Companies Act 2013:

- NCLT:** National Company Law Tribunal
- NFRA:** National Financial Reporting Authority
- SFIO:** Serious Fraud Investigation Office

### Private vs Public:

- Private company:** doesn't offer shares to public
- Public company:** offers shares to public
- Public Sector Company:** govt. company

## CSR

- Companies Act, **2013** made CSR **compulsory**
- India **first country** to make CSR compulsory.
- For **Indian and Foreign** companies in India.
- Overseen by **Ministry of Corporate Affairs**
- Violation is **civil wrong**
- 2% of average profit of last 3 years.
- For which companies?
  - Annual sales > 1000 crore
  - Net worth > 500 crore
  - Net profit > 5 crore

(Schedule 7 of Companies Act 2013)

### CSR quota includes money spent on:

- Health, education, poverty, environment, heritage, disaster management, etc.
- PM-CARES? **Yes**
- PM Nat. Relief Fund? **Yes**
- CM Relief Fund? **No**
- NDMA / SDMA? **Yes**
- Covid related activities? **Yes**

## Factoring

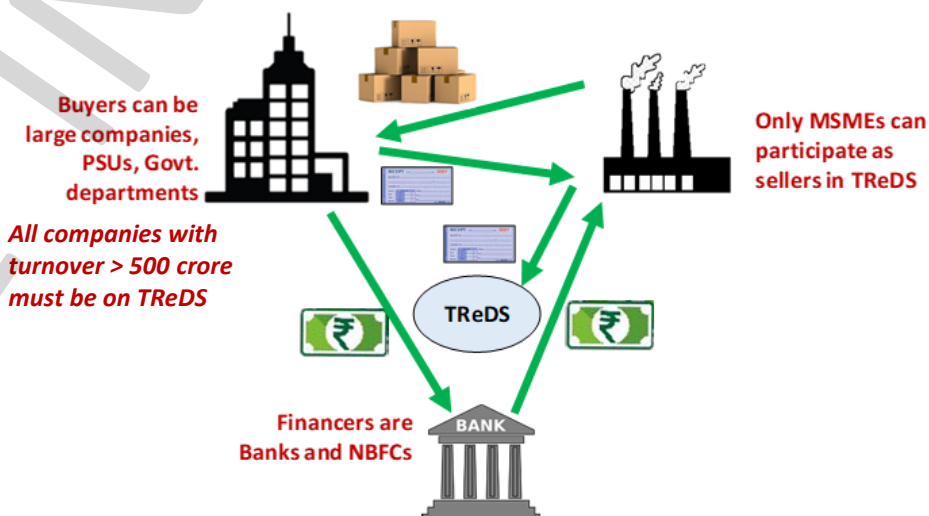
**Factoring:** Company selling its accounts receivable to a third party at a discount.

### TReDS:

- Trade Receivables Discounting System
- It is an electronic platform for factoring.
- e.g. m1xchange, rxil, etc.



TReDS is regulated by RBI under Payment and Settlement Systems (PSS) Act, 2007.



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## Ease of Doing Business

### EODB ranking:

- by World Bank
- New Zealand no. 1 since 2017
- India: 63 - 77 - 100 - 130 - 130
- India best in South Asia -BRICS
- Cities included:
  - All metropolitan cities
  - Only Delhi & Mumbai (till now)
  - Also Bengaluru , Kolkata (from now)

### Prelims 2016:

- India's ranking in 'Ease of Doing Business Index' is sometimes seen in news. Which of the following has declared that ranking?
- (a) OECD (b) WEF  
 (c) World Bank (d) WTO

### EODB parameters:

- Starting a Business ☹️
- 😊 Credit availability
- Property registration ☹️
- 😊 Construction permits
- 😊 Electricity availability
- Trading across borders
- Paying Taxes
- Enforcing Contracts ☹️
- 😊 Protect minority Investors
- Resolving Insolvency

### Prelims 2019:

- Which one of the following is not a sub-index of the World Bank's 'Ease of Doing Business Index'?
- (a) Maintenance of law and order  
 (b) Paying taxes  
 (c) Registering property  
 (d) Dealing with construction permits

### Business Reform Action Plan:

- Launched in 2015 by DPIIT (MoC&I)
- List of 180 reform points
- Top: 1 Andhra - 2 UP - 3 Telangana

## Public Procurement

### Govt. e-Marketplace:

- Launched in 2016 by MoC&I
- Procurement platform **for govt buyers**
- Centre/State/Local governments and PSUs
- Mandatory** for Central govt Ministries/PSUs

### Public Procurement Policy for MSMEs Order, 2018:

- All Central govt buyers must buy at least 25% from MSMEs
- Sub-targets: 3% from Women; 4% from SC/ST

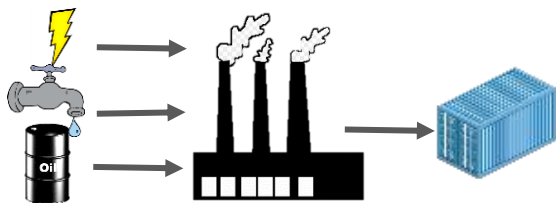


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## PLI, RoDTEP

### Production Linked Incentive Scheme:

- Govt **incentives** to companies to increase domestic **manufacturing**
- For Indian as well as foreign companies manufacturing in India
- Limited govt funds, so big companies will be preferred
- Unlike MEIS, it does not target only exports



### RoDTEP:

- Remission of **D**uties and **T**axes on **E**xport **P**roducts
- India wants to increase exports.
- If we give export subsidy, it violates WTO norms.
- So, we will now try to reduce cost of inputs.
- How? By refunding duties on some inputs

## MSME

	*crores	Micro	Small	Medium
Investment		1	10	50
Turnover		5	50	250

### Just remember:

- Investment: 1 → 10 → 50
- Turnover: (multiply by 5)

### **MSME classification:**

#### Earlier:

- MSMEs want govt. incentives
- So they underreport investment

#### Now:

- Underreporting turnover is difficult
- So, faking size of firm will be difficult

### MSMEs:

- 5.5 crore MSMEs; 11 crore people
- Contributes 30% to India's GDP
- Contributes 45% to India's exports

### ARISE-ANIC:

- ANIC = Atal New India Challenge
- Launched by Atal Innovation Mission (**NITI**)
- Driven by **ISRO** and four ministries
- Funds for R&D/innovation in MSMEs/Startups

### Udyog Aadhaar number:

- 12 digit unique number by Ministry of MSME

### Bharat Craft portal:

- online selling platform for MSMEs

### MSME Emergency Response Programme:

- Govt of India and World Bank
- Easy finance for some MSMEs [Covid crisis]

### Some more related schemes:

- Champions portal
- Emergency Credit Line Guarantee Scheme
- Credit guarantee scheme for sub-ordinate debt

### Small Industries Development Bank of India:

- Statutory body
- Formed in 1990; HQ: **Lucknow**
- Principal financial institution for MSMEs
- MUDRA Bank is a subsidiary of SIDBI:
  - Shishu upto 50,000
  - Kishor 50,000 – 5 lakh
  - Tarun 5 lakh – 10 lakh

### Priority of repayment:

1. Senior secured debt
2. Senior debt
3. Subordinate debt
4. Preferred equity
5. Equity





**Mission Purvodaya:**

By Ministry of Steel; for Eastern India



Develop Integrated Steel Hub (everything)



**Steel**

- Producer: #1 China; #2/3 India
- Consumer: #1 China; #2/3 India
- India net exporter or importer? No clear trend in last 5 years
- Iron- ore Policy 2021 brought by? Ministry of Railways

**Prelims 2005:** Rourkela Steel Plant (Odisha) was India's first integrated Steel Plant, in Public sector, developed in 1960s with help from West Germany.

**Prelims 2014:**

Which of the following are some important pollutants released by steel industry in India?

1. Oxides of sulphur
2. Oxides of nitrogen
3. Carbon monoxide
4. Carbon dioxide

Select the correct answer using code given below

- (a) 1, 3, 4    (b) 1,3    (c) 1, 4    **(d) 1, 2, 3, 4**

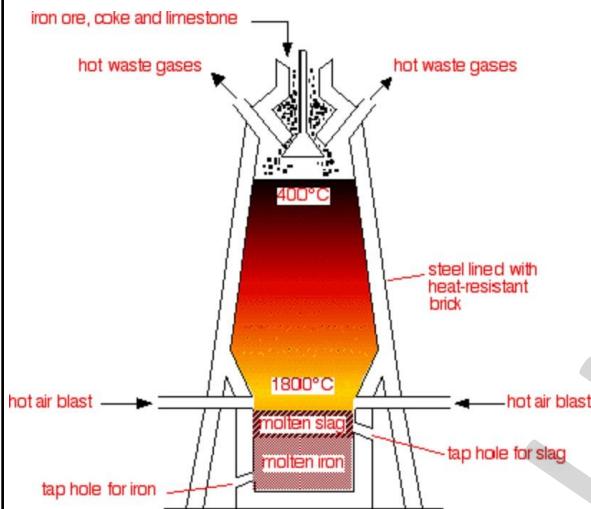
**Prelims 2020:**

Steel slag can be the material for which of the following?

1. Construction of base road
2. Improvement of agricultural soil
3. Production of cement

Select the correct answer using code given below

- (a) 1, 2    (b) 2, 3    (c) 1, 3    **(d) 1, 2, 3**



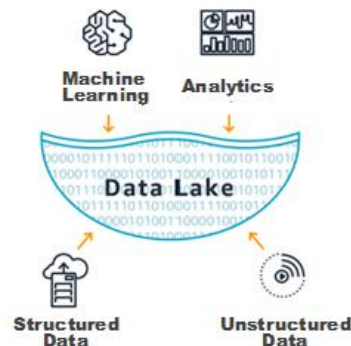
**Technical Textiles**



**NHAI / Data Lake**

**National Highways Authority of India:**

- Statutory body; NHAI Act, 1988.
- Ministry of Road Transport & Highways



**RoRo**

- Roll-on Roll-off
- Vehicles on Train
- Konkan railways, since 1999

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## Infra

### National Infrastructure Pipeline:

- ❑ List of major (>100 crores) infra projects, expected to be implemented in India by 2025.
- ❑ Includes projects of Centre, States and private sector.

### India Investment grid:

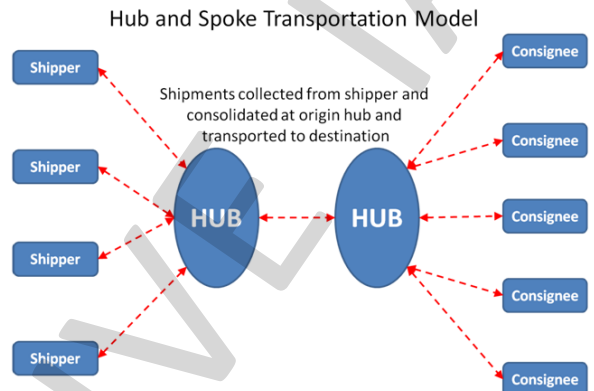
- ❑ by DPIIT (Moc&I)
- ❑ shows investment opportunities
- ❑ hosts National Infra Pipeline

## Logistics

- ❑ Logistics Performance Index by:
  - World Bank
- ❑ Hub & Spoke model is often seen in relation to?
  - Logistics
- ❑ Logistics cost in India:
  - 13-14% of GDP (Developed countries 7-8%)

**Multimodal** = multiple modes

**Multimodal logistics** = road, rail, air, waterways



## EPC – BOT – HAM – TOT

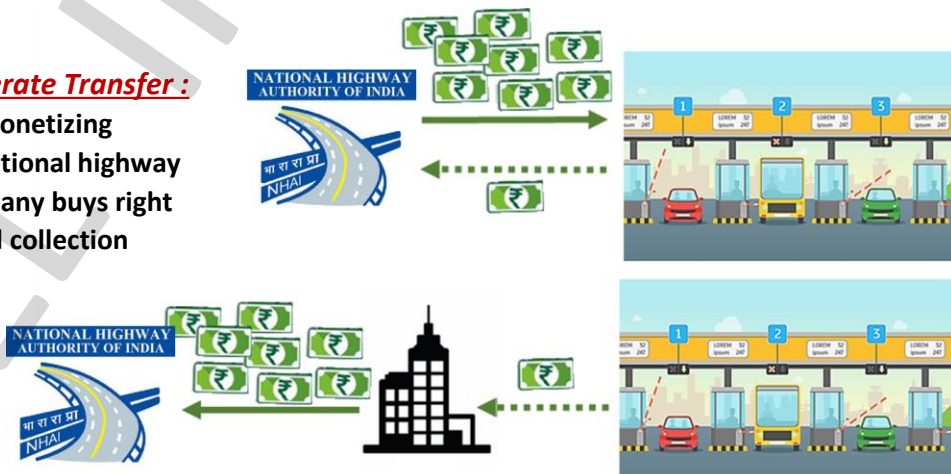
	EPC	BOT	HAM
Financing risk	NHAI	Private company	Shared
Revenue risk	NHAI	Private Company	NHAI
Operations & Maintenance risk	NHAI	Private Company	Either party (Depends on contract)



<b>Hybrid Annuity Model</b>	<b>During construction:</b>	<b>After completion:</b>
	→ 40% cost borne by NHAI → 60% cost borne by Pvt. Co.	→ NHAI responsible to collect toll → NHAI reimburses Pvt. Co. (annual payments)

### Toll Operate Transfer :

- ❑ For monetizing operational highway
- ❑ Company buys right to toll collection



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## Industrial Corridors

### National Industrial Corridor Development Corporation (NICDC):

- Under **DPIIT** (MoC&I)
- To develop **all** industrial corridors
- Erstwhile Delhi Mumbai Industrial Corridor Development Corporation (DMICDC)
- Will make **11 industrial corridors** in four phases by 2024-25 under National Industrial Corridor Program

**Benefits:** (mark all correct)  
investment, employment, logistics, etc.

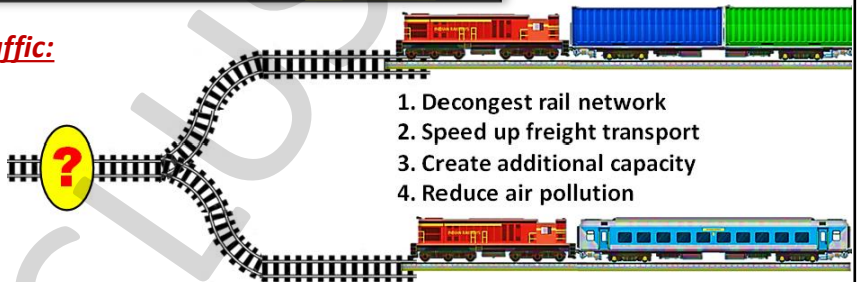
## Dedicated Freight Corridors

### Railways share in freight traffic:

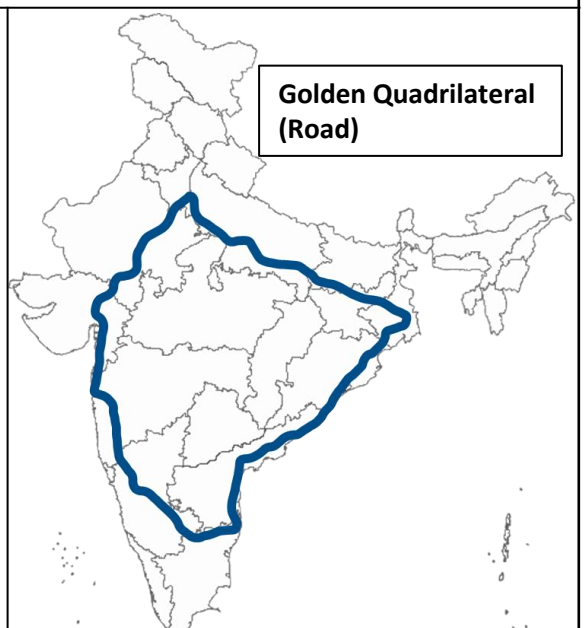
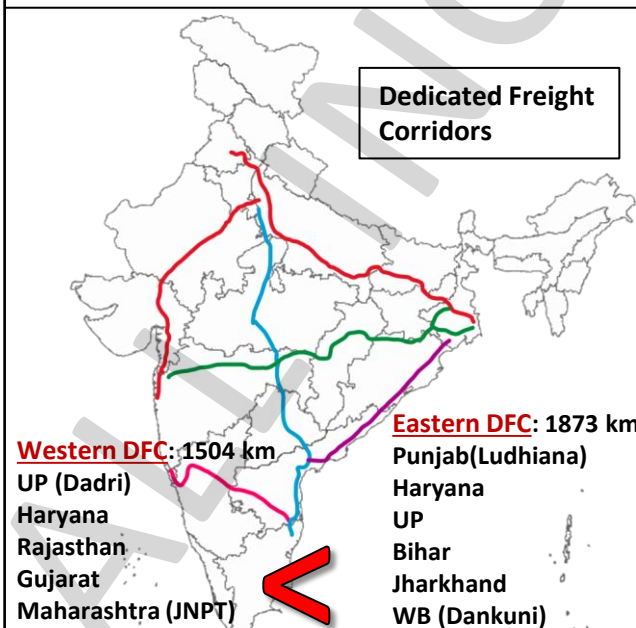
- 1950-51 : 83%
- 2011-12 : 35%

### DFC Corporation of India:

- Formed in 2006;
- Under Ministry of Railways
- To construct & operate Dedicated Freight Corridors.



1. Decongest rail network
2. Speed up freight transport
3. Create additional capacity
4. Reduce air pollution



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## Ports

**One in each coastal state except:**

- Maharashtra
- Tamil Nadu

**Prelims 2009:**  
In India, ports are categorized as major & non-major ports. Which one of the following is a non-major port?  
(a) Kochi **(b) Dahej** (c) Paradip (d) New Mangalore

### Sea Ports in India:

12 major ports (responsibility of Centre)  
205 minor ports (responsibility of States)

### They handle:

90% of India's trade by volume  
70% of India's trade by value  
Cargo in minor ports > cargo in major ports

### Largest port in India?

Jawaharlal Nehru port in Maharashtra

### Largest private port of India?

Adani's Mundra port in Gujarat

### Upcoming Major ports:

Enayam port (Tamil Nadu)  
 VadHAVAN port (Maharashtra)

### Entrepot:

→ transshipment port; goods are brought for export

### Port of call:

→ Ships halt for food, water, fuel

### Packet station:

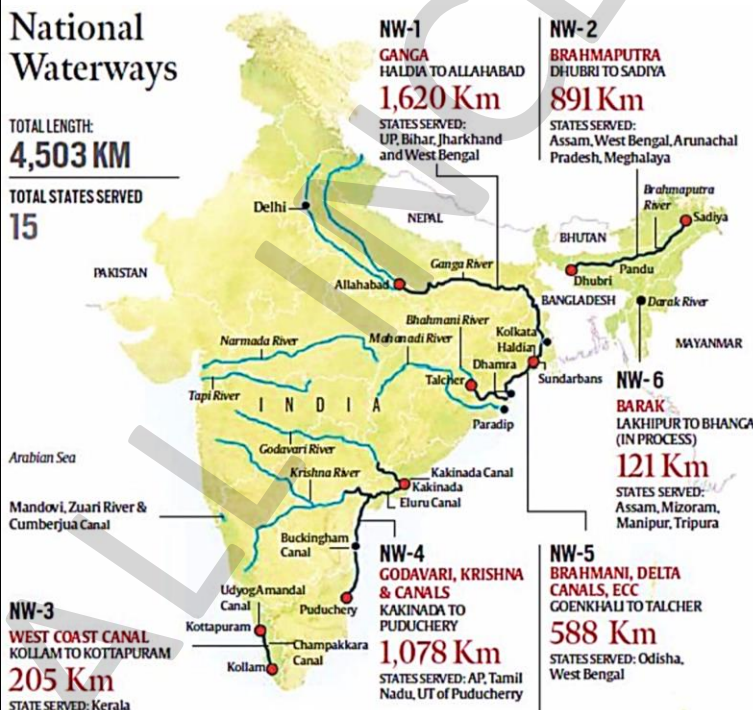
→ for people/mails

## Inland Waterways

### National Waterways

TOTAL LENGTH:  
**4,503 KM**

TOTAL STATES SERVED  
**15**



### Inland Waterways Authority of India

- 1986, Noida
- Ministry of Shipping
- Statutory body; IWAI Act 1985

### Inland waterways:

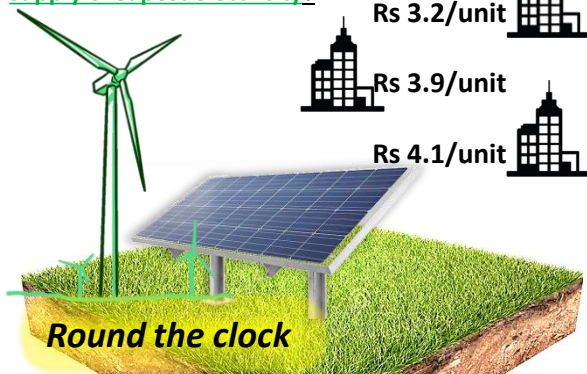
- 111** NWs under NW Act, 2016
- 14,500 km of navigable waterways
- 0.5% modal share
- Jal Marg Vikas Project:** for better navigation on NW-1

## Electricity

India is 3<sup>rd</sup> largest producer and consumer of electricity

<b>Installed capacity:</b> 1. 63% <b>Thermal</b> 2. 35% <b>Renewable</b> 3. 02% <b>Nuclear</b>	<b>Renewable:</b> 1. 47 GW <b>large hydro</b> 2. 38 GW <b>Wind</b> 3. 34 <b>Solar</b>	<b>Energy consumption:</b> 1. 42% <b>Industrial</b> 2. 25% <b>Domestic</b> 3. 18% <b>Agriculture</b>	<b>India trades in electricity with?</b> Nepal, Bhutan, Bangladesh, Myanmar
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Who will put solar panels here & supply cheapest electricity?



**Prelims 2018:**

With reference to solar power production in India, consider the following statements:

- India is the **third largest** in the world in the manufacture of **silicon wafers** used in photovoltaic units.
- The solar power **tariffs** are determined by the Solar Energy Corporation of India.

Which of the above statements are correct?

- (a) 1 only                      (b) 2 only  
 (c) Both 1 & 2                (d) Neither 1 nor 2

## Real Time Market in Electricity

**Energy Exchange:**

Just like a company's shares are traded on BSE/NSE Electricity/REC/ESCs are traded on IEX/PXIL

India Energy Exchange / Power Exchange India Ltd.

Earlier: day-ahead, week-ahead

Now: Just one hour ahead also

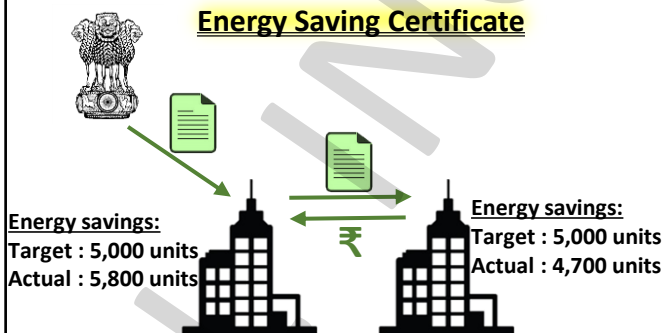
**India Gas Exchange:**

- Subsidiary of IEX
- for trade in imported LNG.

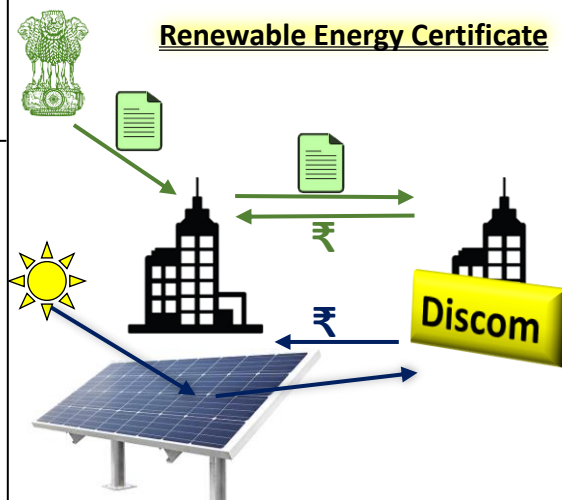
**Green Term Ahead Market:**

- for short-term trade in Renewable energy

## Energy Saving Certificate



## Renewable Energy Certificate



**Energy Transition:**

- Petrol to electric, coal to nuclear, etc.
- Energy Transition Index by? **WEF**
- Fostering Effective Energy Transition initiative? **WEF**

**Energy intensity:**

- Energy used to produce one unit of GDP
- **Low EI** can indicate **labor intensive** economy.


**Renewable Purchase Obligation:**

It is necessary for Discoms to meet certain part of energy need from Renewable sources.


**Renewable Energy Certificates:**

Purchase certificates instead of purchasing renewable power

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**Sand**




**Silicon Ingot**

## Solar energy


**Arrange in correct order:**  
 Sand → Silicon ingots → Silicon wafers  
 → Solar cells → Solar panels



**Silicon Wafer**




**Solar Cell**



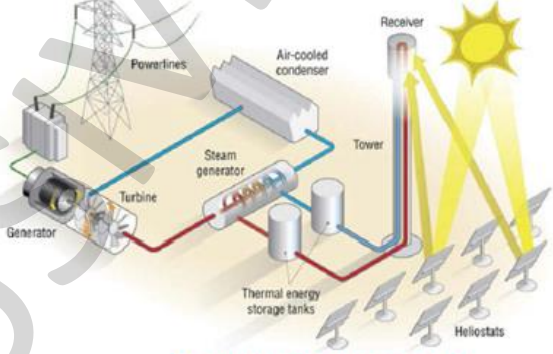
**Solar Panel**

*In many of its schemes, MNRE has made it mandatory to use 'domestically manufactured' solar cells. Which of the following are domestically made solar cells?*

- ✗ PV cells made in India from **Blue** wafer (diffused wafer)
- ✓ PV cells made in India from **Black** wafer (un-diffused wafer)



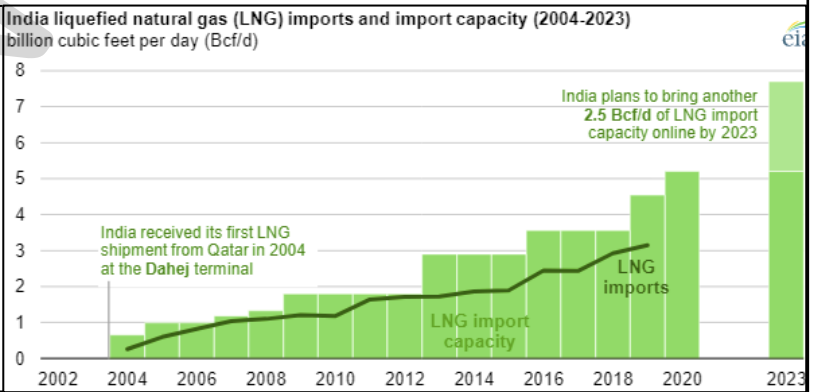
**Photo-voltaic**  
 Sunlight is directly converted into electricity



**Thermal Solar power plant**  
 Sunlight heats up water to form steam.  
 Steam rotates turbine.  
 Turbine generates electricity

## Gas

- Natural Gas:**
- 6% of energy mix
  - Domestic:Import - 50:50
- India imports LNG from:**
- Qatar (most), Nigeria, etc.
  - Also USA, Russia, Australia
- LNG import terminals:**
- Gujarat: Dahej and Hazira
  - Maharashtra: Dabhol
  - Kerala: Kochi



- Domestically produced natural gas price:**
- Revised by Govt every six months
  - Average from US, UK, Russia, Canada

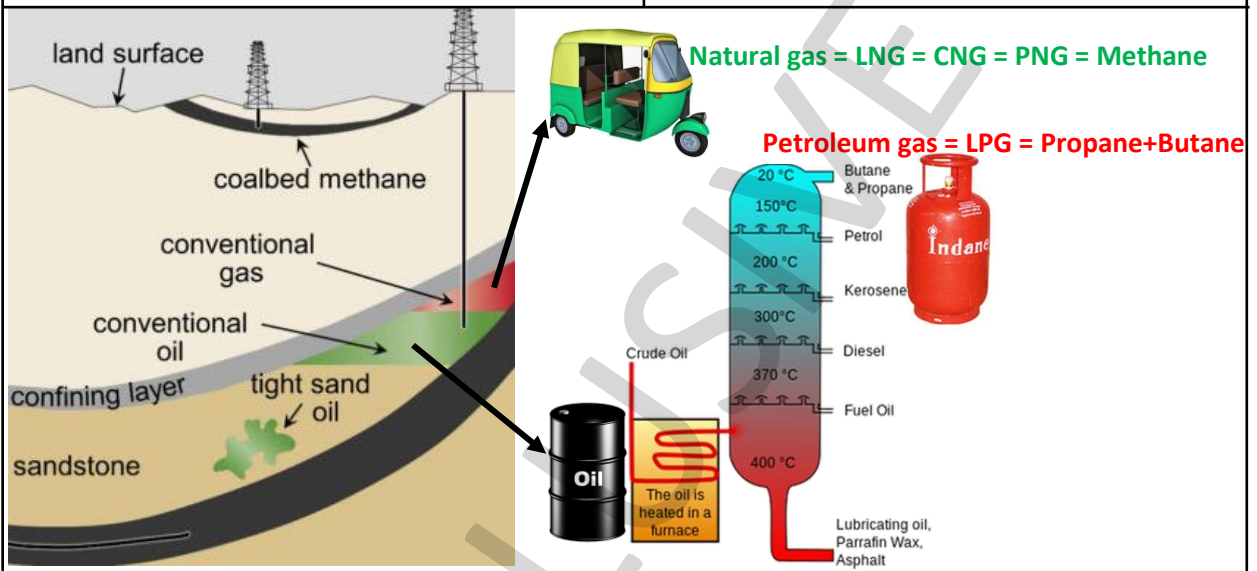
- National Gas grid:** connect existing gas pipelines
- City Gas Distribution:** piped gas supply within cities
- PM Urja Ganga:** for eastern India

**Prelims 2005:**

- ❑ **Assertion:** Main constituent of liquified petroleum gas is methane.
  - ❑ **Reason:** Methane can be used directly for burning in homes and factories where it can be supplied through pipelines.
- (a) Both A and R are true and R is the correct explanation of A  
 (b) Both A and R are true but R is not the correct explanation of A  
 (c) A is true but R is false  
 (d) **A is false but R is true**

**Prelims 2019:**

- Consider the following statements:
1. Petroleum and Natural Gas Regulatory Board (PNGRB) is the **first regulatory body** set up by the Govt. of India.
  2. One of the tasks of PNGRB is to ensure competitive markets for gas.
  3. Appeals against decisions of PNGRB go before Appellate Tribunal of Electricity.
- Which of the above statements are correct?  
 (a) 1 and 2 only      (b) **2 and 3 only**  
 (c) 1 and 3 only      (d) 1, 2 and 3



**Discoms**

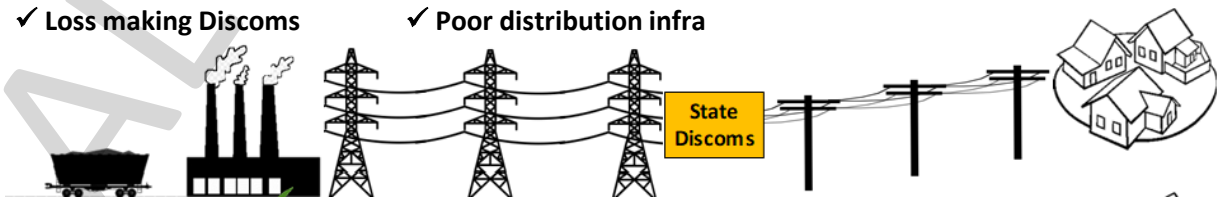
**PRAAPTI portal:**  
by Ministry of Power to show how much discoms owe to powerplants

**Prelims 2016:**

- Which one of the following is a purpose of 'UDAY', a scheme of the Government?
- (a) Providing technical and financial assistance to start-up entrepreneurs in the field of renewable sources of energy
  - (b) Providing electricity to every household in the country by 2018
  - (c) Replacing coal-based power plants with natural gas, nuclear, solar, wind and tidal power plants over a period of time
  - (d) Providing for financial turnaround and revival of **power distribution companies**

**Q. India is a power surplus country. Still people don't get 24/7 power. What could be the reason?**

- ✓ Fuel shortages
- ✓ High transmission and distribution losses.
- ✓ Loss making Discoms
- ✓ Poor distribution infra



## Coal Mining

### Coal Mines (Nationalization) Act, 1973:

- ✓ It led to **nationalization** of coal mining in India.
- ✓ **Only** govt. owned **Coal India Limited** was allowed to sell coal **commercially**.

- ❑ **1993**: amendment to Coal Mines (Nationalization) Act 1973 allowed private companies to do captive mining.
- ❑ **2014**: SC cancelled blocks allocated since 1993
- ❑ **2015**: Coal Mines (Special Provisions) Act, 2015 mandated auctions.

### Prelims 2012:

Despite having large reserves of coal, **why does India import** millions of tonnes of coal?

1. It is the policy of India to save its own coal reserves for **future**, and import it from other countries for the present use.
2. Most of the **power plants** in India are coal-based and they are not able to get sufficient supplies of coal from within the country.
3. Steel companies need large quantity of **coking coal** which has to be imported.

Which of the above statements are correct?

- (a) 1 only (b) **2, 3 only** (c) 1, 3 only (d) 1, 2, 3

- ❑ **5<sup>th</sup>** largest coal **reserves** (USA > Russia > Australia > China > India)
- ❑ **2<sup>nd</sup>** largest **producer; importer**

### Other steps taken:

- **Coal washing** no longer mandatory.
- **Prior experience** for bidding not required.
- **100% FDI** under automatic route allowed.
- **Coal linkage swapping** liberalized.

### Coal India Limited:

- ✓ **1975**, HQ **Kolkata** (not Delhi)
- ✓ **Maharatna PSU; Ministry of Coal** (X Mines)
- ✓ Produces **80%** of India's coal.

### Prelims 2019:

Consider the following statements:

1. Coal sector was **nationalized** by the Government of India under Indira Gandhi.
2. Now, coal blocks are allocated on lottery basis.
3. Till recently, India imported coal to meet shortages of domestic supply, but now India is self-sufficient in coal production.

Which of the above statements are correct?

- (a) **1 only** (b) 2, 3 only (c) 3 only (d) 1, 2, 3

## International Comparison Program

India: Nominal \$2.5 trillion; PPP \$8 trillion

World (PPP): China 16.4%; USA 16.3%; India 6.7%

- ❑ **World Bank** initiative to collect data to make PPP estimates.
- ❑ India participating since starting in **1970**
- ❑ **MOSPI** is implementation agency in India.
- ❑ Last conducted in 2017, next in 2021.
- ❑ INR-US\$ (PPP): **20.65**
- ❑ Helps compare living standard, poverty, etc.
- ❑ India: 2005: 10<sup>th</sup>; 2011: 3<sup>rd</sup>; 2017: 3<sup>rd</sup>

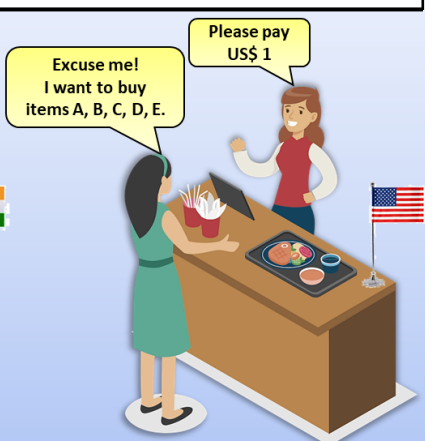
### Prelims 2019:

Considering the following statements:

1. Purchasing Power Parity (PPP) exchange rates are calculated by the prices of the same basket of goods and services in different countries.
2. In terms of PPP dollars, India is the sixth largest economy in the world.

Which of the above statements are correct?

- (a) **1 only** (b) 2 only (c) Both 1,2 (d) Neither 1 nor 2



I read I forget, I see I remember

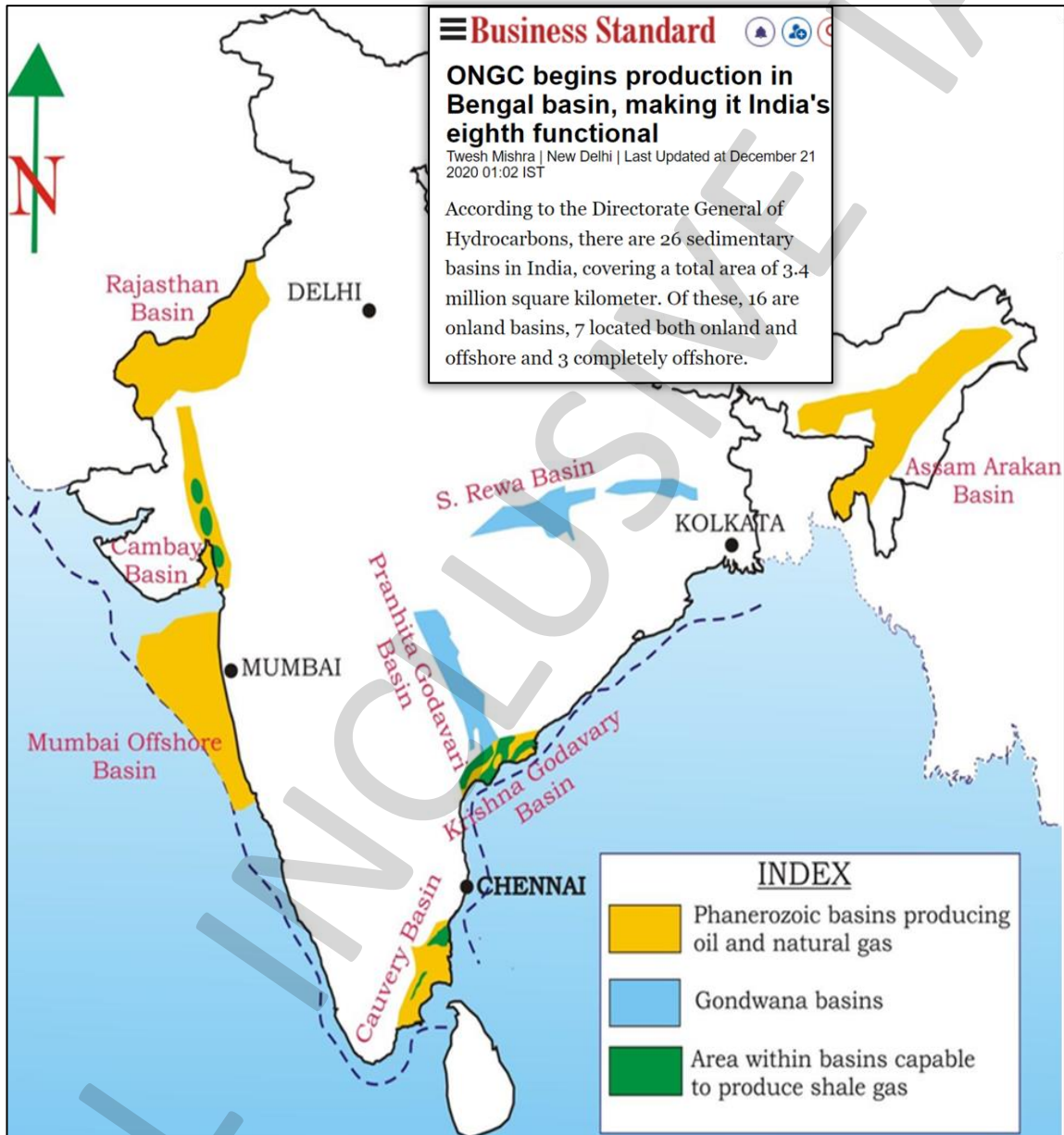
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### Atlas method of World Bank?

WB uses GNI per capita (current US\$) to classify countries as:

- High-income (> \$12,000)
- Upper-Middle income (\$4,000 - \$12,000)
- Lower-Middle income (\$1,000 - \$4,000) **(India: \$2,130)**
- Low income (< \$1,000) *(figures here are rounded off)*



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# All-Inclusive Current Affairs for Prelims 2021

## Economy Class-5“A” Update (Feb-August)

### 15<sup>th</sup> Finance Commission

#### Finance Commission:

- quasi judicial constitutional body (article 280)
- constituted by President after every five years
- Report is advisory, not binding
- Members are eligible for reappointment
- 1<sup>st</sup> FC of India: 1951, K. C. Neogy

#### Qualification and selection procedure:

- Parliament decides (not Constitution)
  - Finance Commission Act, 1951
  - No committee of LoP, CJI, etc.
- Chairman:
  - experience in public affairs
- 4 members:
  - HC judge (is / was / qualified)
  - knowledge of finance
  - knowledge of economics
  - experience in financial matters and administration

#### Recommendations

Criteria	Weightage
Income distance	45%
Population (2011)	15%
Area	15%
Forest & Ecology	10%
Demographic performance	12.5%
Tax effort	2.5%

#### Recommends President on:

- distribution of net proceeds of taxes between Centre and states
- principles to govern grants-in-aid from Centre to states
- measures to augment Consolidated Fund of States to supplement resources of local bodies on the basis of recommendations made by SFC
- Any other matter referred by President

13 <sup>th</sup> FC	Dr. Vijay Kelkar	2010-15
14 <sup>th</sup> FC	Dr. Y. V. Reddy	2015-20
15 <sup>th</sup> FC	N. K. Singh	2020-26

*First time FC gave recommendation for 6 years*

**Report:** FC → President → Both houses (with action taken)

#### Terms of reference:

- Review debt level of centre and states, and recommend a roadmap.
- Recommend performance-based incentives for states based on power sector, adoption of DBT, solid waste management, agri reforms, etc.
- Study the impact of GST on the economy.
- recommend funding mechanism for defence and internal security.

#### Vertical devolution:

Reduce state's share in divisible pool of central taxes to 41% from 42%. Reason: J&K and Ladakh will now get funds from Centre's share.

#### Horizontal devolution:

- Need-based criteria: Population (2011), Area, Forest & Ecology
- Equity-based criteria: Income distance i.e. distance of the state's income from the state with the highest income (based on Per capita income)
- Performance-based criteria: Demographic performance and taxation efforts

#### Local bodies:

- Divide grants b/w rural and urban local bodies in the ratio 67.5 : 32.5
- Give grants to all tiers of Panchayati raj

#### Disaster management:

- Set up 'Disaster Mitigation Funds' at National and State levels.
- Cost sharing based on 75:25 for all states; 90:10 for Himalayan & NE states.

#### Financial management:

- Fiscal deficit: Centre: 4% of GDP by 2026; States: 3% of GSDP by 2023
- independent Fiscal Council should be established to assess financial records

#### Defence:

Establish a non-lapsable Modernisation Fund for Defence and Internal Security (MFDIS) in Public Account of India

#### Health:

- At least 8% of state's budget for health.
- Constitute All India Medical and Health Service.

I read I forget, I see I remember | See explanation of this PDF on **YouTube** [www.youtube.com/c/allinclusiveias](http://www.youtube.com/c/allinclusiveias)

<p><b>Prelims 2010:</b> Who of the following shall cause every recommendation made by the finance Commission to be <b>laid before</b> each House of <b>Parliament</b>? <b>(a)</b> The President of India (b) The Speaker of Lok Sabha (c) The Prime Minister of India (d) The Union Finance Minister</p>	<p><b>Prelims 2012:</b> According to Constitution, it is the duty of <b>President</b> to cause to be laid before the <b>Parliament</b> which of the following? 1. Recommendations of Union <b>Finance Commission</b> 2. Report of Public Accounts Committee 3. Report of <b>CAG</b> 4. Report of <b>NC for Scheduled Castes</b> Select the correct answer: (a) 1      (b) 2,4      <b>(c) 1,3,4</b>      (d) 1,2,3, 4</p>
--	---

<p><b>Prelims 2003:</b> The <b>functions</b> of the <b>Finance commission</b> is/are: 1. to allow the withdrawal of the money out of the Consolidated Fund of India 2. to allocate between the <b>States</b> the <b>shares</b> of proceeds of <b>taxes</b> 3. to consider applications for <b>grants-in-aid</b> from States 4. to supervise and report on whether the Union and State governments are levying taxes in accordance with the budgetary provisions Which of these statements is/are correct? (a) Only 1      <b>(b) 2 and 3</b> (c) 3 and 4      (d) 1, 2 and 4</p>	<p><b>Prelims 2000:</b> The <b>primary function</b> of the <b>Finance Commission</b> is to: <b>(a)</b> distribution of revenue between Centre and States (b) prepare the Annual Budget (c) advise the President on financial matters (d) allocate funds to various ministries of Union &amp; States</p> <p><b>Prelims 2011:</b> With reference to the <b>Finance Commission</b> of India, which of the following statements is correct? (a) It <b>encourages</b> the inflow of <b>foreign capital</b> for infrastructure development (b) It facilitates the proper distribution of finances among the <b>Public Sector Undertakings</b> (c) It ensures <b>transparency</b> in financial administration <b>(d)</b> None of (a), (b) and (c) is correct in his context</p>
--	--

<p><b>Prelims 2010:</b> Which one of the following authorities makes <b>recommendation</b> to the <b>Governor</b> of a State as to the principles for determining the taxes and duties which may be appropriated by the <b>Panchayats</b> in that particular State? (a) District Planning Committees <b>(b)</b> State Finance Commission (c) Finance ministry of that State (d) Panchayati Raj Ministry of that State</p>	<p><b>Prelims 2011:</b> The Constitution (73<sup>rd</sup> Amendment) Act, 1992, which aims at promoting the Panchayati Raj Institutions in the country, provides for which of the following? 1. Constitution of District Planning Committees. 2. <b>State Election Commissions</b> to conduct all panchayat elections. 3. Establishment of <b>State Finance Commission</b>. Select the correct answer: (a) 1 only      (b) 1 and 2 only <b>(c) 2 and 3 only (correct)</b>      (d) 1, 2 and 3 (<b>official key</b>)</p>
---	---

<p><b>Prelims 2012:</b> Which of the following are among noticeable features of <b>recommendations</b> of <b>13<sup>th</sup> Finance Commission</b>? 1. A <b>design for Goods and Services Tax</b>, and a <b>compensation package</b> linked to adherence to the proposed design. 2. A design for the <b>creation of lakhs of jobs</b> in the next ten years in consonance with India's demographic dividend 3. Devolution of a specified share of <b>central taxes to local bodies</b> as grants Select the correct answer using the codes given below: (a) 1      (b) 2,3      <b>(c) 1,3</b>      (d) 1,2,3</p>	<p><b>Prelims 2015:</b> With reference to the <b>14<sup>th</sup> Finance Commission</b>, which of the following statements are correct? 1. It has increased the share of States in the central divisible pool from 32 percent to 42 percent. 2. It has made recommendations concerning sector specific grants. Select the correct answer using the code given below. <b>(a) 1 only</b>      (b) 2 only (c) Both 1 and 2      (d) Neither 1 nor 2</p>
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<p><b>Grants recommended by 15<sup>th</sup> FC (no need to learn figures)</b></p>	<table border="1"> <thead> <tr> <th>Grant</th> <th>2021-26</th> </tr> </thead> <tbody> <tr> <td>Local govt grants</td> <td>4.3 lakh crore</td> </tr> <tr> <td>Revenue deficit grants</td> <td>2.9 lakh crore</td> </tr> <tr> <td>Disaster mgmt. grants</td> <td>1.2 lakh crore</td> </tr> <tr> <td>Sector specific grants</td> <td>1.3 lakh crore</td> </tr> <tr> <td>State specific grants</td> <td>0.5 lakh crore</td> </tr> </tbody> </table>	Grant	2021-26	Local govt grants	4.3 lakh crore	Revenue deficit grants	2.9 lakh crore	Disaster mgmt. grants	1.2 lakh crore	Sector specific grants	1.3 lakh crore	State specific grants	0.5 lakh crore	<p><b>Sector specific grants:</b> (✓ 13<sup>th</sup> FC; X 14<sup>th</sup> FC; ✓ 15<sup>th</sup> FC) Health &gt; School education &gt; higher education &gt; agri reforms &gt; roads &gt; Judiciary &gt; Statistics &gt; Aspirational districts</p>
Grant	2021-26													
Local govt grants	4.3 lakh crore													
Revenue deficit grants	2.9 lakh crore													
Disaster mgmt. grants	1.2 lakh crore													
Sector specific grants	1.3 lakh crore													
State specific grants	0.5 lakh crore													

## Centrally Sponsored Schemes

**35**

*Number of schemes are approx*

	Central Sector Schemes	Centrally Sponsored Schemes	State Schemes
Funding	100% Centre	Shared	100% States
Implementation	Centre	State	State

	6	27	2
Core of the Core	Core		Optional
NSAP, MNREGA, etc.	90:10 for NE & Himalayan states 60:40 for other states	80:20 for NE & Himalayan states 50:50 for other states	

## Capital Gains Tax



**BUY: \$400,000    BUY: \$200,000    BUY: \$50,000**  
**SELL: \$600,000    SELL: \$250,000    SELL: \$70,000**

### Capital gain:

gain that arises from the sale of a 'capital asset'

### Example of capital assets:

Property, vehicles, patents, trademarks, machinery, jewellery

### Capital gains tax applies?

X inheriting a property  
✓ selling that property

### Prelims 2012:

Under which of the following circumstances may 'capital gains' arise?

1. When there is an increase in the sales of a product
2. When there is a natural increase in the value of the property owned
3. When you purchase a painting and there is a growth in its value due to increase in its popularity

Select the correct answer:

- (a) 1 only    (b) 2 and 3 only    (c) 2 only    (d) 1, 2 and 3

### Short/long term capital gains tax?

- 1 year:**  
→ Shares/bonds etc
- 2 years:**  
→ immovable property
- 3 years:**  
→ others

## NABFID / DFI

See page-24

### Development Financial Institutions:

- Gives financial (and technical) support
- Gives loan for medium (1-5 years) and long term (> 5 years)
- No funds directly from people

- 1948: Industrial Finance Corporation of India
- 1955: Industrial Credit & Investment Corp. of India
- 1964: Industrial Development Bank of India
- 1971: Industrial Reconstruction Corp. of India

### National Bank for Financing Infrastructure and Development Act 2021:

- Sets up **NaBFID** (HQ Mumbai)
- Ownership:** initially 100% Union govt; later at least 26%
- Chairperson:** appointed by Central govt in consultation with RBI
- Authorised share capital:** 1 lakh crore
- Central govt to give 5,000 crore in 1<sup>st</sup> year
- Other DFIs** can be set up by applying to RBI

### NaBFID:

Under Dept. of Financial Services (FinMin)

### Objective:

**Financial:** lending/attracting money for infra projects

**Developmental:** develop market for bonds, derivatives, etc.

### Source of funds:

Rupee/foreign currency from Govt / RBI / Banks / Mutual funds/World Bank etc.

I read I forget, I see I remember

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## RBI's RRA

See page-31

**FINANCIAL EXPRESS**  
Read to Lead

**RRA 2.0: RBI sets up regulatory review authority to review regulations, ease compliance**

Accordingly, the RRA 2.0 will function for a period of one year from the date of its establishment to review the regulatory prescriptions internally as well as by seeking suggestions from regulated entities and other stakeholders on their simplification and ease of implementation.

By: FE Bureau  
April 16, 2021 1:00 AM

### Regulations Review Authority by RBI:

- First in 1999; now in 2021
- under Dy Gov M Rajeshwar Rao
- To advise on regulatory functions of RBI

### Some of RBI's publications:

- Consumer** Confidence Survey (Bi-monthly)
- Inflation** Expectations Survey of Households (Bi-monthly)
- Financial **Stability** Report (Half-Yearly)
- Monetary** Policy Report (Half-Yearly)
- Report on Trend and Progress of **Banking** in India (Yearly)

## Some regulators

### Need ?

- Entry of private sector
- Protect public interest

### Telecom Regulatory Authority of India:

TRAI Act, 1997

### Central Electricity Regulatory Commission:

- Electricity Act 2003; earlier under
- Electricity Regulatory Comm. Act, 1998

### Petroleum & Natural Gas Regulatory Board:

PNGRB Act, 2006

### Four Financial regulators:

RBI → RBI Act, 1934      IRDAI → IRDAI Act, 1999  
SEBI → SEBI Act, 1992      PFRDA → PFRDA Act, 2013

## Banking Ombudsman

Ombudsman: official appointed by govt to settle disputes

### Prelims 2010:

With reference to the institution of **Banking Ombudsman** in, India, which one of the statements is **not correct**?

- (a) The Banking Ombudsman is **appointed by RBI**.
- (b) The Banking Ombudsman can, consider complaints from **Non Resident Indians** having accounts in India.
- (c) The orders passed by the Banking Ombudsman are final & binding on the parties concerned. *(appeal to Dy Gov)*
- (d) The service provided by the Banking Ombudsman is **free** of any fee.

### Banking Ombudsman:

- quasi judicial authority, **appointed by RBI**
- for customer complaints against banks
- Type of ADR mechanism; 22 offices
- Introduced in **1995** u/s 35A of **BR Act 1949**
- Revised scheme in 2006
- For Commercial Banks, RRBs, Coop banks

### One Nation, One Ombudsman:

RBI to merge three Ombudsman: Banks, NBFCs, Digital transactions

### Internal Ombudsman Scheme 2018:

Commercial banks to appoint IO  
To address grievances within the bank

## Neobanks



- Fintech firms that **provide banking service**
- Totally digital, no physical branches
- They **don't have banking license**
- They partner with banks to provide banking services
- No "neo-bank" license given by RBI
- e.g. RazorpayX, Niyo, etc.

I read I forget, I see I remember

See explanation of this PDF on **YouTube** [www.youtube.com/c/allinclusiveias](http://www.youtube.com/c/allinclusiveias)

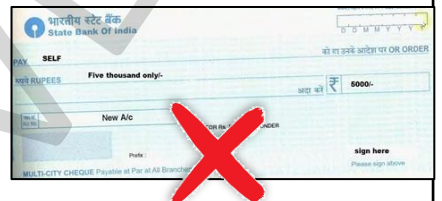
**Legal tender:**  
 Money recognized by law of and **cannot be refused** by any citizen of the country

**Legal tender / fiat money**

**Fiat money:**  
 (Dollar, Euro, Rupee, etc.)  
 Money with **no intrinsic value**.  
 **Not backed by gold** (physical commodity)  
 **Backed by govt** authority  
 Problem: print as much as one wants

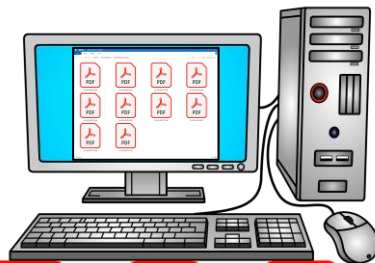
**Prelims 2018:**  
 Which one of the following statements correctly describes the meaning of **legal tender** money?  
 (a) The money which is tendered in courts of law to defray the fee of legal cases  
 (b) The money which a creditor is under **compulsion to accept** in settlement of his claims  
 (c) The bank money in the form of cheques, drafts, bills of exchange, etc.  
 (d) The metallic money in circulation in a country

❖ **Coins** are issued by Central **Govt**.  
 ❖ **Notes** are issued by **RBI**.  
 ❖ But **One Rupee note** is issued by Central **Govt**. It has sign of **Finance Secretary**



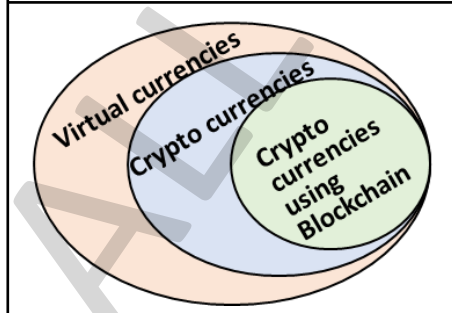
**Central Bank Digital Currency**

- Legal tender issued by a central bank in a **digital form** only (no physical form)
- It is the same as a fiat currency and is **exchangeable** one-to-one with the fiat currency.
- It can be **spent only electronically**.



In India, cryptocurrencies (e.g. Bitcoin) are **not banned**

**Regulated** by Central bank → **Digital** currency  
**Not regulated** by Central bank → **Virtual** currency



**Digital Renminbi** (Digital RMB; e-CNY)  
 Central bank digital currency issued by China's central bank  
 First digital currency to be issued by a major economy  
 It is a **legal tender**, has **same value** as physical renminbi  
 Can be transferred between two **offline** devices

**El Salvador:**  
 first country to adopt **Bitcoin** as **legal tender**  
 Note: Bitcoins in Japan are legal property, not legal tender

**E-Rupi**

- electronic **voucher**
- **not** digital/virtual **currency**
- **person**-specific and **purpose**-specific
- can be shared via **SMS** or QR code
- Developed by **NPCI**, MoHFW, etc.
- Beneficiary need not have bank account or smart phone
- Not restricted to health sector or public sector (private companies can also use, e.g. fuel for fleet)

**Insurance**

<p><b>March 2021</b></p> <p><b><u>Insurance (Amendment) Act, 2021</u></b></p> <ul style="list-style-type: none"> <li>➤ amended Insurance Act, 1938</li> <li>➤ Increased <b>FDI</b> from 49% to <b>74%</b></li> </ul>	<p><b><u>GIBNA Act, 1972</u></b></p> <ul style="list-style-type: none"> <li>➤ General Insurance Business (Nationalisation) Act</li> <li>➤ nationalised all private general insurance companies</li> <li>➤ grouped them into <b>4 companies</b></li> <li>➤ Est. GIC of India as parent of 4</li> <li>➤ Govt share must be at least <b>51%</b></li> <li>➤ 2002: 4 transferred to govt; GIC for Re-insurance</li> </ul>
<p><b>August 2021</b></p> <p><b><u>GIBNA (Amendment) Act, 2021</u></b></p> <ul style="list-style-type: none"> <li>➤ amended GIBNA Act, 1972</li> <li>➤ <b>51%</b> govt share <b>not</b> needed.</li> </ul>	

<p><b>1956:</b> nationalised life Insurance sector; est. LIC</p> <p><b>1972:</b> nationalised general insurance sector; est. GIC</p> <p><b>Who has more market share today?</b></p> <p>Life → Govt; General → private</p>	<p><b>1906:</b> National → Kolkata</p> <p><b>1919:</b> New India → Mumbai</p> <p><b>1938:</b> United India → Chennai</p> <p><b>1947:</b> Oriental → Delhi</p> <p><b>New India</b> is the only <b>listed</b> one.</p>
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<p><b>Prelims 2006:</b></p> <p>Consider the following statements:</p> <ol style="list-style-type: none"> <li>LIC of India is the <b>oldest insurance company</b> in India.</li> <li><b>National Insurance Co.</b> Ltd was nationalized in the year <b>1972</b> and made a subsidiary of GIC of India.</li> <li>Headquarter of <b>United India Insurance Company Limited</b> is located at <b>Chennai</b>.</li> </ol> <p>Which of the statements given above are correct?</p> <p>(a) 1, 2 and 3                      (b) 1 and 2 only</p> <p><b>(c) 2 and 3 only</b>                      (d) 1 and 3 only</p>	<p><b>Prelims 2009:</b></p> <p>In the context of independent India's economy, which one of the following was the <b>earliest event</b> to take place?</p> <p>(a) Nationalization of Insurance companies <b>1956/1972</b></p> <p>(b) Nationalization of State Bank of India <b>1955</b></p> <p><b>(c) Enactment of Banking Regulation Act 1949</b></p> <p>(d) Introduction of First 5-Year Plan <b>1951</b></p>
---	--

**Prelims 2018:** Consider the following events:

- The first democratically elected **communist** party **government** formed in a State in India **1957**
- India's then largest bank, 'Imperial Bank of India', was renamed '**State Bank of India**' **1955**
- Air India** was nationalised and became the national carrier **1953**
- Goa** became a part of independent India **1961**

Which of the following is the correct chronological sequence of the above events?

(a) 4 - 1 - 2 - 3      **(b) 3 - 2 - 1 - 4**      (c) 4 - 2 - 1 - 3      (d) 3 - 1 - 2 - 4

## Deposit insurance

Economy will "die" if people lose "faith" in banking system

### Recent changes:

- ❑ 2020: 1 lakh → 5 lakh
- ❑ 2021: within 90 days of bank put under moratorium

**mint** Subscribe Sign in

**DICGC to pay up to ₹5 lakh to account holders of 21 insured banks**

The banks shall submit a claim list by 15 October and update the position as on 29 November. Photo: iStock

1 min read · Updated: 22 Sep 2021, 01:02 PM IST

**The Indian EXPRESS** SUBSCRIBE Epaper

**Changes to deposit insurance laws: How account holders will gain**

The Union Cabinet has cleared changes to the deposit insurance laws to provide funds up to Rs 5 lakh to an account holder within 90 days in the event of a bank coming under the moratorium imposed by the RBI.

Written by **Sunny Verma**, Edited by Explained Desk | New Delhi  
Updated: July 31, 2021 8:26:53 am

### Deposit insurance:

- ❑ **Compulsory** insurance purchased by banks for their depositors.
- ❑ Covers **all banks** operating in India.
- ❑ Does **not** cover deposits of **Govt / inter-bank**, etc.
- ❑ 1993: 30,000 → 1 lakh. 2020: 1 lakh → 5 lakh

### Benefits:

- ❑ Protects depositors; retains faith
- ❑ Less chances of bank run

### When?

- ❑ Bank closes/**liquidates**
- ❑ Placed under **moratorium**
- ❑ Money given within **90 days**

### DICGC Act, 1961

- ❑ Deposit Insurance & Credit Guarantee Corporation
- ❑ founded in **1961**
- ❑ fully owned by **RBI**

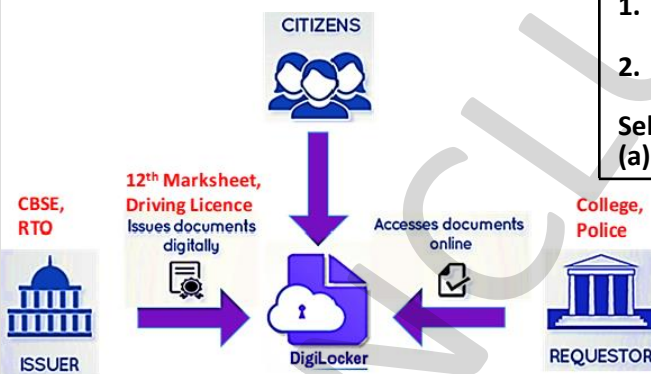
### Premium?

- ❑ **12 paisa** per ₹ 100
- ❑ Paid by bank
- ❑ Can't be passed on to customers

### How much?

- ❑ ₹ 5 lakh **per depositor per bank**
- ❑ add **all accounts** in that bank
- ❑ covers both **principal** and **interest**

## DigiLocker



### Prelims 2016:

Regarding **DigiLocker**, sometimes seen in the news, which of the following statements are correct?

1. It is a **digital locker** system offered by the Government under Digital India Programme.
2. It allows you to access your **e-documents irrespective** of your physical **location**.

Select the correct answer:

- (a) 1    (b) 2    (c) 1,2    (d) Neither 1 nor 2

- ❑ Initiative of **MeitY**
- ❑ **cloud** based platform; store, share, **verify**
- ❑ Documents in DigiLocker system are deemed to be at par with **original** physical documents as per Rule 9A of **IT Act, 2000**.
- ❑ **Self-uploaded** documents can be digitally signed using the eSign facility (which is similar to the process of self-attestation).

## Digital payments

See page-33

**DigiShala:** by **MeitY**; free DD channel to educate people about digital payments.

### Trend:

Volume and value have consistently increased

### Vitiya Saksharta Abhiyan:

M.o. **Education**; students of Higher Education Institutions to promote digital payments

### Centralised Payment Systems:

- ❑ **RTGS** and **NEFT**
- ❑ both owned and operated by **RBI**
- ❑ **Till now:** Banks were accessing CPS directly, and non-Banks through Banks
- ❑ **Now:** **non-banks** can also access CPS **directly**
- ❑ e.g. Prepaid Payment Instrument issuers, Card Networks, White Label ATM Operators
- ❑ **e-Kuber:** Core Banking Solution platform of **RBI**

### Digital Intelligence Unit and TAF COP:

- ❑ Ministry of **Communication**
  - ❑ **Frauds** using telecom services
  - ❑ Unsolicited commercial communication (**unwanted** calls/SMS)
- Telecom **Analytics** for **Fraud Management** and **Consumer Protection**

I read I forget, I see I remember

See explanation of this PDF on **YouTube** [www.youtube.com/c/allinclusiveias](http://www.youtube.com/c/allinclusiveias)



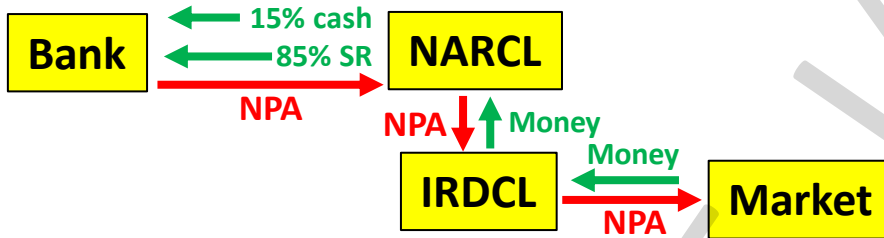
# All-Inclusive Current Affairs for Prelims 2021

## Economy Class-5“B”

Update (Feb-August)

### Bad Bank

Also see page-25



#### National Asset Reconstruction Co Ltd:

- incorporated under Companies Act
- has applied to RBI for ARC license
- 51% ownership by PSBs

#### India Debt Resolution Co Ltd:

- will manage the assets
- engage turnaround experts
- 49% ownership by PSBs

#### Government:

- X will infuse equity
- ✓ will guarantee security receipts

#### Security Receipts:

- Guaranteed by Govt (Rs 30,600 now)
- Guarantee valid for 5 years
- Can be invoked in case of resolution or liquidation
- Will cover shortfall between face value of SR and actual realization
- SRs are tradeable

#### Mechanism:

- NARCL will acquire assets by making offer to lead bank.
- Once the proposal of NARCL is accepted, IDRCL will be engaged for management and value addition.

#### Sudarshan Sen Committee:

- Set up in 2021 by RBI
- Study the role of ARCs in debt resolution

NARCL will reconstruct only those assets which are 100% provided for by the lenders and not classified as fraud or amid a liquidation process. But, 25<sup>th</sup> September 2021 news:

### Narasimham Committee

Some recommendations

#### 1991: Narasimham Committee-I

- 4-tier hierarchy for banks
- Reduce SLR; Deregulate interest rates
- Set up Asset Reconstruction fund

#### 1998: Narasimham Committee-II

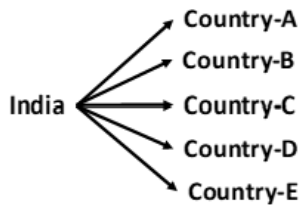
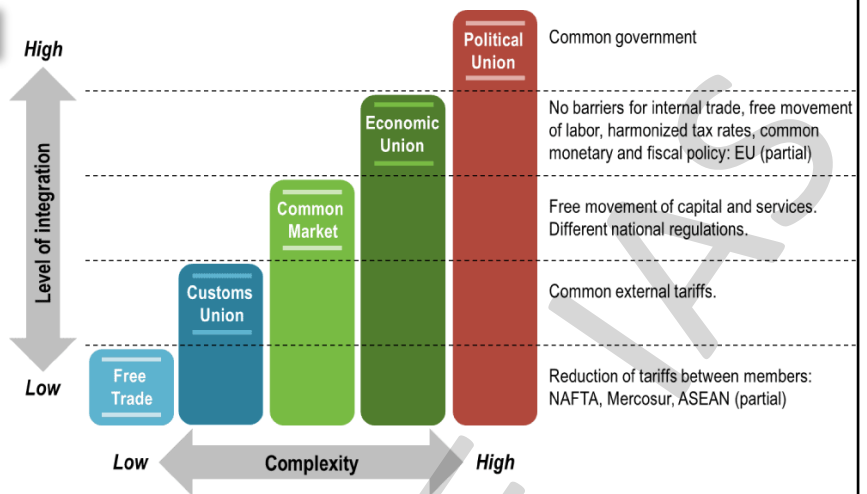
- Merge strong PSBs, but not strong with weak
- Set up Asset Reconstruction Companies
- SARFAESI Act passed in 2002

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# Trade Agreements

Also see page 36 to 41

- ❑ **Preferential Trade Agreement:** preferential treatment to certain products; (Positive list)
- ❑ **Free Trade Agreement:** preferential treatment to all (except few) products; (Negative list)
- ❑ **CECA:** Comprehensive Economic Cooperation Agreement
- ❑ **CEPA:** Comprehensive Economic Partnership Agreement



## Most Favoured Nation:

- India reduces import duty for country-A
- So country-A becomes most favoured by India
- Now India will have to treat B,C,D,E also favourably

## Most Favoured Nation:

non-discriminatory treatment between countries for trade.

## National Treatment:

non-discriminatory treatment between imported & domestic products.

## Trade Policy Review Mechanism:

- by WTO, for all members
- frequency varies with countries

## SAFTA (South Asia Free Trade Agreement):

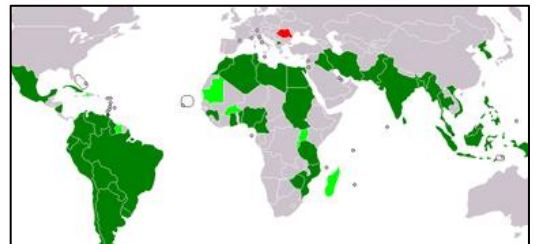
- 2004: signed in Islamabad at SAARC Summit
- 2006: entered into force
- Aims to create free trade area by reducing duties

## India-Mauritius CECPA

- Comprehensive Economic Cooperation and Partnership Agreement
- **first** trade Agreement signed by India with a country in **Africa**
- Entered into force on 01 April **2021**

## Global System of Trade Preferences among Developing Countries:

- PTA signed in 1988(1989), to increase trade between developing countries
- India participating since beginning.



## Asia-Pacific Trade Agreement 1975:

- **Oldest** PTA in Asia Pacific
- **India** member since beginning
- **UNESCAP** serves as Secretariat
- India, China, Bangladesh, Sri Lanka, Lao, Korea, Mongolia



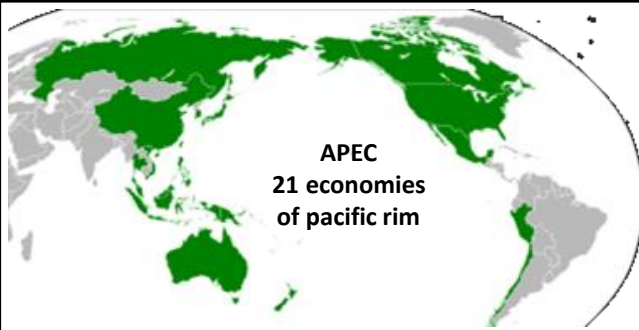
## Mercosur: (1991)

- Argentina, Brazil, Paraguay and Uruguay
- It is the **third largest** integrated market after the European Union (EU), North American Free Trade Agreement (NAFTA).
- India-Mercosur PTA: signed 2004, Operational **2009**



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57. India is a member of which among the following?

- ✗ 1. Asia-Pacific Economic Cooperation
- ✗ 2. Association of South-East Asian Nations
- ✓ 3. East Asia Summit

*Prelims 2015*



**ASEAN** = (Myanmar, Thailand, Laos, Cambodia, Vietnam) (Indonesia, Malaysia, Singapore, Brunei, Philippines)

**RCEP** = ASEAN + 5 (Japan, S. Korea, China, Australia, NZ) (3 from north, 2 from south)

**EAS** = RCEP + 3 (USA, Russia, **India**)

**MGC** = **India** + (Myanmar, Thailand, Laos, Cambodia, Vietnam)

**ASEAN:**

- ✓ Est. in **1967** by Bangkok declaration
- ✓ Secretariat in **Jakarta**
- ✓ **Cambodia** was last to join (1999)

**India-ASEAN FTA in goods:**

- ✓ Signed in **2009**
- ✓ Came into force in **2010**

**India-ASEAN FTA in services:**

- ✓ Signed in **2014**
- ✓ Came into force in **2015**

**Mekong river:**

- ✓ China, Myanmar, Thailand, Laos, Cambodia, Vietnam.
- ✓ Forms international border between Myanmar and Laos
- ✓ Forms international border between Thailand and Laos

**Why India did not join RCEP?**

- ✓ India already has FTA with ASEAN, Japan, South Korea.
- ✓ India is negotiating FTA with Australia and NZ.
- ✓ So, RCEP would have meant FTA with **China**.

64. In the Mekong-Ganga Cooperation, an initiative of six countries, which of the following is/are **not** a participant/participants?

- ✗ 1. Bangladesh
- ✓ 2. Cambodia
- ✗ 3. China
- ✓ 4. Myanmar
- ✓ 5. Thailand

*Prelims 2015*

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## IMF

### Quotas in IMF:

- given as per country's **economic power**
- **Decides**: contributions; voting power; share in SDR, etc.
- India 2.7%; USA 17.4%; China 6.41%

### Change in Quota:

- Last review in 2020, next in **2023**
- Change approved by **85%** of voting power
- A country's quota can't be changed without its consent

### Special Drawing Rights:

- Prelims relevant facts covered on page-37
- Working explained in 2020 Economy class-9 (but not much relevant for exam)

### IMFC:

- International Monetary & Financial Committee
- Ministerial-level; Advises IMF; Meets twice a year
- Has 24 members (✓ India); operates by consensus

### Prelims 2008:

How is the United Nations Monetary and Financial Conference where in the agreements were signed to set up **IBRD, GATT and IMF**, commonly known?

- (a) Bandung Conference
- (b) Bretton Woods Conference**
- (c) Versailles Conference
- (d) Yalta Conference

### Bretton Woods Conference:

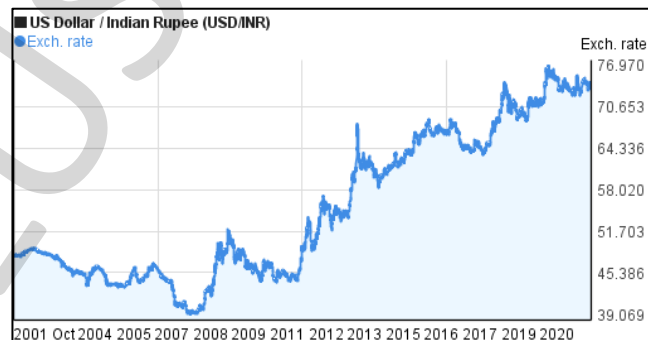
- in **1944**; at Bretton Woods, New Hampshire (**USA**)
- attended by all 44 Allied nations
- for post WW-2 international financial system

## Currency Manipulator

- ❖ A country deliberately influencing exchange rate to gain "unfair trade advantage".
- ❖ Designation given by WTO, IMF, WB, UN, etc.? No. It's just the **USA**.
- ❖ Many countries were/are in the list, not a big deal.

### For Prelims, please remember:

- ✓ **Stronger rupee** means rupee moving from 60 to 50.
- ✓ **Weaker rupee** means rupee moving from 60 to 70.
- ✓ It is generally advantageous for India / China to have weak currency.
- ✓ RBI's dollar reserves are at lifetime high, Rupee is at lifetime low



Ministry of Labour & Employment

Labour Bureau launches two of the five all-India surveys

DG Labour Bureau assures launching of remaining three surveys soon

Posted On: 01 APR 2021 5:06PM by PIB Delhi

The Labour Bureau has recently been tasked with five major All India Surveys by the Government of India. The five surveys are

## 5 All-India surveys

### All-India Survey on:

- 1) **Migrant** Workers
- 2) **Domestic** Workers
- 3) Employment generated in **Transport** Sector
- 4) Employment Generated by **Professionals**
- 5) Quarterly **Establishment** based Employment

## Startup Funding

Also see pages 16 and 41

Self → **Seed capital** → **Angel** investor  
→ **Venture** capital → Series A,B,C → IPO

### Startup India Seed Fund Scheme:

- 945 crores over 2021-25
- by **DPIIT** (MoCI); Eligibility:
  - recognized by DPIIT,
  - incorporated not more than 2 years ago
  - Never got more than Rs. 10 lakh support under any govt scheme

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## 8 core industries

### Index of Eight Core Industries:

- ❖ **OEA in DPIIT** prepares index of eight core industries.
- ❖ These numbers are used by **CSO** in MoSPI to bring **IIP**.
- ❖ 8 core sectors have **40.27%** weight in IIP.
- ❖ 8 core sectors includes **Refinery Products (28%)**, Electricity (20%), Steel (18%), Coal (10%), Crude Oil (9%) Natural Gas (7%), Cement (5%), **Fertilizers (3%)**

### Prelims 2012:

In India, in the overall Index of Industrial Production, the Indices of Eight Core Industries have a combined weight of 37.90%. Which of the following are among those **Eight Core Industries**?

1. Cement
2. Fertilizers
3. Natural gas
4. Refinery products
5. Textiles

Select the correct answer using the codes given below:

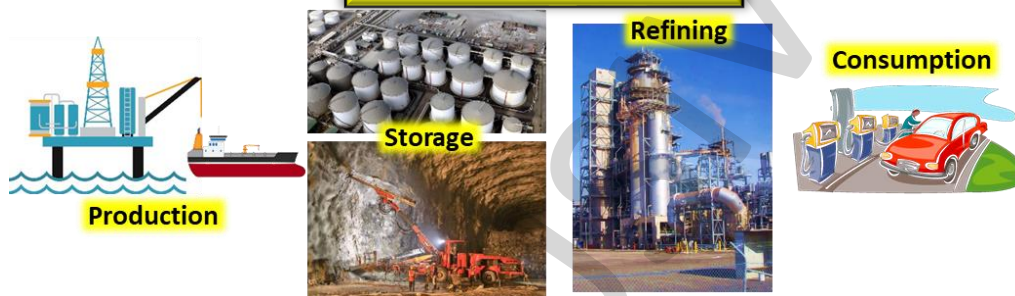
- (a) 1,5 (b) 2,3, 4 (c) 1,2,3,4 (d) 1,2,3,4,5

### Prelims 2015:

In the '**Index of Eight Core Industries**', which one of the following is given the **highest weight**?

- (a) Coal production (b) Electricity generation  
(c) Fertilizer production (d) Steel production

## Crude Oil



**Q. What are : West Texas (USA), Brent (North Sea), Dubai (Asia) ?**

**A. Oil benchmarks (India: Brent+Dubai mostly)**

**Q. What is Texas Light Sweet that was in news?**

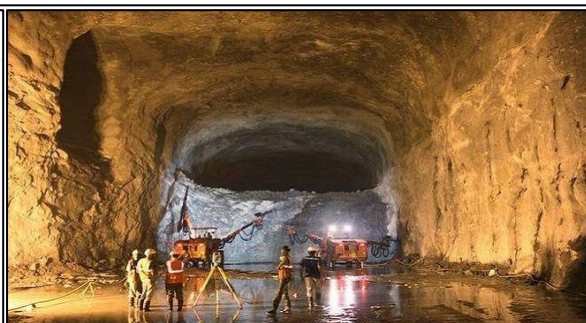
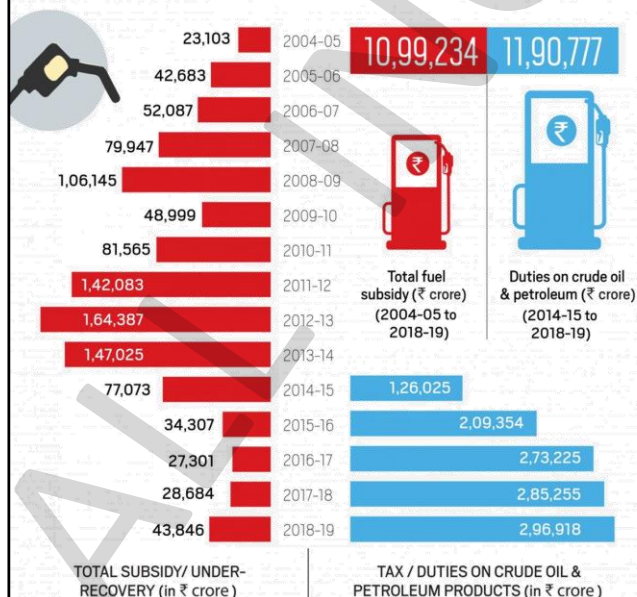
**A. West Texas Intermediate**

**Light** → low in density

**Sweet** → low sulphur (sweet & pleasant smell)

## WHY IS PETROL STILL TAXED?

TAX COLLECTION ON PETRO PRODUCTS HAS ALREADY SURPASSED WHAT THE GOVERNMENT SPENT ON FUEL SUBSIDY IN 15 YEARS



### Strategic Petroleum Reserves:

- Visakhapatnam, Andhra Pradesh
- Mangalore, Karnataka
- Padur, Karnataka
- Chandikhol, Odisha
- Bikaner, Rajasthan

Price build up	May 2014	Dec. 2020
Base price	47.12 (66%)	26.71 (32%)
Centre's tax	10.39 (14%)	32.98 (40%)
Dealer commission	2 (3%)	3.65 (4%)
State's tax	11.9 (17%)	19 (23%)
Retail price	71.41 (100%)	82.34 (100%)

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## Fertilizer Subsidy

☰
**The Indian EXPRESS**
SUBSCRIBE  
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👤

### Explained: How fertiliser subsidy works

The government proposes to limit the amount of fertilisers each farmer can buy during a cropping season. What is the objective of this move, and what will its implications be, including on the subsidy bill?

Written by **Harish Damodaran** | New Delhi |  
Updated: October 20, 2020 7:26:06 am

### Prelims 2020:

With reference to **chemical fertilizers** in India, consider the following statements:

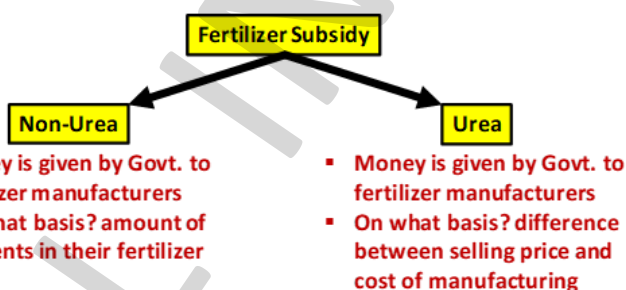
1. At present, the retail **price** of chemical fertilizers is **market-driven** and not administered by the Government.
2. **Ammonia**, which is an input of **urea**, is produced from **natural gas**.
3. **Sulphur**, which is a raw material for **phosphoric acid fertilizer** is a by-product of **oil refineries**.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 and 3 only (c) 2 only (d) 1, 2 and 3

### Fertilizer consumption:

N:P:K ratio: Ideal **4:2:1** Actual **6.7 : 2.4 : 1**



	Non-urea	Urea
Subsidy given to?	▪ <b>Manufacturer</b>	▪ <b>Manufacturer</b>
Subsidy based on?	▪ Nutrient Based subsidy scheme ▪ Amount of <b>nutrients</b> in fertilizer	▪ <b>Urea Policy</b> ▪ Difference between selling price and <b>cost</b> of manufacturing
Import?	▪ <b>Open</b> General Licence ▪ Private companies free to import	▪ <b>Canalized</b> ▪ Only 3 PSUs can import

Ministry of Chemicals and Fertilizers

### Market-linking of fertilizer prices

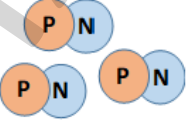


Posted On: 06 DEC 2019 6:05PM by PIB Delhi

As far as market-linking of urea prices is concerned, the MRP of urea is statutorily fixed by the Government. The MRP of 45 kg bag of urea is Rs.242 per bag (exclusive of charges towards neem coating and taxes as applicable) and the MRP of 50 kg bag of urea is Rs.268 per bag (exclusive of charges towards neem coating and taxes as applicable).

As far as market-linking of P&K fertilizers is concerned, the Government has implemented Nutrient Based Subsidy (NBS) Policy w.e.f. 1.4.2010 for Phosphatic and Potassic (P&K) Fertilizers. Under the NBS Policy, the Government announces a fixed rate of subsidy (in Rs. per Kg basis), on each nutrient of subsidized P&K fertilizers, namely Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S), on annual basis taking into account all relevant factors including international prices, exchange rate, inventory level and prevailing Maximum Retail Prices of P&K fertilizers. The per Kg subsidy rates on the nutrients N, P, K, S is converted into per Tonne subsidy on the various subsidized P&K fertilizers covered under NBS Policy. Under the Policy, MRP of P&K fertilizers has been left open and fertilizer manufacturers/marketers are allowed to fix the MRP at reasonable rates as per market dynamics. At present 21 grades of P&K fertilizers namely DAP, MAP, TSP, MOP, Ammonium Sulphate (produced by M/s FACT and M/s GSFC), SSP and 15 grades of NPKS complex fertilizers are covered under the NBS Policy.

As far as the role and extent of the Private Sector in Fertilizer production is concerned, Private Sector is producing 44.46% of total Urea Production; 56.58% of Di Ammonium Phosphate(DAP) of the total DAP production; and 57.49% of Complex Fertilizers of the total Complex Fertilizers produced in 2019-20 (upto Oct., 2019).

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<p><b><u>New Urea Policy 2015:</u></b> Increase local production; efficiency in production; rationalize subsidy, etc.</p> <p><b><u>Steps taken:</u></b></p> <ul style="list-style-type: none"> <li>▪ Soil Health Card scheme</li> <li>▪ Four <b><u>new urea plants</u></b> to come up by 2021.</li> <li>▪ <b><u>Gas price pooling</u></b> all plants get gas at same price</li> <li>▪ <b><u>Coal gasification</u></b> based urea plant at Talcher.</li> <li>▪ <b><u>DBT at Point of Sale</u></b></li> <li>▪ <b><u>Neem Coated Urea</u></b></li> </ul>	<p><b><u>2018 DBT system:</u></b></p> <ul style="list-style-type: none"> <li>➤ Show Aadhaar or KCC at <b><u>retail point</u></b> (PoS machines)</li> <li>➤ Enter details into system, including <b><u>quantity</u></b> taken</li> <li>➤ Govt will then give <b><u>subsidy</u></b> to <b><u>retailer manufacturer</u></b>.</li> </ul>		
<p><b><u>Fertilizers are Essential Commodities?</u></b> Yes Fertilizer Control Order 1957 was issued under Essential commodity Act, 1955.</p>	<p>Of the Rs 80,000 crore fertilizer subsidy bill, 54,000 crore is on urea.</p>		
<p><b><u>Department of Fertilizer:</u></b> Under Ministry of <b><u>Chemicals</u></b>, not MoA&amp;FW Ensures adequate &amp; timely availability of Fertilizers</p>	<p><b><u>Complex fertilizer</u></b> Two or more nutrients in chemical combination e.g. di-ammonium phosphate</p> 		
<p><b><u>Prelims 2016:</u></b> Why does govt. promote use of <b><u>Neem-coated urea</u></b> in agriculture? (a) Release of Neem oil in soil increases nitrogen fixation by soil microorganisms <b>(b)</b> Neem coating slows down rate of dissolution of urea in soil (c) Nitrous oxide, which is a greenhouse gas, is not at all released into atmosphere by crop fields (d) It is a combination of weedicide &amp; fertilizer for particular crops</p>	<p><b><u>Neem Coated Urea:</u></b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Neem coated urea <b><u>slows down nitrogen release</u></b>, so plants absorb more.</li> <li><input type="checkbox"/> Less diversion to industry; less consumption by farmer; low subsidy burden</li> </ul>		
	<p><b><u>Agriculture Infrastructure Fund</u></b></p> <ul style="list-style-type: none"> <li>➤ Central Sector Scheme; MoA&amp;FW</li> <li>➤ For (i) post-harvest infra (ii) Community farming assets</li> <li>➤ e.g. cold storage, warehouses, packaging units, etc.</li> <li>➤ Rs 1 lakh crore loans to be given, during 2020-29, by banks, to farmers, FPOs, SHGs, etc.</li> <li>➤ 3% Interest subvention and credit guarantee</li> </ul>		
<p><b><u>Types of agri infra:</u></b></p> <ul style="list-style-type: none"> <li>➤ <b><u>Input based infra:</u></b> seeds, fertilizers, pesticides</li> <li>➤ <b><u>Resource infra:</u></b> irrigation, pumps, machinery</li> <li>➤ <b><u>Physical infra:</u></b> storage facilities, road connectivity</li> <li>➤ <b><u>Institutional infra:</u></b> bank loans, crop insurance, marketing support (APMCs)</li> </ul>	<p><b><u>Prelims 2011:</u></b> In India, which of the following have the <b><u>highest</u></b> share in the disbursement of <b><u>credit to agriculture</u></b> and allied activities?</p> <p><b>(a)</b> Commercial Banks <b>79%</b> <b>(b)</b> Cooperative Banks <b>15%</b> <b>(c)</b> Regional Rural Banks <b>5%</b> <b>(d)</b> Microfinance Institutions <b>1%</b></p>		
<p><b><u>Share in total agri credit:</u></b></p> <ul style="list-style-type: none"> <li>➤ <b><u>Highest</u></b> share (40%) is of <b><u>southern</u></b> region</li> <li>➤ <b><u>Lowest</u></b> share (02%) is of <b><u>North-east</u></b> region</li> </ul> <p><b><u>Reasons:</u></b></p> <ul style="list-style-type: none"> <li>➤ NE has just 2.7% of India's gross cropped area</li> <li>➤ KCC loans are given against land documents, but community ownership of land is prevalent in NE</li> </ul>	<p>I read I forget, I see I remember   See explanation of this PDF on  <a href="http://www.youtube.com/c/allinclusiveias">www.youtube.com/c/allinclusiveias</a></p>		
<p>Prelims 2021</p>	<p>Current Affairs</p>	<p>Economy</p>	<p>Page-77   © All Inclusive IAS</p>

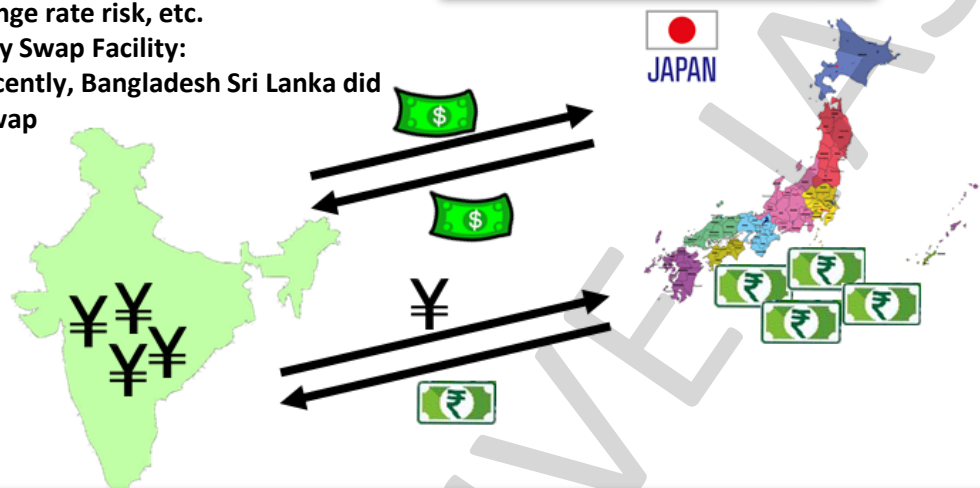
# All-Inclusive Current Affairs for Prelims 2021

## Economy Class-5“C”

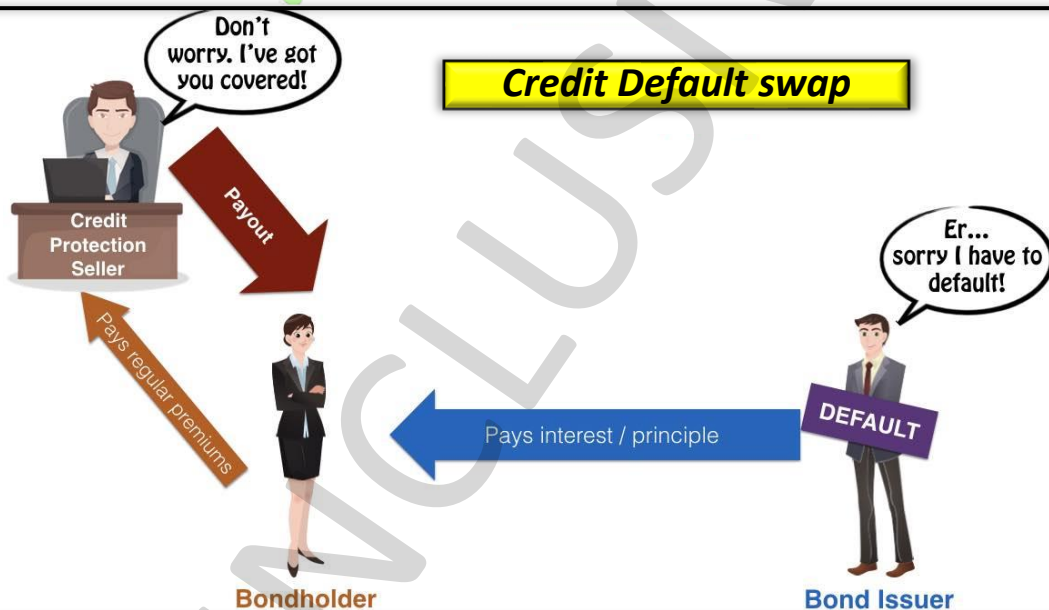
Update (Feb-August)

- ❑ Helps meet short term liquidity requirement
- ❑ Reduces exchange rate risk, etc.
- ❑ SAARC Currency Swap Facility:
- ❑ Since 2012; Recently, Bangladesh Sri Lanka did \$200 million swap

### Currency swap



### Credit Default swap



### Prompt Corrective Action

- Introduced by RBI in 2002
- Revised in April 2017

**Parameters:** (not important for exam)

- Capital Adequacy Ratio
- Common Equity Tier-1 ratio
- Net NPA
- Return on Asset

**Example of restrictions:**

- Can't give dividends to shareholders
- Can't open new branches
- Compensation to Directors
- Curbs on lending and deposits (extreme cases)

**PCA framework applies to:**

- ✓ Public Sector Banks
- ✓ Private Banks
- ✓ Small Finance Banks
- ✓ Payment Banks
- ✓ Foreign banks in India
- ❖ It does not apply to Co-operative banks and NBFCs.
- ❖ For Cooperative banks, there is Supervisory Action Framework
- ❖ For NBFCs, RBI will bring something by 2022.

I read I forget, I see I remember

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## Scheme for Special Assistance to States for Capital Expenditure

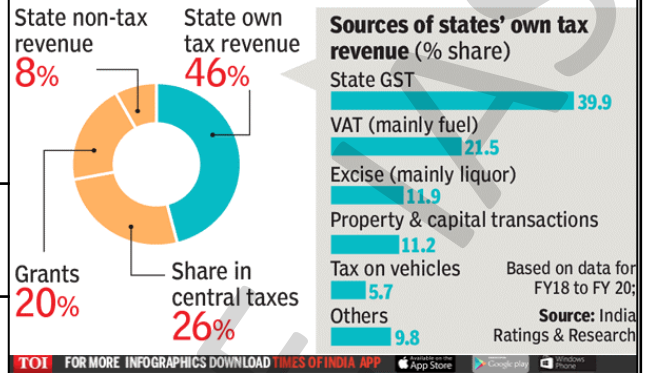
- launched in 2020; **50-year interest free loan** of Rs 12,000 crore given to states
- Good response, so continued in 2021 also
- Funds to be used for:
  - new and ongoing capital projects
  - settling pending bills in ongoing capital projects

### Important info:

States spend 1.5 times more than Union.  
States employ 5 times more people than Union.

**Also see:** page-4 for capital expenditure  
page-13 for cess and surcharge

## HOW STATES GET THE RESOURCES



### State Development Loans:

- dated securities issued by states
- Just like Union govt issues G-sec

### Ways and Means Advances:

- facility for Centre and states to borrow from RBI
- for temporary mismatch in cash flows
- given at same rate as repo rate



## Helicopter money

- non-repayable money transfer from central bank to govt (see page-29 for Direct Monetization of Deficit)
- Printing large sums of money and distributing it to public
- aim is to boost domestic demand
- helps improve GDP growth rate
- helps economy get out of liquidity trap (page-32)

## Microfinance

### Prelims 2011:

**Microfinance** is the provision of financial services to people of low-income groups. This includes both the consumers and the self-employed. The service/services rendered under microfinance is/are:

1. Credit facilities
2. Savings facilities
3. Insurance facilities
4. Fund Transfer facilities

Select the correct answer

- (a) 1 only                      (b) 1 and 4 only  
(c) 2 and 3 only              **(d) 1, 2, 3 and 4**

### 1992 SHG-Bank Linkage Program:

- Banks open **savings** accounts for SHGs.
- Banks provide loans to the SHGs against group guarantee.
- Quantum of **loan** could be several times the deposits of SHG.

### 2005 Joint Liability Groups:

- Group of small farmers, artisans etc given collateral-free **loan** by bank
- Promoted by any individuals/institutions

Both are initiatives of **NABARD**.

First one is savings oriented, second one is credit oriented.

### Microfinance borrower:

- Annual household income: < ₹1,25,000 for rural and ₹2,00,000 for urban
- Loan amount does not exceed Rs. 1.25 lakh per borrower.

### Microfinancing:

- Term first used in 1970s during development of Grameen Bank of Bangladesh (1976), founded by Muhammad Yunus.

### Malegam Committee 2011 is related to?

- Microfinance sector; by RBI

### Present Status:

- Total micro-finance loans: Rs 2.7 lakh crores
- Highest share: SCBs (40%); NBFC-MFIs: 30%

I read I forget, I see I remember | See explanation of this PDF on [www.youtube.com/c/allinclusiveias](https://www.youtube.com/c/allinclusiveias)

## Significant Economic Presence

See page-14

### Significant Economic Presence:

- Any **non-resident** having SEP in India shall be deemed to have a **business connection** in India.
- Income by transactions in India will be taxable in India if (any of following):
  - aggregate payments exceed **Rs 2 crore**
  - engages with more than **3 lakh users**

### Timeline:

- **2018:** introduced by Finance Act 2018; but limit not notified; so inoperative
- **2021:** limits notified; came into effect from 1<sup>st</sup> April 2021 (or 1<sup>st</sup> April 2022)

### Equalization levy vs SEP:

- There can be some overlap between the two.
- However, if a transaction is subject to equalization levy, then there would be no further Indian income tax liability.

## Global Minimum Tax

- backed by G7 and G20 in their latest summits
- will apply to companies' **overseas profits**.
- Countries are free to impose any domestic tax rate.



### Prelims 1997:

The **Minimum Alternative Tax (MAT)** was introduced in the Budget of the Government of India for the year:

- (a) 1991-92      (b) 1992-93
- (c) 1995-96      (d) 1996-97

### Minimum Alternate Tax:

- Aim is to bring into the tax net **“zero tax companies”** (too much tax exemption)
- Applies to domestic as well as foreign companies
- Pay **15%** (of book profits) as MAT if its less than 15%
- Introduced by Finance Act, 1987
- Withdrawn by Finance Act, 1990
- Reintroduced by Finance Act, 1996

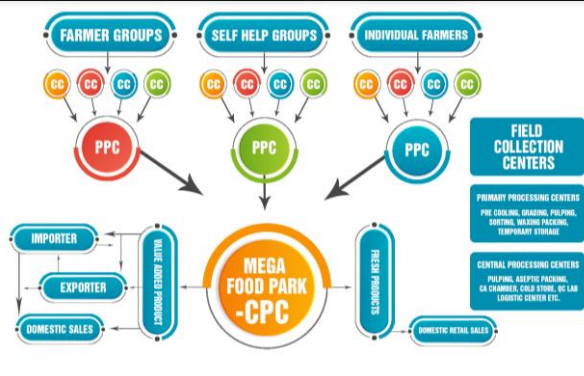
### India reduced Corporate tax in 2019:

- Existing companies:** 22% (25.17% effective)
- New Manufacturing companies:** 15% (17.01% effective)
- Condition:** will not avail any incentive or exemptions.

## Food Processing

### Mega Food Parks Scheme:

- Launched by **MoFPI** in **2008**
- It is based on **hub and spoke** model.
- Up to **Rs 50 crore** financial assistance to set up Mega Food Parks.



I read I forget, I see I remember | See explanation of this PDF on [YouTube](https://www.youtube.com/c/allinclusiveias) [www.youtube.com/c/allinclusiveias](https://www.youtube.com/c/allinclusiveias)

### SAMPADA scheme

- Launched by **MoFPI** in **2016**; Central **Sector** Scheme
- Umbrella scheme for all things related to food processing
- Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters

### Operation Greens:

- launched in **2018** on lines of Operation Flood
- to stabilize the supply of Tomato, Onion and Potato (**TOP**) crops
- by giving subsidies mainly for storage and transport (even air transport)
- **TOP to Total**: benefit extended to all fruits & vegetables

## Horticulture

fruits, vegetables, root & tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew, cocoa, bamboo

### Horticulture:

- Fruits, vegetables, spices, flowers, etc.
- Fruits and vegetables account for 90% of horticultural produce in India
- India **#1** in Banana, Mango, Lemon, Papaya, Lady finger
- India **#2** in fruits and vegetables (**China is #1**)

### Horticulture Cluster Development Programme:

- MoA&FW; Central **Sector** Scheme

### Mission for Integrated Development of Horticulture:

- MoA&FW; Centrally **Sponsored** Scheme

### National Horticulture Board:

- MoA&FW; 1984; Gurugram

### Project Chaman:

- Launched in **2014**; under **MIDH**
- better horticulture development using remote sensing
- **Coordinated Horticulture Assessment** using **Management** using **geoinformatics**

## Certification marks in India

### Prelims 2017:

Consider the following statements:

1. The Standard Mark of **Bureau of Indian Standards** (BIS) is mandatory for automotive **tyres** and tubes.
2. **AGMARK** is a quality Certification Mark issued by the Food and Agriculture Organisation (FAO).

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

### Bureau of Indian Standards

- National Standard Body of India
- est. under BIS Act, 1986 (now BIS Act, 2016)
- Ministry of Consumer Affairs

BIS Hallmark	Bureau of Indian Standards (MoCA)	Gold and silver jewellery
ISI Mark	Bureau of Indian Standards (MoCA)	Industrial products
Ecomark	Bureau of Indian Standards (MoCA)	Eco friendly products
AGMARK	Directorate of Marketing & Inspection (MoA&FW)	Agricultural Products
FPO Mark	Ministry of Food Processing	Processed fruit products
India Organic	APEDA (MoC&I)	Organic food

## National Monetization Pipeline



Actively using



Not using



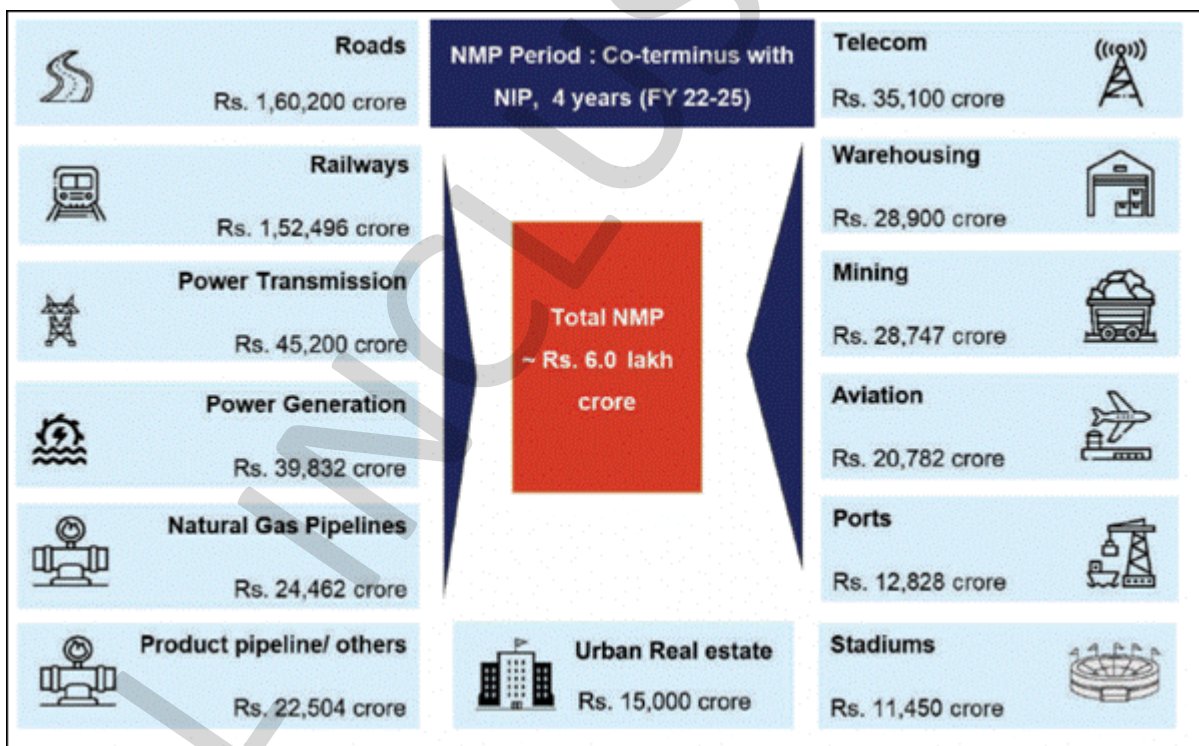
Source of revenue

### National Monetization Pipeline:

- limited period transfer of Brownfield Infrastructure Assets
- This asset monetisation for four years FY 2022-25 may fetch **Rs 6 lakh crore**
- **Remember:** govt is “not” selling assets. Govt is giving assets on “rent”.

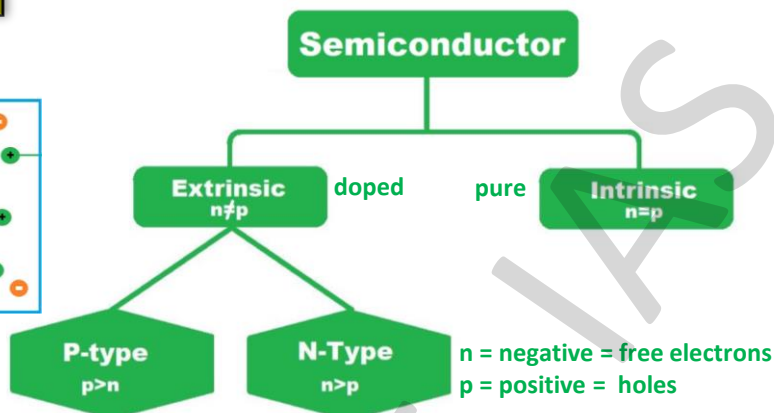
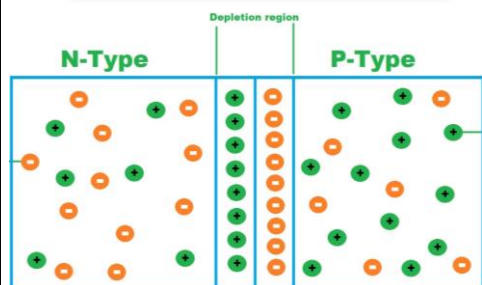
### National Infrastructure Pipeline:

- List of major (>100 crores) infra projects, expected to be implemented in India by 2025.
- Includes projects of Centre , States and private sector.
- Total estimated expenditure is **Rs 100 lakh crore**.



- Investment:** buying shares of a company
- Disinvestment:** selling shares of that company
- Strategic disinvestment:** disinvestment with change in management control
- Privatization:** change in ownership

## Semiconductors



### Semiconductor:

- ❖ Critical part of **electronics**
- ❖ They have electrical **conductivity** between insulator (e.g. glass) and conductor (e.g. copper).
- ❖ Charge carriers are: **electrons**, ions and electron **holes**
- ❖ Conductivity can be controlled by Doping and temperature change.
  - ❖ **Temperature:** high temperature increases conductivity (opposite happens in metals)
  - ❖ **Doping:** intentional introduction of impurities
  - ❖ **Degenerate Semiconductor:** doped so much that it acts like conductor
- ❖ Some **examples** of semiconductors are silicon, germanium, gallium arsenide,
- ❖ After **silicon**, **gallium arsenide** is the second-most common semiconductor
- ❖ Chip shortage: Covid → factories shut → but demand increased

## Edible oil

10. Consider the following statements :

- ✓ 1. The quantity of imported edible oils is more than the domestic production of edible oils in the last five years.
- ✗ 2. The Government does not impose any customs duty on all the imported edible oils as a special case.

Which of the statements given above is/are correct ?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Prelims 2018**

### National Mission on Edible Oil - Oil Palm

- Centrally Sponsored Scheme; MoA&FW
- Financial assistance to farmers; etc.
- Special Focus on North-East and Andaman
- Old: **National Mission on Oil Seeds and Oil Palm**
- India imports 60% of its edible oil needs.

84. Among the agricultural commodities imported by India, which one of the following accounts for the highest imports in terms of value in the last five years?

- (a) Spices
- (b) Fresh fruits
- (c) Pulses
- ✓ (d) Vegetable oils

**Prelims 2019**

## District Mineral Foundation

62. What is/are the purpose/purposes of 'District Mineral Foundations' in India?

- ✗ 1. Promoting mineral exploration activities in mineral-rich districts
- ✓ 2. Protecting the interests of the persons affected by mining operations
- ✗ 3. Authorizing State Governments to issue licences for mineral exploration

**Prelims 2016**

### District Mineral Foundations:

- ✓ Set up in **all** districts affected by mining related operations
- ✓ Set up under **Mines and Minerals Act, 2015**
- ✓ Gets money from mining company
- ✓ Gives money to **PM Khanij Kshetra Kalyan Yojana**
- ✓ Money is used for? To **help people affected by mining** (health, education, water, sanitation, infra, skill development, etc.)

## Miscellaneous

### Ricochet impact:

- Ricochet means to bounce off
- IMF chief warned that economic troubles of poor nations can bounce off to affect developed nations as well.

### Sunrise industry:

- relatively **new**, is **growing** fast and is expected to become **important** in the future.
- e.g. hydrogen fuel production, petrochemical industry, food processing industry, space tourism

### Anchor investor:

- Institutional investors invited to subscribe shares **before IPO**
- Mainly to boost market confidence

### Escrow account:

It is a **third party account** where funds are kept before they are transferred to the ultimate party

### Cotton: see page-50

- Cotton is a **Kharif** crop
- **Textiles** are 2<sup>nd</sup> largest **employer** after agri

### Cotton 2040:

- international initiative to promote cotton
- by Forum for the Future (international NGO)

### G-sec Acquisition Programme (G-SAP)

- **Open Market Operation** by RBI
- but there is an upfront **commitment** by RBI

### Gilt Account:

- an account opened for holding **Government securities**

### Longevity risk:

- actual survival rates exceed expectations.
- Problem for insurance companies & pension funds.

### Retrospective tax:

- tax (rule) effective from an **earlier date**.
- One such law was made in 2012, now repealed.

### Airports Economic Regulatory Authority of India:

- statutory body under AERA Act, **2008**
  - independent **tariff regulator** to prevent private airport operators from misusing their monopoly
- 2021 amendment:**
- amends definition of major airport (>35 lakh/year) to also include **group of airports**.
  - government will be able to club profitable and non-profitable airports to bidders for **PPP**

### AgriStack:

- Initiative of **MoA&FW**
- collection of digital **databases** and technologies for agriculture sector

Ministry of Finance

India and UN-Based **Better Than Cash Alliance** organized a joint Peer learning exchange on fintech solutions for responsible digital payments at the last mile  
**est in 2012; New York; India is member**

Posted On: 09 DEC 2020 6:18PM by PIB Delhi

### e-Shram Portal:

- National database of **unorganised workers**
- by **Ministry of Labour** and Employment
- Aims to register 38 crore unorganised workers
- workers will be issued an e-Shram card containing a 12 digit unique number

### National Urban Digital Mission:

- by **MoHUA** (with MeitY as partner)
- To create **digital infra** in all cities that can be used for several other initiatives.

### India Urban Data Exchange (IUDX):

- by Smart Cities Mission and IISc Bangalore
- platform for exchange of data amongst various data platforms

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**Green tax to be imposed on older vehicles soon**, to clean up the environment by phasing out unfit and polluting vehicles

Revenue collected through the tax will be used for tackling pollution

Posted On: 25 JAN 2021 5:53PM by PIB Delhi

The Union Minister for Road Transport and Highways Sh. Nitin Gadkari has approved a proposal to levy a "Green Tax" on old vehicles which are polluting the environment. The proposal will now go to the states for consultation before it is formally notified. The main principles to be followed while levying the Green Tax are :

**Major Port Authorities Act, 2021:** See page-58

- replaces Major Port Trust Act, **1963**
- vests administration to 'Major Port Authorities **Board**'.
- allows **landlord model** where Board acts like land owner and private company pays rent and operates the port.

**FATF:**

- ✓ intergovernmental organization
- ✓ formed in **1989** by **G-7 to combat money laundering**
- ✓ In **2001**, mandate expanded to include terror financing
- ✓ HQ: **Paris** (France) (OECD)
- ✓ **39 members**, including India, China, USA.
- ✓ **Pakistan is not a member** state of FATF.
- ✓ Published 'Money Laundering and illegal **wildlife trade**' report 2020.

**Cryptocurrencies:**

As per new rules issued by Ministry of Corporate Affairs, Companies need to disclose their investments in cryptocurrencies.

**National Automobile Scrappage Policy:**

- 15 years: Commercial vehicles
- 20 years: Private Vehicles
- Fitness test, costly re-registration.
- Incentives, discounts for scrapping.

**Shell Company:**

- No real business/assets; **No legal definition** in India.
- Mostly for money laundering, electoral funding, etc.
- Multiple layers, hides real owner/source of money.
- Special Purpose Acquisition Companies:**
  - A type of shell company; **listed** on exchange
  - Raise capital by IPO; use it for acquisitions
  - aka **Blank cheque companies**

**Nidhi company:**

- It is a type of NBFC; governed by Companies Act, 2013
- It is for borrowing and lending money **only between its members**
- License** from RBI **not needed**

**White Goods**

large electrical goods used domestically



**Madhu Kranti Portal:**

- initiative of National Bee Board under MoA&FW
- to check quality and trace source of **honey**

**Central Revenues Control Laboratory:**

- est in **1939**; comes under Central Board of Indirect taxes and Customs **CBIC**
- Recently recognised as Regional Customs Laboratory of WCO (page-19)

**e-SANTA:**

- Online platform to connect **aqua farmers and buyers**
- By Marine Products Export Development Authority under **MoCI**

<p><b><u>Africa Open DEAL initiative:</u></b></p> <ul style="list-style-type: none"> <li>➤ DEAL Data for Environment, Agriculture, Land</li> <li>➤ By <b>FAO</b> and <b>African Union Commission</b></li> <li>➤ Africa has become the first continent to complete the collection of digital <b>land use data</b></li> </ul>	<p><b><u>Tax Inspectors Without Borders:</u></b></p> <ul style="list-style-type: none"> <li>➤ initiative of <b>UNDP</b> and <b>OECD</b></li> <li>➤ help countries strengthen tax administration by sharing technical knowledge.</li> <li>➤ recently launched in Bhutan with India's cooperation</li> </ul>			
<p><b><u>Ministry of Housing &amp; Urban Affairs</u></b></p> <ul style="list-style-type: none"> <li>➤ Ease of <b>Living</b> Index</li> <li>➤ <b>Municipal</b> Performance Index</li> </ul>	<p><b><u>Global Manufacturing Risk Index:</u></b></p> <ul style="list-style-type: none"> <li>➤ by Cushman &amp; Wakefield</li> <li>➤ most advantageous locations for global manufacturing</li> <li>➤ <b>India overtook USA to get #2</b>, mostly driven by cost competitiveness</li> <li>➤ <b>China</b> is still <b>#1</b></li> </ul>			
<p><b><u>National Coal Index</u></b></p> <ul style="list-style-type: none"> <li>➤ Ministry of Coal; for coal <b>auctioning</b></li> <li>➤ It is a <b>price index</b> which reflects the change of price level of coal</li> </ul>				
<p><b><u>Financial Inclusion Index:</u></b></p> <ul style="list-style-type: none"> <li>➤ by <b>RBI</b>; increased; no base year</li> </ul>	<p><b><u>Economic Freedom Index</u></b></p> <ul style="list-style-type: none"> <li>➤ By The Heritage Foundation, a US think tank</li> <li>➤ Singapore topped; <b>India 12<sup>th</sup></b></li> </ul>			
<p style="font-size: 48px; opacity: 0.2; transform: rotate(-45deg);">ALL INCLUSIVE IAS</p>				
<p>I read I forget, I see I remember   See explanation of this PDF on  <b>YouTube</b> <a href="http://www.youtube.com/c/allinclusiveias">www.youtube.com/c/allinclusiveias</a></p>				
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