

All-Inclusive Current Affairs for Prelims 2022

Economy Class-1



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

You may ignore these two points for Prelims 2022:

- 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

LAFFER CURVE:

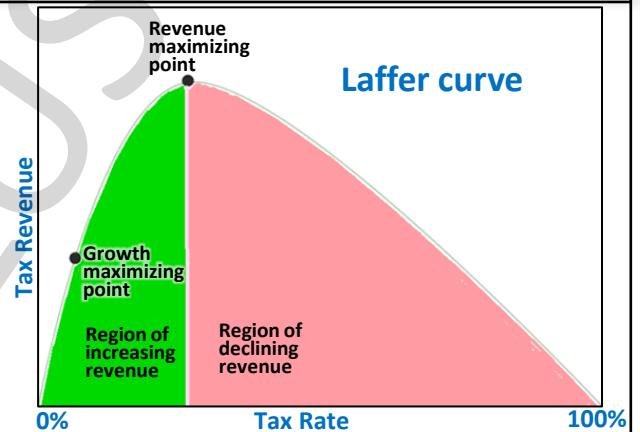
It shows relation between tax rate and tax revenue

Initially:

- Increase in tax rate → Increase in Tax revenue

Later:

- Increase in tax rate → Decrease in Tax revenue



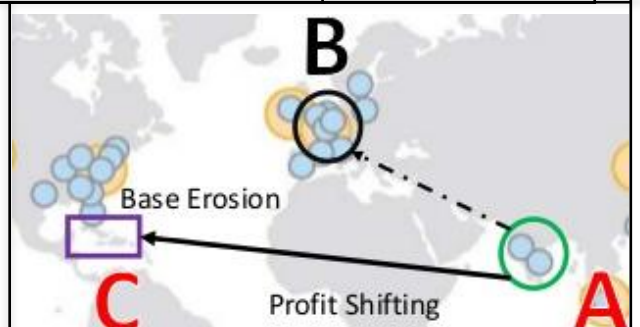
Tax planning or Tax saving	decrease tax liability by using provisions of law	e.g. 1.5 lakh deductions under section 80C of IT Act	Legal and ethical
Tax avoidance	decrease tax liability by using loopholes in law	e.g. channelling profits through offshore branches	Legal but unethical
Tax evasion	decrease tax liability by fraudulent techniques	e.g. understate income or inflate expenses.	Illegal and unethical

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.



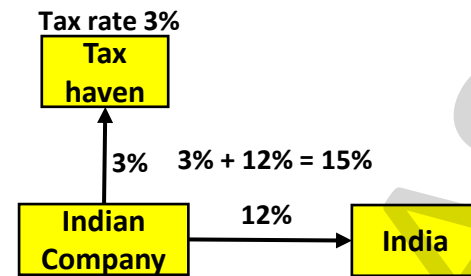
I read I forget, I see I remember

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

Impact on India:

- **FDI in India:** no impact, as corporate tax rate (22%) is more than 15%
- **FDI from India:** India will benefit if foreign country has tax rate less than 15%
- Some estimates suggest that India loses \$10 billion annually due to tax abuse by MNCs.

It will reduce '**race to the bottom**' where countries reduce tax rates and labour rights to attract investment.



It will apply to company's overseas profits. Countries are free to impose any domestic tax rate.

Retrospective Tax

2012

2016

2021

THE HINDU

Retrospective amendment of I-T Act not specific to Vodafone case: Pranab

Finance Minister Pranab Mukherjee maintained on Sunday that the budgetary proposal to amend the Income Tax Act with retrospective effect from 1962 to assert the government's right to levy tax on merger and acquisition (M&A) deals involving overseas companies with business assets in India is not Vodafone "case specific," but an enabling provision to protect the fiscal interests of the country and avert the chances of a crisis.

the quint

Become a Q-Insider

India Threatens Vodafone: Pay Up Tax Bill or Will Seize Assets

In a fresh ultimatum to Vodafone, the Indian government has said it may seize Vodafone Group's assets in the country if the telco doesn't pay a disputed Rs 14,200-crore tax bill that's still undergoing international arbitration proceedings, *Bloomberg* reported on Tuesday, citing a copy of the notice that was sent to the company this month.

The Indian EXPRESS

Cairn gets ruling to freeze Indian assets in Paris

Britain's Cairn Energy Plc has secured an order from a French court authorising the freezing of 20 Indian government properties in Paris valued at over 20 million euros, the London-based Financial Times reported Thursday. The newspaper said it has seen official documents confirming the freeze authorised by the French court, and that Cairn's asset freeze application in Paris is the first to succeed.

Brief Background:

2007:

- Vodafone purchased Hutch's share in telecom company Hutch-Essar for \$11 billion
- Both foreign companies; deal happened in Cayman islands, but assets were based in India
- Indian govt served notice to Vodafone for tax demand.

2012:

- SC ruled in favour of Vodafone
- Through Finance Act 2012, govt retrospectively amended IT Act, 1961

2012-2021:

- More cases opened. e.g. against Cairn Energy
- Vodafone and Cairn went to international arbitration, won the cases.

2021:

- July 2021: French court ordered freezing of Indian govt assets.
- August 2021: Govt brought Taxation Laws (Amendment) Act, 2021

The Indian EXPRESS

Retrospective tax policy: NDA called it tax terror; took 7 years and adverse verdicts to course-correct

It took over seven years, and the possibility of an adverse verdict in international arbitration rulings, for the BJP-led government to **withdraw the retrospective taxation amendment** in I-T Act introduced in March 2012, by Pranab Mukherjee, the then Finance Minister in the UPA government.

Taxation Laws (Amendment) Act, 2021:

- Govt will **withdraw** retrospective **tax demand** for deals done before 2012
- Govt will **refund** any amount **already collected**
- Company will have to **withdraw all litigations**
- Offshore transactions **after 28 May 2012** will remain **taxable**

I read I forget, I see I remember | See explanation of this PDF on YouTube www.youtube.com/c/allinclusiveias

Tax Terrorism	<u>Pressurize honest taxpayers</u> to pay unreasonable taxes through legal means
Retrospective Tax	Tax effective from an <u>earlier date</u> To act against companies that misused tax laws (due to loophole or lack of clarity)
Tax Expenditure	<input type="checkbox"/> <u>Opportunity cost of taxing at concessional rates</u> (due to exemptions, deductions, incentives, etc) <input type="checkbox"/> It shows indirect subsidy enjoyed by tax payers <input type="checkbox"/> Since 2006-07, " <u>Statement of Revenue Foregone</u> " is presented as a separate budget document.

Capital Gains Tax



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

<u>Capital gain:</u> gain that arises from the sale of a 'capital asset'	<u>Example of capital assets:</u> Property, vehicles, patents, trademarks, machinery, jewellery	<u>Capital gains tax applies?</u> X inheriting a property ✓ selling that property
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Prelims 2012:

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

- When there is an increase in the sales of a product
- When there is a natural increase in the value of the property owned
- 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

Security Transaction Tax

- It is a Direct Tax. It was introduced in 2004.
- It is levied on every sale / purchase of securities on stock exchanges.
- Shares, Bonds, Debentures, Derivatives (Futures and Options), equity oriented mutual funds, etc.
- Not applicable on commodity and currency transaction.

Prelims 2010:

Consider the following statements:
In India, taxes on transactions in Stock Exchanges and Futures Markets are

- levied by the Union
- 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

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

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

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Honoring the Honest

Transparent Taxation – Honouring the Honest:

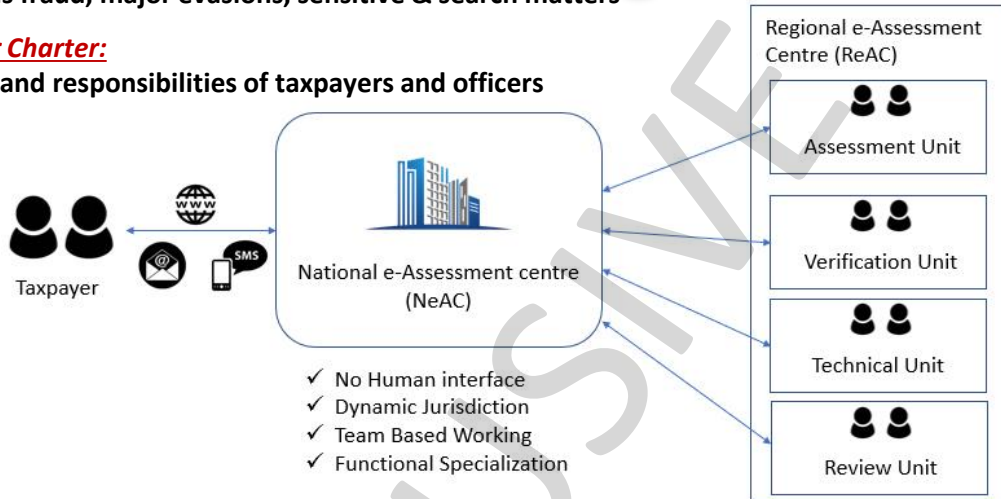
- Computerized case selection
- Faceless assessment, Complete anonymity
- No need to visit officer
- Appeals: randomly allotted; team-reviewed

Exceptions:

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

Taxpayer Charter:

- rights and responsibilities of taxpayers and officers



Tax & Inflation



HSN Code

Apple
HS Code: 08081000

08

08

10

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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**

Goods and Services Tax

101st Constitution Amendment Act, 2016

- Introduced GST from **1 July 2017**
- Inserted, deleted, amended many articles
- **Article 366:**
 - GST means tax on supply of goods, services or both, except alcoholic liquor for human consumption.
 - Services means anything other than goods.
 - State includes UTs with legislature.

- 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

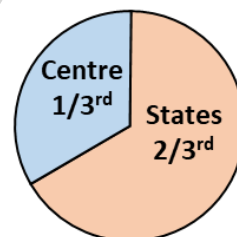
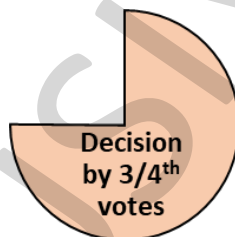
- ✓ Centre levies and collects: **CGST, IGST**
- ✓ States levies and collects: **SGST**

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

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

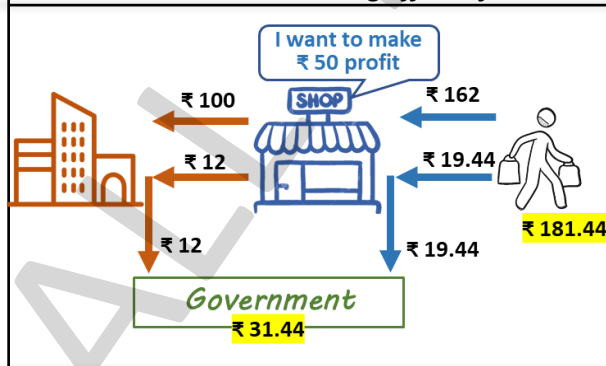
Which one of the following is not a feature of "Value Added Tax"?

- (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.

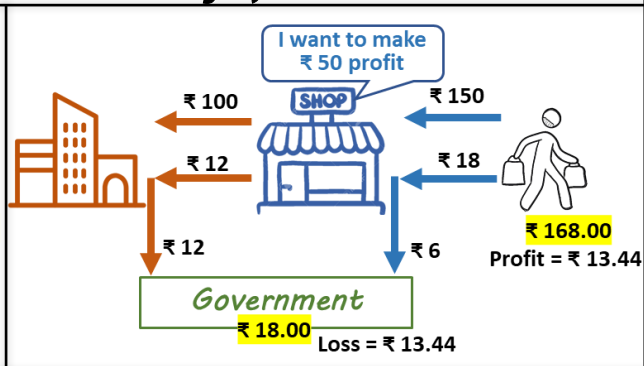
National Anti-Profiteering Authority:

- 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



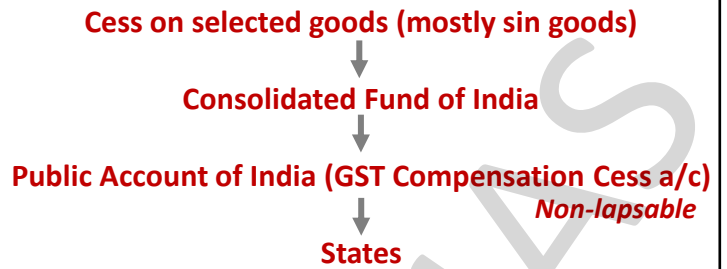
Since July 1, 2017 Tax on value addition



I read I forget, I see I remember | See explanation of this PDF on www.youtube.com/c/allinclusiveias

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.



Surcharge & Cess

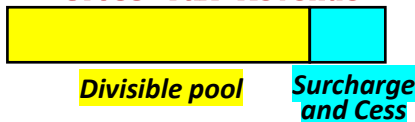
Tax	Surcharge	Cess
For any purpose	For any purpose	For specific purpose
Shared with States	Not shared	Not shared
Goes to CFI	Goes to CFI	Goes to CFI

THE NEW INDIAN EXPRESS

Revenue for states: Bring cess, surcharge in divisible pool

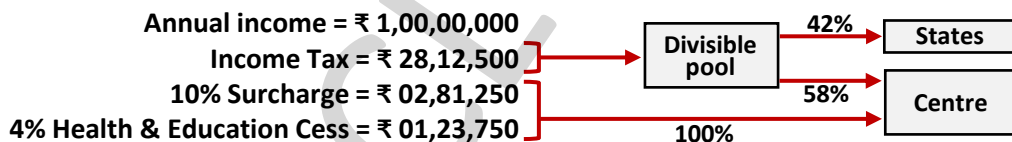
Despite increase in cesses and surcharges from Rs 49,628.02 crore in 2010-11 to Rs 3,74,471.14 crore in 2021-22, the benefits do not flow down to the states.

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

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

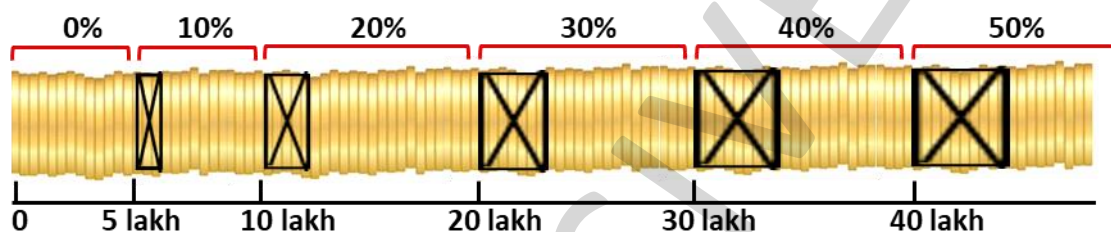
Parliament: makes law to create cess and its designated fund

Progressive Tax



Progressive tax	Rich pays more % of income as tax	Income tax	0 % of income	15 % of income	35 % of income
Proportional tax	Rich and poor pay same % of income as tax	Corporate tax (approx.)	25 % of income	25 % of income	25 % of income
Regressive tax	Rich pays small % of income 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

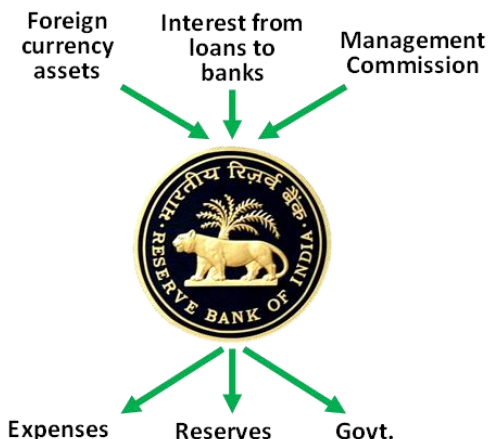
Redistribution of income in a country can be best brought through:

- progressive taxation combined with progressive expenditure
- progressive taxation** combined with **regressive expenditure**
- regressive taxation combined with regressive, expenditure
- regressive taxation combined with progressive expenditure

All-Inclusive Current Affairs for Prelims 2022

Economy Class-2

Reserve Bank of India



RBI SURPLUS TRANSFERRED TO THE CENTRAL GOVERNMENT



RBI:

- Recommended by **Hilton Young Commission 1926** (Royal commission on Indian currency & finance)
- First Governor **Sir Osborne Smith**
- Commenced operations on 1 April **1935**
→ est in **Calcutta**, moved to Mumbai in 1937
→ est as **private entity**
- Nationalised on 1st January **1949** by RBI (Transfer to Public Ownership) Act, 1948
100% owned by Finance Ministry

Bimal Jalan Committee 2018

- It revised **Economic Capital Framework** of RBI:
- **Realised equity:**
5.5 - 6.0% of balance sheet
 - **Economic capital:**
20-24.5% of balance sheet
- After reserving the above, RBI must transfer surplus to govt.

Central Board of RBI:

Appointed/nominated by Govt for 4 years as per RBI Act

Official Directors:

- Governor + 4 Dy Governors (Full time)

Non-Official Directors:

- Nominated:**
 - 10 from various fields
 - 2 Govt officials (usually Economic Affairs Secretary and Financial Services Secretary)
- Others:**
 - 4 - one each from four local boards (E-W-N-S)

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)

Section 47 of RBI Act, 1934:

- Transfer profit to Govt. (after other things)

e-Kuber: Core Banking Solution of RBI since 2012

- For Govts, Banks, Liquidity Adjustment Facility, G-secs, Gold bonds, trade PSL certificates, etc.

Prelims 2016

The term '**Core Banking Solution**' is sometimes in the news. Which of the following statements best describes this term?

1. It is a networking of a bank's branches which enables customers to operate their accounts from any branch of the bank on its network regardless of where they open their accounts.
2. It is an effort to increase RBI's control over commercial banks through computerization.
3. It is a detailed procedure by which a bank with huge non-performing assets is taken over by another bank.

Select the correct answer using the code given below:

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

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MAIN FUNCTIONS OF RBI (don't learn, just understand)

Monetary Authority Conducts monetary policy

- To maintain **price stability** while keeping in mind the objective of **growth**.

Regulator and supervisor of financial system Prescribes broad parameters for banking functions

- To **protect** depositors' interest, provide **cost-effective** banking services and maintain public **confidence**

Manager of Foreign Exchange Manages FEMA 1999

- To facilitate external trade & payments, and promote forex market

Issuer of currency Issues/exchanges/destroys currency and coins not fit for circulation

- Ensure adequate supply of good quality currency

Developmental role Support national objectives

- Ensure adequate credit to neglected sectors and regions.

Regulator and Supervisor of Payment and Settlement Systems

- Introduce/upgrade payment systems

Related Functions

- **Banker to Government:** performs merchant banking function for central and state governments (manage accounts, manage borrowing program, give financial advice, etc.)

- **Banker to banks:** maintains banking accounts of all scheduled banks; act as lender of last resort, etc

- **GST:** Aggregator for accounting GST collections in respective govt accounts

RBI as Banker to Banks:

- ✓ Banks have current **account** with RBI
- ✓ Banks keep **deposits** with RBI
- ✓ RBI **advises** banks on monetary matters
- ✓ Clearing inter-bank **transactions**
- ✓ RBI gives **loans** to banks
- ✓ Lender of **last resort**

Think like this: what Banks do for people, RBI does for Banks

Prelims 2013

RBI **regulates** commercial banks in matters of

1. liquidity of assets
2. branch expansion
3. merger of banks
4. winding-up of banks

Select the correct answer

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

Prelims 2021

In India, the central bank's function as the '**lender of last resort**' usually refers to which of the following?

1. Lending to **trade and industry bodies** when they fail to borrow from other sources
2. Providing liquidity to **banks** having temporary crisis
3. Lending to **governments** to finance budgetary deficits

Select the correct answer using the code given below.

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

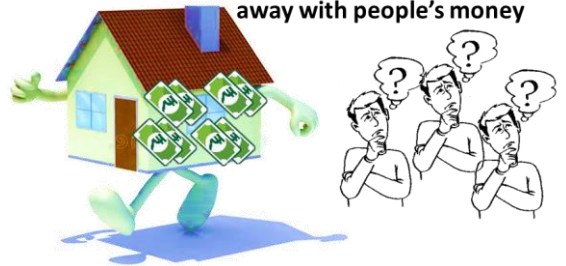
Interest on savings account:

- RBI no longer fixes it (since 2011)
- RBI still regulates it

Bank Run



Bank Run is **NOT** bank running away with people's money



Bank Run is people running to bank to withdraw their money



- It occurs when **large number of bank customers** withdraw their deposits because they believe the bank might fail.
- It usually happens due to **rumors** of bank about to fail.
- 'Bank Run' can become '**self fulfilling prophecy**'
 - Banks don't keep all money with them. Banks give depositor's money as loans.
 - So, if everyone demands their money back, the bank might actually fail!

I read I forget, I see I remember

See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

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**

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: (Nov 2021)

RBI merged three Ombudsman: Banks, NBFCs, Digital transactions

Internal Ombudsman Scheme 2018:

Commercial banks to appoint IO To address grievances within the bank

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

Misc

Regulations Review Authority by RBI:

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

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)

I read I forget, I see I remember

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Monetary Policy Transmission

Monetary policy transmission: process through which, policy action of the central bank is transmitted, to meet the ultimate objectives of inflation and growth.

- Expansionary monetary policy:** Lowering interest rates to encourage economic activity.
- Contractionary monetary policy:** Increasing interest rates to control production and consumption.

RBI policy rates → Bank interest rates → Economic activity → Inflation

Fall → cheap loan to Banks → more liquidity → cheap loan to public → increase investment in economy
 Rise → (opposite of fall)

Bank rate: RBI gives loan to Banks

ET THE ECONOMIC TIMES

External benchmark system improves monetary transmission: RBI Article

By PTI
Last Updated: Jul 15, 2021, 08:10 PM IST

The introduction of the external benchmark system for lending and deposit rates has helped in improving the monetary transmission by banks, an RBI article said on Thursday. The share of outstanding loans linked to external benchmarks has increased from as low as 2.4 per cent during September 2019 to 28.5 per cent during March 2021, said the article prepared by RBI officials.

Prelims 2013

An **increase in Bank Rate** generally indicates that the

- (a) Market rate of interest is likely to fall
- (b) Central Bank is no longer making loans to commercial banks
- (c) Central Bank is following an easy money policy
- (d) Central Bank is following a tight money policy

Prelims 2015

With reference to India economy, consider the following:

1. Bank rate 2. Open market operations
3. Public debt 4. Public revenue

Which of the above are **components of Monetary Policy**?

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

Prelims 2016

What is/are the purpose/purposes of the "Marginal Cost of Funds based Lending Rate (**MCLR**)" announced by RBI?

1. These guidelines help improve transparency in the methodology followed by banks for determining the interest rates on advances
2. These guidelines help ensure availability of bank credit & interest rates which are fair to the borrowers as well as the banks

Select the correct answer:

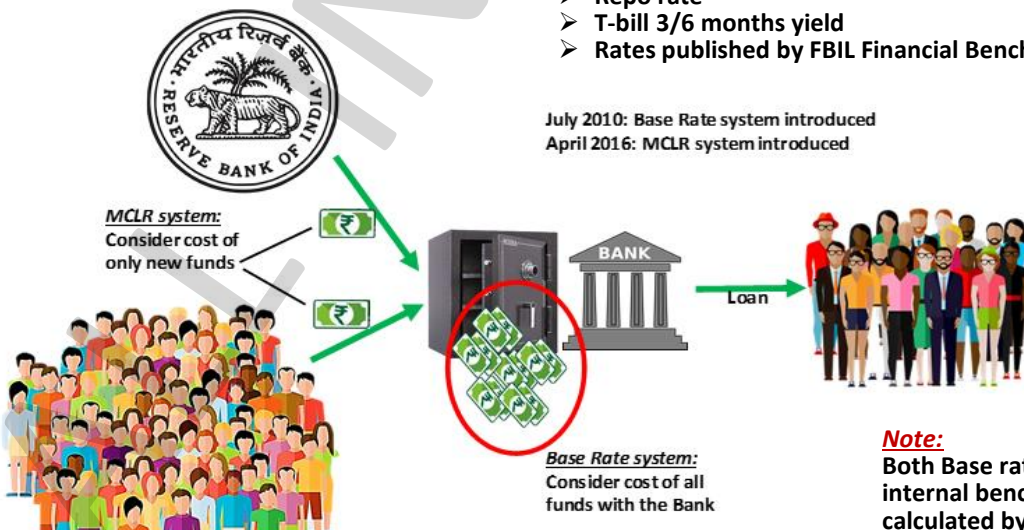
- (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

2019:

RBI asked banks to follow some **external benchmark**:

- Repo rate
- T-bill 3/6 months yield
- Rates published by FBIL Financial Benchmarks India Ltd.

July 2010: Base Rate system introduced
 April 2016: MCLR system introduced



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

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**.



Rs 500
ABCD12340



Rs 500
ABCD12341



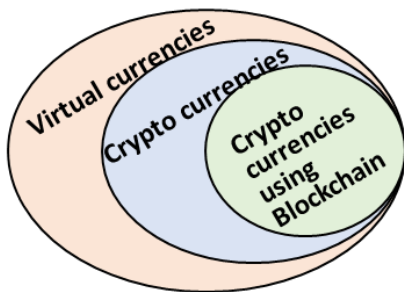
Rs 500
ABCD12342



Rs 500
ABCD12343



Rs 500
ABCD12344



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

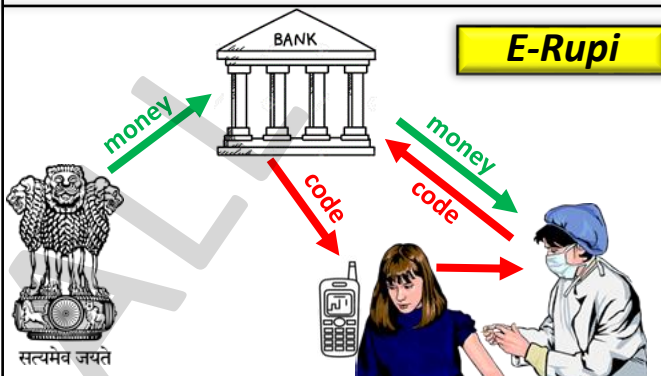
El Salvador:

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

Subhash Chandra Garg Committee 2019: (Don't learn the following)

- ❑ recommended **ban** on **private** cryptocurrencies:
 - volatility, instability, security risk, risk of funding illegal activities.
- ❑ highlighted **benefits** of **official** digital currency:
 - Promote **cashless** society
 - Increase in **Financial Inclusion**
 - Encourage development of **Fintech** sector
 - Provide a **real time picture of economic activity** and hence better GDP estimates and efficient monetary policy formulation
 - **Traceability of transactions** will help in controlling corruption and money laundering
 - **Counter** the monopoly of **private** sector issued cryptocurrencies

Other benefits: Reduce **cost** of printing and transporting. Reduce scope for **counterfeiting**.

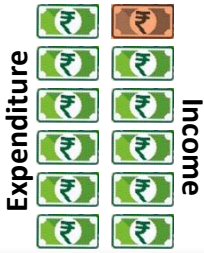


- electronic **voucher**
- **not** digital/virtual **currency**
- **person**-specific and **purpose**-specific
- can be shared via **SMS** or QR code
- Developed by **NPCI**, MoHFW, etc.
- Beneficiary need not have bank account or smart phone
- Not restricted to health sector or public sector (private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

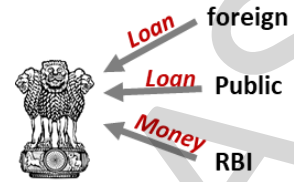
I read I forget, I see I remember

See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

Monetization of Deficit

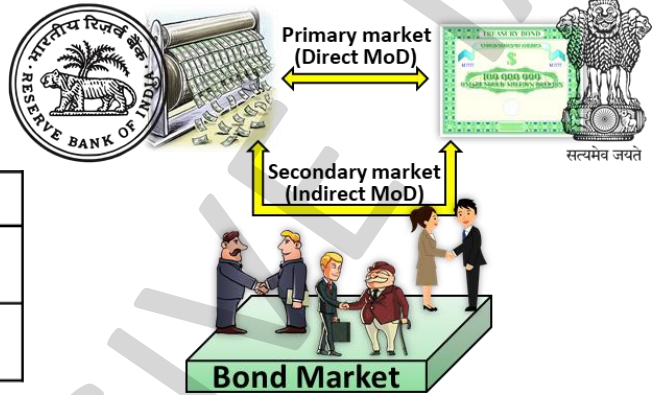


Deficit: excess of expenditure over income
Deficit financing: arranging this excess money.
 Options: Foreign; Public; RBI; etc.
Monetization of Deficit: money comes from RBI
 ➤ **Direct MoD:** money comes directly from RBI
 ➤ **Indirect MoD:** money comes via Bond market



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

	Present	Future
Loan	A $\xleftrightarrow[\text{Money}]{\text{Bonds}}$ B	A $\xleftrightarrow[\text{Money}]{\text{Bonds}}$ B
Monetization	A $\xleftrightarrow[\text{Money}]{\text{Bonds}}$ 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

Helicopter money



- non-repayable money transfer from central bank to govt
- 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

All-Inclusive Current Affairs for Prelims 2022

Economy Class-3

Open Market Operations

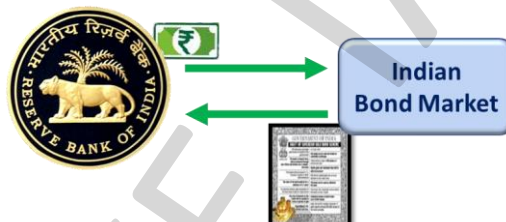
Problem: Excess rupee liquidity in market

Solution: RBI will sell G-secs in market



Problem: Low rupee liquidity in market

Solution: RBI will buy G-secs from market



OMO:

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

	To influence which type of liquidity	Promise to buy / sell at later stage
Repo OMO	Temporary liquidity	Yes
Outright OMO	Long term liquidity	No

Operation Twist

- First time done by US Fed in 1961. Done by RBI in 2021.
- Aim is to stimulate economic growth by lowering long-term interest rates.

RBI sold short-term (1-year) G-Secs, and purchased long-term (10-year) G-secs, of equal amount.

Supply of short-term G-secs increased
So their price reduced.
So their yield (interest rates) increased.

Supply of long-term G-secs decreased
So their price increased.
So their yield (interest rates) decreased.

G-SAP

Govt Securities Acquisition Program

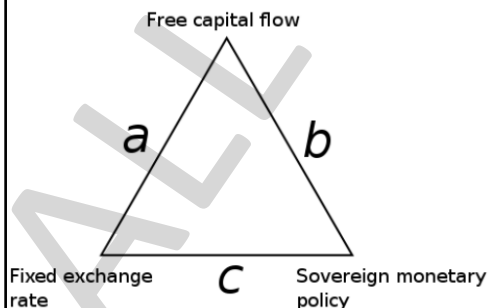
- ✓ It is OMO by RBI, with a 'distinct character'
- ✓ It is unconditional: there is upfront commitment by RBI to purchase G-sec irrespective of market sentiment
- ✓ There is certainty to timing and amount of G-sec buys by RBI
- ✓ It can reduce borrowing cost for government.

Background:

Govt had to borrow much money → shortage of liquidity → rates may increase → so RBI assures market that it will infuse liquidity by buying G-sec

Impossible Trinity / Trilemma

(Mundell-Fleming trilemma)



It is impossible to have all three of the following at the same time:

- 1) a fixed foreign exchange rate
- 2) free capital movement (absence of capital controls)
- 3) an independent monetary policy

Most countries favor side 'b' of the triangle.

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

Hot money

Hot money:

- Flow** of funds from one **country** to another, to earn **short-term profit**
- Reason: **interest rate** differences or anticipated **exchange rate** shifts.

Prelims 2021

Indian Government Bond **yields are influenced by** which of the following?

1. Actions of United States Federal Reserve
2. Actions of Reserve Bank of India
3. Inflation and short-term interest rates

Select the correct answer:

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

Carry trade:

- Borrow money at low interest rate
- Invest that money in assets giving higher return

When US Fed increases rates:

- US bonds will give more yield (return)
- **Indian bonds** will become **less attractive**
- Global funds will pull money out of Indian bonds.
- Rupee will become weaker. Dollar will become stronger.
- To prevent such FPI outflow, **RBI may increase rates.**

US Fed Taper tantrum of 2013:

US Fed announced that it will taper its policy of quantitative easing

- US Fed will feed less money into the economy
- US Fed will reduce purchase of Treasury bonds
- i.e. demand for Treasury bonds will reduce
- i.e. price of Treasury bonds will reduce
- i.e. yield of Treasury bonds will increase

Result: FPI outflow from India, Rupee fell

Prelims 2021

The effect of **devaluation** of a currency is that it necessarily

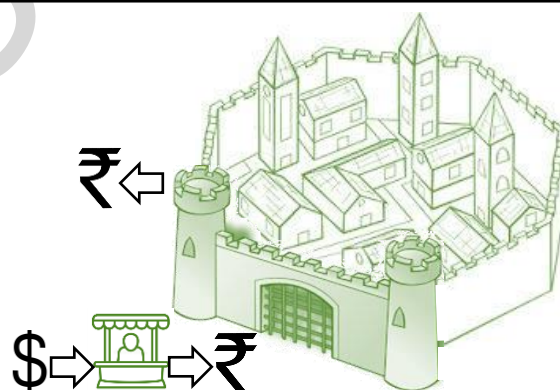
1. improves the competitiveness of the domestic exports in the foreign markets.
2. increases the foreign value of domestic currency
3. improves the trade balance

Which of the above statements is/are correct?

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

Sterilization

- Huge inflow of foreign currency can damage economy
 - Currency will appreciate
 - Inflation
 - Exports will become uncompetitive
- To prevent such damage
 - RBI will withdraw excess money supply
 - This is called sterilization



MSS

Market Stabilization Scheme

- It was introduced in **2004**
 - due to huge capital inflows since 2002.
- In **2016**, after demonetization
 - its limit was increased from 30k crore to 6 lakh crore.
- It is a **monetary policy tool** of RBI
 - To **withdraw excess liquidity** (money supply)
 - By **selling Market Stabilization Bonds** (MSBs are just like T-bills/G-secs, hence part of govt debt)
- Money** raised by MSBs is **not transferred to govt**
 - It is kept with RBI for buyback

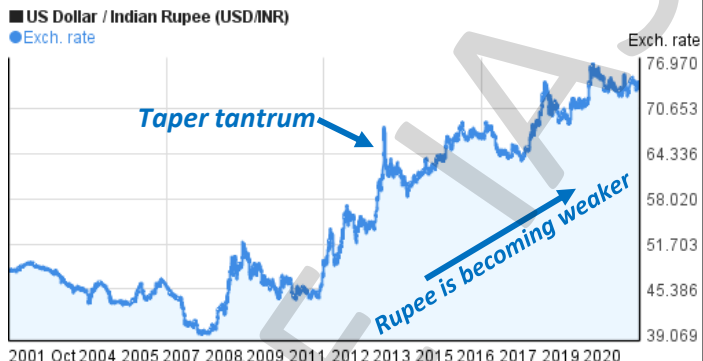
I read I forget, I see I remember | See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

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 near lifetime high (\$630 billion)
- ✓ Rupee is near lifetime low (\$1 = ₹76)



Fixed Exchange rate system:

Currency's value is fixed by Central Bank against the value of another currency

Managed floating (dirty float):

Central Bank intervenes to prevent volatility (India: 1993/94)

Free Floating:

Central Bank does not intervene

Technically: Devaluation is done intentionally in fixed rate system, but depreciation happens by itself (market forces) in floating rate system.

For exam: don't get into this technicality unless the questions demands so.

RBI retail direct scheme

Page-10 e-Kuber Individuals? Yes!

<https://rbiretaildirect.org.in/>

Business Standard

RBI Retail Direct Scheme: Individuals can now directly buy T-bills, G-Secs

Individuals can now directly purchase treasury bills, dated securities, sovereign gold bonds (SGB) and state development loans (SDLs) from primary as well as secondary markets, thanks to the **RBI Retail Direct Scheme** launched by Prime Minister Narendra Modi on Friday.

As per the scheme, retail investors (individuals) will have the facility to open an online Retail Direct **Gilt Account** (RDG Account) with the **Reserve Bank of India** (RBI). These accounts can be linked to their savings bank accounts.

The RDG Accounts of individuals can be used to participate in the issuance of government securities and secondary market operations through the screen-based NDS-OM.

RBI Retail Direct

Retail Direct scheme is a one-stop solution to facilitate investment in Government Securities by Individual Investors.

Sovereign Gold Bonds

Sovereign Gold Bonds are considered to be substitutes for holding physical gold and are government securities denominated in grams of gold.

Also through banks, post offices, etc.

Primary Issuances

Primary issuances are first time issuances or re-issuances of government securities by Central Government or State Governments.

NDS-OM Secondary Market

NDS-OM is RBI's screen based, anonymous electronic order matching system for trading in G-Sec in the secondary market.

Also through OTC and Stock Exchanges

Prelims 2021

With reference to India, consider the following statements:

1. **Retail** investors through **demat** account can invest in 'Treasury Bills' and 'Government of India Debt Bonds' in **primary market**.
2. The 'Negotiated Dealing System - **Order Matching**' is a govt securities **trading platform** of RBI.
3. The 'Central Depository Services Ltd' is jointly promoted by **RBI** and **Bombay Stock Exchange**.

Which of the statements given above is/are correct?

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

Can NRIs buy govt bonds? **Yes**

Can FPIs buy govt bonds? **Yes**

Obviously, some restrictions apply

I read I forget, I see I remember

See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

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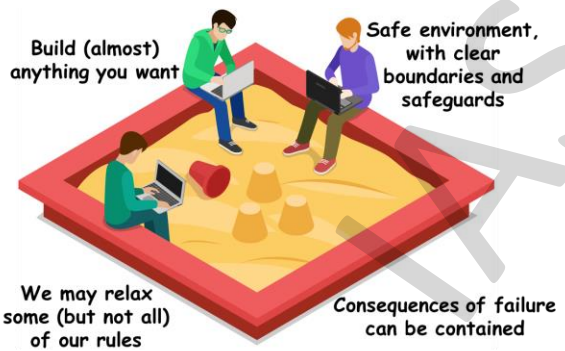
RBI regulatory sandbox: How this fintech uses blockchain for cross-border pay

3 min read . Updated: 15 Sep 2021, 01:22 PM IST

The Reserve Bank of India has selected Open Financial Technologies Pvt Ltd to build a blockchain-based cross-border payment system. Open Financial Technologies has been selected as part of the second cohort under the regulatory sandbox framework of the central bank. The theme of the cohort is how fintechs can solve today's problems with cross-border payments.

Regulatory sandbox usually refers to live testing of new products or services in a controlled environment.

Regulatory Sandbox



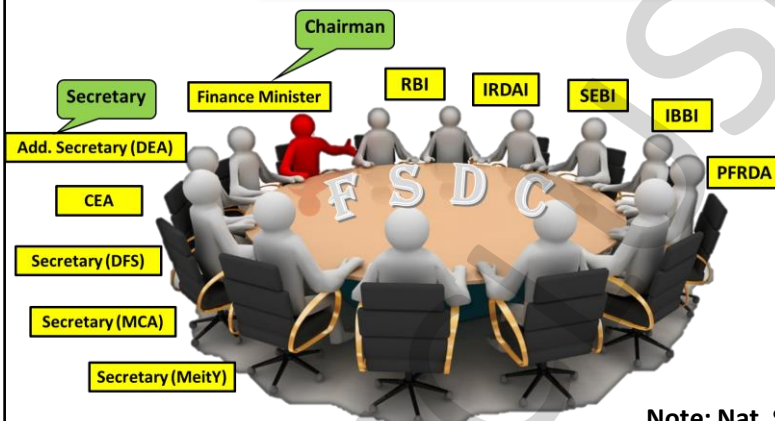
Regulatory Sandbox:

allowing innovators to conduct live experiments in a controlled environment.

Fintech:

use of technology in financial services & processes

Financial Stability Development Council



- formed in 2010 on recommendation of Raghuram Rajan committee
- To prevent 2008 GFC like crisis by inter-regulatory coordination
- It also focuses on financial literacy and financial inclusion.

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

Domestic Systemically Important (Too Big to Fail)

- Their failure will cause significant stress in financial system
- Hence, they are subjected to additional regulatory measures

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 Re, NIAC

I read I forget, I see I remember

See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

All-Inclusive Current Affairs for Prelims 2022

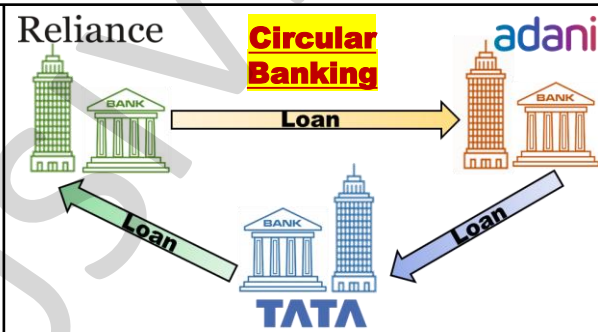
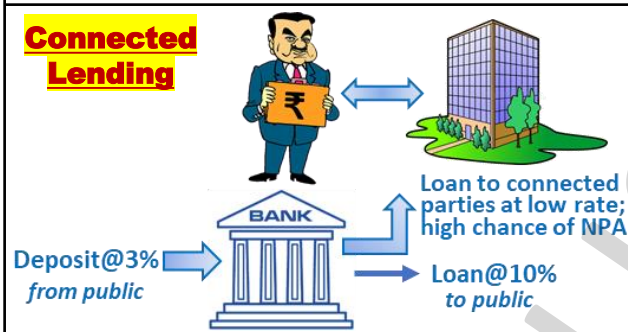
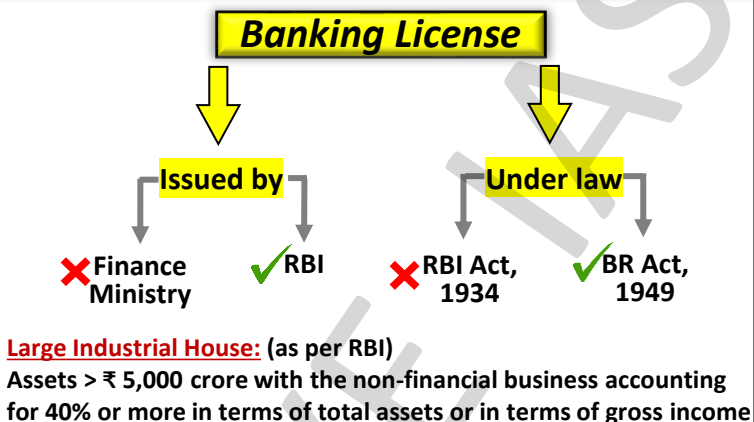
Economy Class-4

The Indian EXPRESS

Explained: Why RBI has kept entry of big businesses in banking on hold for now

Corporate houses were active in the banking sector till five decades ago when the banks promoted by them were nationalised in the late sixties amid allegations of connected lending and misuse of depositors' money.

Written by **George Mathew**, Edited by Explained Desk | Mumbai |
Updated: December 9, 2021 2:02:30 pm



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



Was bank nationalization beneficial?

In the period between 1969-1980:

- ❑ Number of **rural branches** became **10 times** (1,443 to 15,105)
- ❑ **Credit to rural** areas became **20 times**
- ❑ **Credit to agriculture** became **40 times**

Benefits and Concerns in PSB privatisation?

- Don't learn, just use common sense.

State Bank of India:

- ❑ **1806:** founded as Bank of **Calcutta** (oldest commercial bank in Indian subcontinent)
- ❑ **1921:** **Imperial** Bank of India Three presidency banks merged Bank of: Calcutta 1806, Bombay 1840, Madras 1843
- ❑ **1955:** became state owned, renamed as **SBI** (**Gorwala** committee recommendation)

SBI is the only Indian bank in global top 100 banks. (China has 19)

Banks in India:

- 12 public sector banks
- 22 private sector banks
- 46 foreign banks
- 56 regional rural banks
- 1,485 urban cooperative banks
- 96,000 rural cooperative banks
- 2.1 lakh ATMs

Banking regulatory powers in India are NOT ownership neutral

- ❑ All commercial banks are regulated by RBI under **BR Act 1949**.
- ❑ Additionally, PSBs are regulated by FinMin under SBI Act 1955, Banking Companies Act 1970, Bank Nationalisation Act 1980
- ❑ Hence, PSBs are subject to **dual regulation** of RBI & FinMin
- ❑ All sections of BR Act 1949 do not apply to PSBs, hence:
 - RBI cannot remove **directors**/management of PSBs
 - RBI cannot supersede **Board** of PSBs
 - RBI cannot **liquidate** or force **merger** of PSBs
 - RBI cannot give/revoke **license** to PSBs

Banks Board Bureau:

- It is a statutory body? No!
- Est. in **2016** on recommendation of RBI appointed **PJ Nayak Committee**
- To select and **appointment** Board members for various FIs in public sector (Banks, insurance co, AIFIs, etc)
- Recommend measures to improve **governance** in these institutions.
- Assist in capital raising, deal with bad loans, etc.

Some initiatives to improve conditions of PSBs

- Mission Indradhanush 2015
- Banks Board Bureau
- Separate posts of Chairman and Managing Director
- Enhanced Access and Service Excellence, EASE Reforms Index
- Central Repository of Information on Large Credits (CRILC)
- Insolvency and Bankruptcy Code, 2016
- Fugitive Economic Offenders Act, 2018
- Recapitalisation and Recapitalisation Bonds

The Indian EXPRESS SUBSCRIBE Epaper

M Narasimham, who passed away Tuesday, was father of banking reforms

M Narasimham was the first and only governor to be appointed from the Reserve Bank cadre. He served as the 13th RBI Governor for seven months between May and November 1977 prior to the joining of IG Patel as the Governor.

By: Express News Service | Mumbai | April 21, 2021 12:08:57 pm

Narasimham Committee

Some recommendations

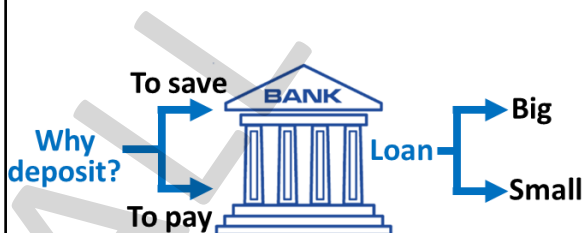
1991: Narasimham Committee-I

- 4-tier hierarchy for banks
- Reduce CRR & SLR; Deregulate interest rates
- Set up Asset Reconstruction fund
- Statutory recognition to SEBI

1998: Narasimham Committee-II

- Merge strong PSBs, but not strong with weak
- Set up Asset Reconstruction Companies
- SARFAESI Act passed in 2002

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)
 - for Long-term loans and deposits

Business Standard

Paytm Payments Bank receives scheduled bank status from RBI

Press Trust of India | New Delhi | Last Updated at December 09 2021 17:35 IST

With the scheduled bank status, the bank can explore new business opportunities, including participation in government and other large corporations issued request for proposals, primary auctions, fixed-rate and variable rate repos, and reverse repos.

Scheduled bank:

- Bank included in 2nd Schedule of RBI Act 1934.
- It can be public, private, foreign, SFB, PB, RRB, coop.

Commercial bank:

- Bank that takes deposits and gives loans.
- It may or may not be Scheduled.

Benefits of being included in Second schedule: (understand, don't learn)

- ✓ Can take loan from RBI for normal banking ops
- ✓ Can participate in repo, MSF, etc.
- ✓ Gets membership to clearing house
- ✓ Gets access to currency storage facility
- ✓ Can partner in govt run financial inclusion schemes

mint

Sebi allows payments banks to act as investment bankers

1 min read . Updated: 03 Aug 2021, 07:31 PM IST

In a notification dated July 30, the regulator amended the Bankers to an Issue rules, thereby permitting such other banking company, as may be specified by the Sebi, from time to time, to carry out the activities of Bankers to an Issue (BTI), in addition to the scheduled banks.

Bankers to an issue mean a scheduled bank or such other banking company as may be specified by Sebi carrying activities, including acceptance of application money, acceptance of allotment or call money, refund of application money and payment of dividend or interest warrants.

Paytm Payments Bank:

- It is the **first** payments bank to get scheduled status? **No!** (India Post Payments Bank got it in 2019)
- It is now a **Scheduled Commercial Bank**? **No!** (Its still a PB, not CB)

Investment banks

- They act as intermediary between company and financial markets.
- They help companies issue **IPO/FPO**
- They help companies in **finding large investors** for corporate bonds.
- They help companies in **mergers, acquisitions, reorganizations**
- e.g. Goldman Sachs, JPMorgan Chase, Morgan Stanley
- ☺ They also offer fat packages in prominent B-schools ☺

Urban Cooperative Banks

Primary Cooperative Banks

- 2022 notification:** UCBs can raise capital through three broad methods: equity shares, preference shares, debt instruments
- 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**.

Prelims 2021

With reference to '**Urban Cooperative banks**' in India consider the following statements:

1. They are supervised and regulated by local boards set up by the State Governments.
2. They can issue equity shares and preference shares.
3. They were brought under the purview of Banking Regulation Act, 1949 through an Amendment in 1966.

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

I read I forget, I see I remember

See explanation of this PDF on  www.youtube.com/c/allinclusiveias

Regional Rural Banks

- ❑ Recommended by Narasimham Working Group 1975
- ❑ Set up under **RRB Act, 1976**
- ❑ Regulated by **RBI**; Supervised by **NABARD**
- ❑ Ownership: **50% Centre, 35% Sponsor bank, 15% State**
- ❑ Their branches can be in rural areas only? No!

Prelims 2011

Which of the following has **highest** share in disbursement of **credit to agriculture** and allied activities?

- (a) Commercial Banks **79%**
- (b) Cooperative Banks **15%**
- (c) Regional Rural Banks **5%**
- (d) Microfinance Institutions **1%**

NABARD

- ❑ **1982**; HQ: Mumbai; **NABARD Act, 1981**.
- ❑ On recommendation of B. Sivaramman Committee.
- ❑ Ownership: **100% Govt.** of India.

- ❑ NABARD gives loans to banks/NBFC to give loan to farmers etc.
- ❑ NABARD does refinance, it does not directly give loan to people

Our initiatives are aimed at building an empowered and financially inclusive rural India through specific goal oriented departments which can be categorized broadly into three heads: Financial, Developmental and Supervision. Through these initiatives we touch almost every aspect of rural economy. From providing refinance support to building rural infrastructure; from preparing district level credit plans to guiding and motivating the banking industry in achieving these targets; from supervising Cooperative Banks and Regional Rural Banks (RRBs) to helping them develop sound banking practices and onboarding them to the CBS platform; from designing new development schemes to the implementation of Govt's development schemes; from training handicraft artisans to providing them a marketing platform for selling these articles.

Over the years our initiatives have touched millions of rural lives across the country. Our milestone achievements have been India's achievements as well. The SHG Bank Linkage Project launched by NABARD in 1992 has blossomed into the world's largest micro finance project. Kisan Credit Card, designed by us has become source of comfort for crores of farmers. We have financed one fifth of India's total rural infrastructure. We were pioneers in the field of watershed development as a tool for sustainable climate proofing. It's a long list indeed and we welcome you to understand us better.

NABFID / DFI

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 1st 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.

https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=53392

- NaBFID will be regulated as **All India Financial Institution (AIFI)** by **RBI** under RBI Act 1934.
- It will be the **fifth** AIFI after **EXIM Bank, NABARD, NHB, SIDBI**

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

All-Inclusive Current Affairs for Prelims 2022

Economy Class-5

Shadow Banks

Non-Banking Finance Company

NBFC can issue credit card?
Yes, after approval from RBI

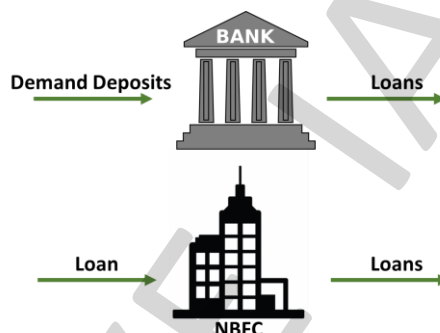
Non-Banking Financial Company:

Company registered under Companies Act and engaged in business of:

- ✓ Loans and advances
- ✓ Marketable securities (stocks, bonds, etc)
- ✓ Insurance business
- ✓ Chit business

Systemically important NBFCs:

NBFC with asset ≥ ₹ 500 crore



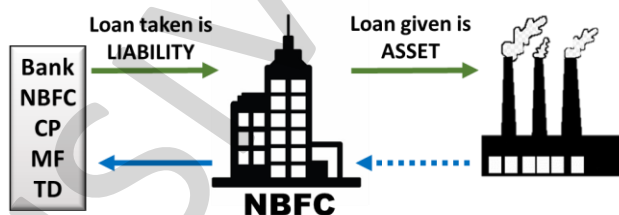
Commercial Paper (since 1990)

Unsecured money market instrument issued in the form of a promissory note

Certificate of Deposit (since 1989)

Money market instrument issued against funds deposited

Deposits: 1-5 years, Max 12.5%



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	✓	✓

4. Is it necessary that every NBFC should be registered with RBI?

Source: RBI, as on 10 January 2017

In terms of Section 45-IA of the RBI Act, 1934, no Non-banking Financial company can commence or carry on business of a non-banking financial institution without a) obtaining a certificate of registration from the Bank and without having a Net Owned Funds of ₹ 25 lakhs (₹ Two crore since April 1999). However, in terms of the powers given to the Bank, to obviate dual regulation, **certain categories of NBFCs which are regulated by other regulators are exempted from the requirement of registration with RBI** viz. Venture Capital Fund/Merchant Banking companies/Stock broking companies registered with SEBI, Insurance Company holding a valid Certificate of Registration issued by IRDA, Nidhi companies as notified under Section 620A of the Companies Act, 1956, Chit companies as defined in clause (b) of Section 2 of the Chit Funds Act, 1982, Housing Finance Companies regulated by National Housing Bank, Stock Exchange or a Mutual Benefit company.

RBI regulates

- ✗ Venture Capital Fund
- ✗ Merchant/Investment Bank
- ✗ Stock Exchange, Stock broker
- ✗ Nidhi Co, Mutual Benefit Co, Chit Funds
- ✓ Housing Finance Companies (due to Finance Act, 2019)

Chit fund

- Fraternity Fund / Rotating Savings & Credit Association
- in **Concurrent list**
- regulated by **state govt** under **Chit Fund Act 1982**
- regulated by RBI/SEBI ? No
- 2019 amendment act limits:
 - ₹ 3 lakh if run by up to 4 people
 - ₹ 18 lakh if run by more than 4 people

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ET THE ECONOMIC TIMES

RBI sells entire stake in NHB, Nabard to govt for Rs 1,470 cr

2019 news

PTI
Last Updated: Apr 24, 2019, 10:19 PM IST

MUMBAI: The Reserve Bank has exited the **National Housing Bank (NHB)** and the National Bank for Agriculture & Rural Development (**Nabard**), by selling its entire stakes to government for Rs 1,450 crore and Rs 20 crore, respectively, making them fully government-owned now.

HQ:
Delhi: NHB
Mumbai: RBI, NABARD

National Housing Bank:

- 1987: NHB Act 1987
- 1988: NHB established as wholly owned subsidiary of RBI
- 2019: GoI purchased entire stake from RBI
- Regulatory powers over HFCs transferred to RBI
- NHB continues to supervise HFCs

RESIDEX:

- Launched in 2007 by NHB
- India's first official housing price index

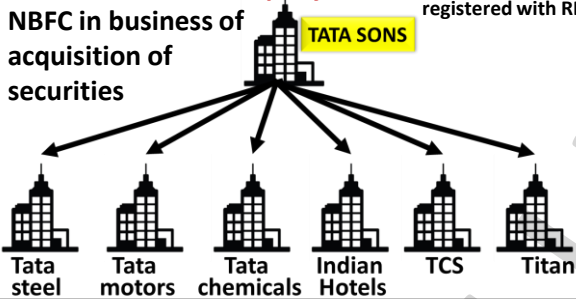
Note:

- NHB does not deal directly with public
- NHB gives loans to public agencies for housing projects
- NHB gives refinance to different primary lenders

Core Investment Company:

NBFC in business of acquisition of securities

Tata Sons is a CIC registered with RBI



Assets of a Core Investment company

Min. 60% of assets should be shares of group companies

Min. 90% of assets should be debt+equity of group companies

Assets of a normal company



NBFC-P2P:

- ✓ Crowd-funding **platform** to raise unsecured loans
- ✓ It acts as **intermediary**
- ✓ It **cannot** take deposit, give loan, credit enhancement, credit guarantee.
- ✓ Rules brought by **RBI** in **2017**
- ✓ Minimum capital requirement **₹ 2 crore**
- ✓ Existing NBFC can't act as P2P, it must register separately

Prelims 2010

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

1. They cannot engage in the acquisition of **securities issued by Govt.**
2. 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

Generally something (e.g. credit growth) increased:

- in last 10 years? Yes
- every year in last 10 years? No

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Scale Based Regulation

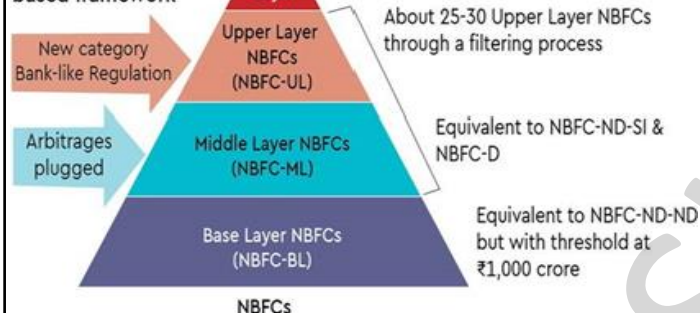
Scale Based Regulation:

- RBI has introduced a scale-based regulatory framework for NBFCs
- To be effective from 1 October, 2022

Why was it needed?

- ILFS & DHFL crisis lowered credibility of NBFC sector.
- To prevent systemic risk, large NBFC need similar regulation as Banks.

Scale based approach-
introducing scale
based framework



Simple question → Scale Based regulation is for?
Difficult question → which NBFC in which layer?
Less likely, so just learn underlined things

TOP LAYER

- It will ideally remain empty.
- NBFC in UL with substantial increase in risk

UPPER LAYER

- Top ten NBFCs by asset size
- NBFCs that need enhanced regulations

MIDDLE LAYER

NBFC-D

- NBFC-ND with asset \geq ₹1000 crore
- NBFCs undertaking the following activities

- Primary Dealers
- Infrastructure Debt Fund NBFCs
- Infrastructure Finance Companies
- Core Investment Companies
- Housing Finance Companies

BASE LAYER

- NBFC-ND with asset $<$ ₹1000 crore

- NBFCs undertaking the following activities-

- NBFC-P2P Lending Platform
- NBFC-Account Aggregator
- Non-Operative Financial Holding Co.
- No public funds, No customer interface

Co-lending

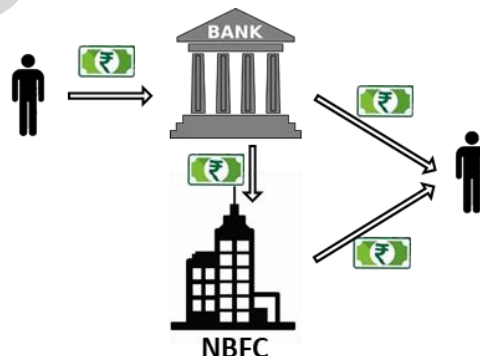
The Indian EXPRESS

Bank-NBFC co-lending: how it works, and the concerns it raises

Written by **George Mathew**, Edited by Explained Desk | Mumbai |
Updated: December 14, 2021 7:37:19 am

A November 2020 decision by the Reserve Bank of India (RBI) to permit banks to “co-lend with all registered NBFCs (including HFCs) based on a prior agreement”, has led to unusual tie-ups like the one announced earlier this month between the **State Bank of India (SBI) and Adani Capital**.

SBI's giant network includes 22,230 branches, 64,122 automated teller machines (ATMs) and cash deposit machines (CDMs), and 70,786 business correspondent (BC) outlets across the country. Adani Capital has a network of just 60 branches and has disbursed around Rs 1,000 crore, according to its website.



Co-origination / Co-lending:

- Bank and NBFC comes together to give a loan
- RBI permitted it in 2018 for lending to priority sector

Features:

- NBFC will act as single point of interface for customers
- Minimum 20% of credit risk should be on NBFC (i.e. 80% risk with Banks)

Logic given by RBI:

- Bank has cheap funds, NBFC has more reach
- So, it will improve flow of credit to unserved sectors

Criticism:

- Bank will give 80% of money, but NBFC will decide borrower
- Reach of banks is far wider than NBFCs in unserved segments (Refer 2011 PYQ given on page-24)

I read I forget, I see I remember | See explanation of this PDF on www.youtube.com/c/allinclusiveias

BusinessLine

RBI unveils large exposures framework for Upper Layer NBFCs

Our Bureau | Updated On: Apr 19, 2022

The sum of all the exposure values of a Non-Banking Finance Company (NBFC) placed in the Upper Layer (UL), to a single counterparty and to a group of connected counterparties, must not be higher than 20 per cent and 25 per cent, respectively, of its available eligible capital base at all times, according to the Reserve Bank of India (RBI).

Large Exposure Framework
2016: Banks
2020: UCBs
2022: NBFCs

Prompt Corrective Action

RBI brings NBFCs under prompt corrective action framework
 By: ENS Economic Bureau | Mumbai | December 15, 2021 5:15:49 am

The RBI decision has come after four big finance firms — IL&FS, DHFL, SREI and Reliance Capital — which collected public funds through fixed deposits and non-convertible debentures collapsed in the last three years despite the tight monitoring in the financial sector. They collectively owe over Rs 1 lakh crore to investors.

PCA framework

- Introduced by RBI in 2002
- Revised in April 2017, 2021

PCA framework applies to

- ✓ Public Sector Banks
- ✓ Private Banks
- ✓ Foreign banks in India
- ✗ Payment Banks
- ✗ Small Finance Banks
- ✗ Cooperative Banks (they have Supervisory Action Framework)

PCA framework for NBFCs

Effective from October 2022

Applicability:

- ✗ Government NBFCs
- ✓ NBFC-D
- ✓ NBFC-ND in middle, upper, top layers
 - excluding Primary Dealers and Housing Finance Co.
- Parameters: same three as banks

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 parameters

1. Capital (Breach of either CRAR or CET 1 ratio)
2. Leverage (Tier 1 Leverage Ratio)
3. Asset Quality (Net NPA ratio)

Basel norms

	Capital	Tier-1 Capital	Common Equity Capital
BASEL	8%	6%	4.5%
India	9%	7%	5.5%

Bank for International Settlement:

- Est in **1930**, HQ Basel in Switzerland
- Representative offices: ✗ Delhi, ✓ Hong Kong, ✓ Mexico
- It is owned by **63 central banks** of various countries (including **India**)
- As bank for central banks, it helps them in monetary and financial stability
- It acts as a counterparty for central banks in their financial transactions

D-SIBs need even more CET-1 (0.20 - 1 % more)

Basel Committee:

- est in **1974** by central bank Governors of G-10 countries
- HQ at BIS in Basel
- Issues Basel norms

Business Standard

Bank stocks broadly positive during Basel norms implementation: RBI paper

Banking stocks have broadly reacted positively to the strict capital norms under the Basel regulations put in place for domestic banks over an 18-year period, starting October 1998, RBI paper showed

Press Trust of India | Mumbai | Last Updated at January 12 2022 09:31 IST

Prelims 2015

- 'Basel III Accord' (Basel III), often seen in the news, seeks to
- (a) develop national strategies for the conservation and sustainable use of **biological diversity**
 - (b) improve **banking sector's** ability to deal with financial and economic stress and improve risk management
 - (c) reduce the **greenhouse gas** emissions but places a heavier burden on developed countries
 - (d) transfer technology from developed Countries to poor countries to enable them to replace use of **chloro-fluoro-carbons** in refrigeration with harmless chemicals

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

CAR or CRAR

Prelims 2018

Consider the following statements:

- 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.
 - 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

AT-1 bonds related to? Bank's capital

- ✓ Part of tier-1 capital
- ✓ Unsecured, Perpetual (no maturity date)
- ✓ Higher rate of interest than other bonds
- ✓ They can be cancelled in case CET-1 falls below certain level

CAR: Capital Adequacy Ratio

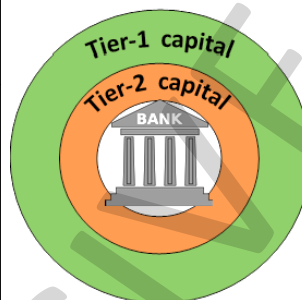
CRAR: Capital to Risk-weighted Assets Ratio

$$\text{CAR or CRAR} = \frac{\text{Tier 1 capital} + \text{Tier 2 capital}}{\text{Risk weighted assets}}$$

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

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

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

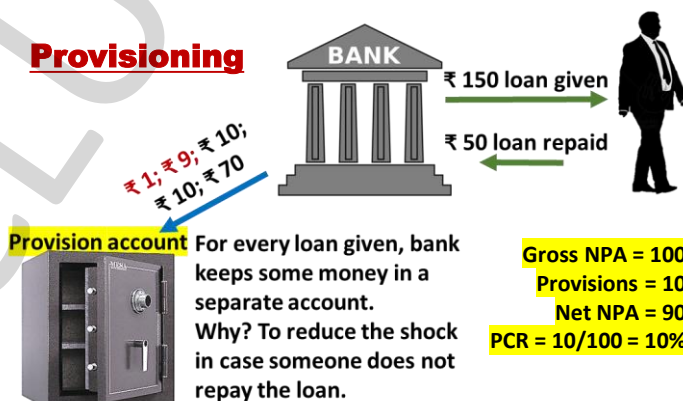


Banks write off Rs 2.02 lakh crore in FY21; Rs 10.7 lakh crore in last 7 years

Written by **George Mathew** | Mumbai |
December 13, 2021 3:03:21 am

Net NPA

Provisioning



Provision account 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.

Write-off

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

All-Inclusive Current Affairs for Prelims 2022

Economy Class-6

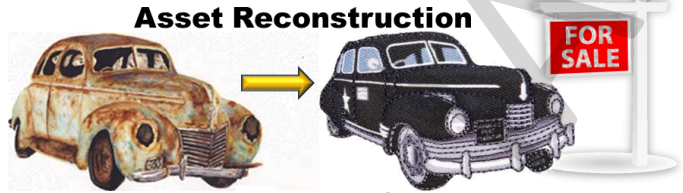
Asset Reconstruction Company

THE HINDU

RBI panel on ARCs proposes norms for valuers, reserve price

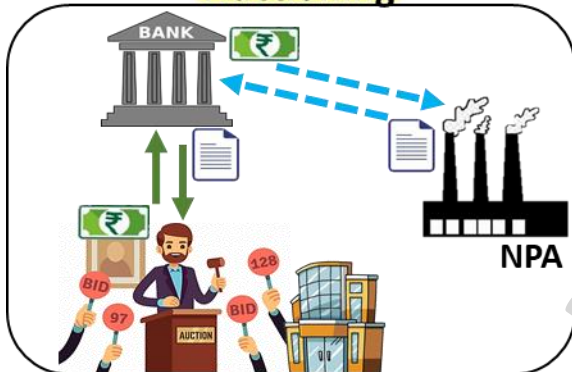
PTI *Sudarshan Sen Committee to review working of ARCs*

MUMBAI NOVEMBER 02, 2021 22:50 IST
UPDATED: NOVEMBER 02, 2021 22:50 IST

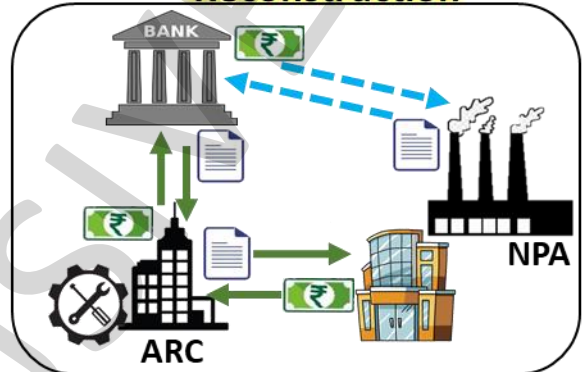


Converting bad asset into performing asset

Auctioning



Reconstruction



Asset Reconstruction Company

- Buys bad assets from Banks (only secured debt classified as NPA)
- Improves management, sale, etc.

- Regulated by RBI as NBFC under SARFAESI Act 2002
- ARC India Ltd. Set up in 2002, was the first ARC
- 100% FDI by automatic route permitted in ARCs.

Narasimham Committee 2 (1998) → Sarfaesi Act 2002 → ARCs

Securitization And Reconstruction of Financial Assets and Enforcement of Securities Interest Act 2002:

- For recovery of money from loan defaulters
- Banks can sell collateral (except agri land), without intervention of courts
- Not for unsecured loans

The Indian EXPRESS

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

By: ENS Economic Bureau | New Delhi |
May 6, 2020 3:01:10 am



- Security?** A tradeable financial asset, e.g. shares
- Securitization?** conversion of an asset, especially a loan, into marketable securities. (2008 GFC !)

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

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

Insolvency and Bankruptcy Code, 2016

- **Insolvency?** inability to pay the dues
- **Bankruptcy?** legal declaration of insolvency
- **Liquidation?** process of winding up an entity

IBC Process:

- Petition before **NCLT**
- Committee of Creditors (**CoC**) constituted.
- Resolution Professional (**RP**) takes charge.
- CoC approves **resolution plan** by 66% votes
- Failure leads to **liquidation**.

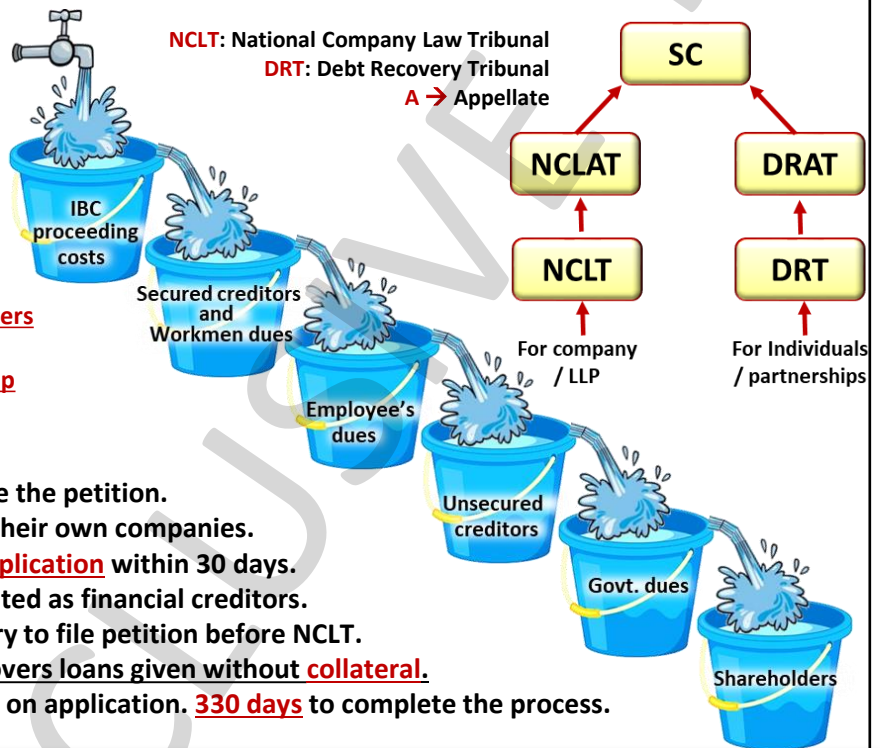
- ❑ **IBC:** time-bound process to resolve insolvency
- ❑ In 2020, Govt. suspended initiation of fresh insolvency proceedings, due to Covid. Now Resumed

Who can initiate insolvency resolution process?

- ✓ Company itself (Debtor)
- ✓ Financial creditors (those who gave money on interest, e.g. Banks)
- ✓ Operational creditors (those who gave goods or services, e.g. employees, govt)

Waterfall model →

it gives order of priority for repayment of dues



Goals of IBC as per GN Bajpai Committee:

(understand, don't learn)

- **Resolution** of distressed asset
- Balance interests of **stakeholders**
- Availability of **credit**
- Promotion of **entrepreneurship**

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.

THE HINDU

Explained | Will pre-packaged bankruptcy terms help small businesses?

On July 28, the Lok Sabha passed the Insolvency and Bankruptcy Code (Amendment) Bill 2021, making into law amendments made to the IBC, 2016. The latest amendments allow the use of "pre-packs" to resolve insolvency proceedings involving micro, small and medium-scale enterprises. According to the amendments, the government has notified a threshold for default -- not exceeding ₹1 crore -- at which point a pre-packaged resolution process may be initiated. Pre-packs, which are popular in many developed countries, are seen as a smoother way to resolve bankruptcies unlike the conventional insolvency resolution process.

Pre-packs:

secured **creditors and owners** of the business **agree** to sell the business to an interested buyer **before going to NCLT**.

Benefits: Fast resolution, low cost, less burden on NCLT, allows Swiss challenge

Pre-pack Insolvency Resolution Process (PIRP)	Corporate Insolvency Resolution Process (CIRP)
Can be initiated only by owners (Debtor)	Can be initiated by Debtor or Creditor
Owners and Secured creditors enter into agreement	Resolution through open bidding system
Company owner remains in control (Debtor-in-Control)	Resolution Professional takes over (Creditor-in-Control)
120 days deadline	330 days deadline

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Cross-Border Insolvency

THE HINDU

'Economic Survey 2022' calls for standardised Cross-Border Insolvency framework

Lalatendu Mishra

MUMBAI JANUARY 31, 2022 15:58 IST
UPDATED: JANUARY 31, 2022 16:07 IST

The **Economic Survey 2021-22** has called for a standardised framework for Cross-Border insolvency as the Insolvency & Bankruptcy Code (IBC) at present does not have a standard instrument to restructure the firms involving cross border jurisdictions leading to several issues.

The proposal to frame a robust cross border insolvency framework has already been highlighted in the report of the Insolvency Law Committee (ILC) which had recommended the adoption of the United Nations Commission on International Trade Law (UNCITRAL) with certain modifications to make it suitable to the Indian context.

The Indian EXPRESS

Cross border insolvency: UN model allows automatic recognition of foreign rulings

Written by **Karunjit Singh** | New Delhi | November 29, 2021 3:45:53 am

The Ministry of Corporate Affairs (MCA) has published a draft framework for cross border insolvency proceedings based on the UNCITRAL (United Nations Commission on International Trade Law) model under the Insolvency and Bankruptcy Code.

Note:

Under IBC, foreign creditors can make claims against a domestic company

Cross Border Insolvency

Insolvent debtor has assets and creditors in more than one country

UNCITRAL (UN Commission on International Trade Law)

- ✓ **1966, Vienna (Austria)**
- ✓ **Subsidiary body of UNGA to promote international trade & investment**
- ✓ **Its 1997 model law on Cross Border Insolvency has been adopted by 49 countries (India? No)**
- ✓ **India is currently member of UNCITRAL, current term to expire in 2022 (6 year terms)**

Cross Border Insolvency

- ✓ C-B-I is **regulated** by Section 234 and 235 of IBC
- ✓ IBC does **not** have any **standard** framework for C-B-I
- ✓ IBC empowers Central govt to enter into **bilateral agreements** with other countries for C-B-I
- ✓ IBC does not allow automatic recognition of insolvency **proceedings** in other countries
- ✓ There is no provision IBC to recognise the **judgement** of any foreign insolvency court

Swiss Challenge

- Govt gets **unsolicited bid** for a public project
- Govt invites bids to **match or better** it
- Original proposer may be allowed to match the best bid



Balance Sheet Problem

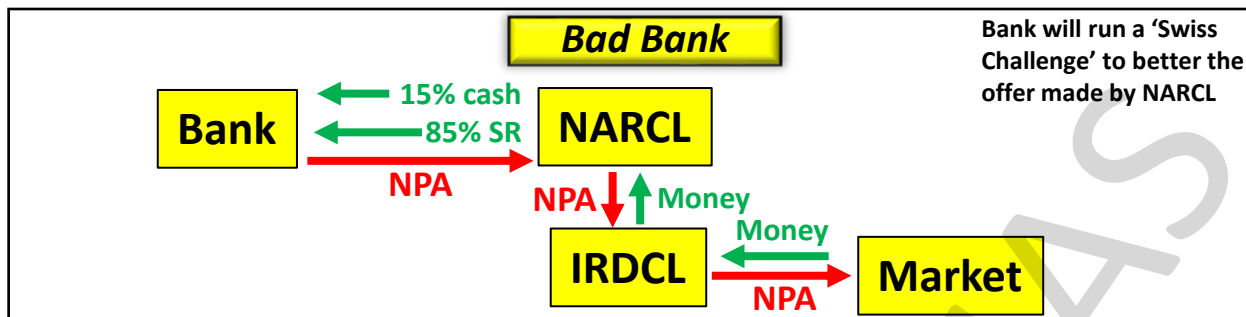
- Twin BSP:** Overleveraged Infra Companies + Bank NPAs
- Triple BSP:** NBFC also
- Four BSP:** Real Estate Companies also

ET THE ECONOMIC TIMES

What is the four balance sheet challenge?

Last Updated: Jan 27, 2022, 11:56 AM IST

In the paper titled "India's Great **Slowdown**: What happened? What's the way out?", Arvind Subramanian, along with IMF's former India head Josh Felman, discuss the reasons for India's current economic slowdown. The paper argues that India's "growth is feeble, worse than it was in 1991 or indeed at any other point in the past three decades," both Subramanian and Felman state that the economy is headed for an Intensive Care Unit. He argues that India is facing **four balance sheet challenge**.



Bank will run a 'Swiss Challenge' to better the offer made by NARCL

National Asset Reconstruction Co Ltd:

- incorporated under Companies Act
- registered with RBI as ARC
- has finite life of 5 years
- 51% owned by PSBs (12% Canara bank)

India Debt Resolution Co Ltd:

- will manage the assets
- engage turnaround experts
- term co-terminus with NARCL
- 51% owned by private banks

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**

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, 25th September 2021 news:

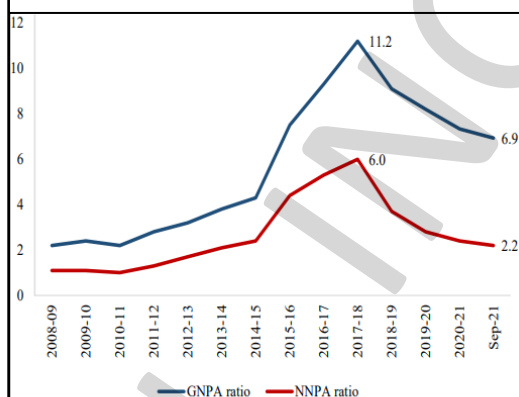


Mechanism:

- NARCL will **acquire** assets by making offer to lead bank.
- Once the proposal of NARCL is accepted, **IRDCL** will be engaged for **management** and value addition.

Caution:

Bad bank and Bank Investment Company are different



Prelims 2018

With reference to the governance of public sector banking in India, consider the following statements

1. Capital infusion into public sector banks by Govt of India has **steadily increased in the last decade.**
2. To put PSBs in order, merger of associate banks with parent SBI has been affected.

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

← NPA steadily reduced in last decade? No
NPA steadily reduced since 2018? Yes

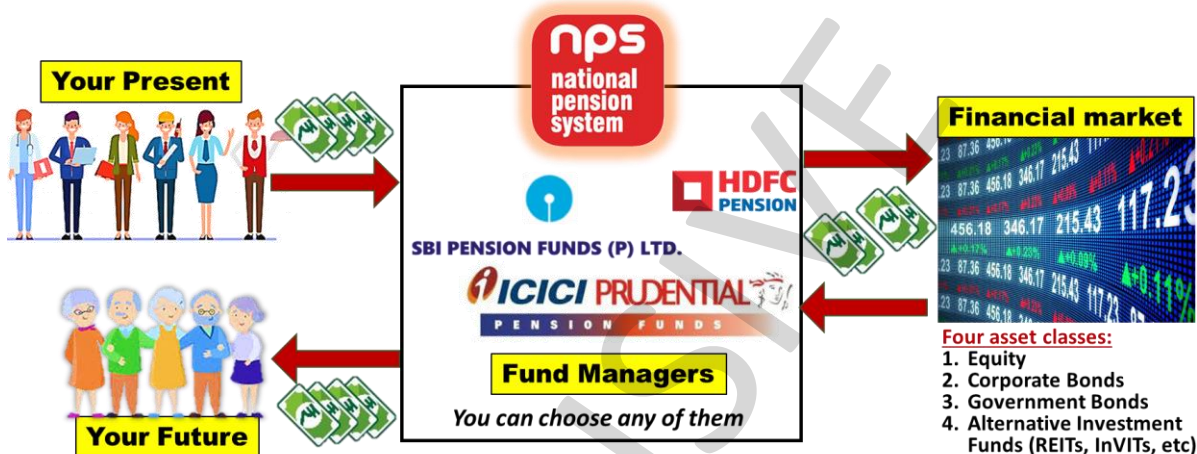
All-Inclusive Current Affairs for Prelims 2022

Economy Class-7

National Pension System



Before NPS: Pension was generally 50% of last drawn salary, DA revised every 6 months



National Pension System:

- Pension cum **investment** scheme
- Regulated by **PFRDA** (est in 2003)
- National Pension System Trust**, est by PFRDA, is the registered owner of all assets under NPS. It monitors all NPS intermediaries like Pension Funds, CRA, custodians, etc.

- Launched on January 01, **2004** (except Armed Forces)
- All Indians from May 01, **2009**
- NRI & OCI** can enrol in NPS ✓ Tier-1 ✗ Tier-II
- NPS is **mandatory** for Central Govt employees (except Armed Forces) recruited from 01-01-2004
- Later, all States, except **West Bengal**, also adopted NPS for their employees. (Tripura joined in 2018)

29. Who among the following can join the National Pension System (NPS)?

- (a) Resident Indian citizens **only** *NRIs and OCIs can join*
- (b) Persons of age from **21 to 55** **only** *18 - 70 years*
- (c) All State Government employees joining the services after the date of notification by the respective State Governments
- (d) All Central Government employees **including** those of Armed Forces joining the services on or after 1st April, 2004

excluding

- Prelims 2017

Not important for exam:

- 50k extra exemption above 1.5 lakh exemption under 80C is permitted.
- **PRAN number** is allotted, no so need to change account on changing job
- Govt / private company (voluntarily) also contributes for their employees.

All four Financial regulators are statutory bodies:

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

FDI limit:

- ✓ 74% in **Pension** funds
- ✓ 74% in **Insurance** co
- ✓ PFRDA Act 2013 links FDI limit in Pension funds to insurance sector

Atal Pension Yojana

Finance Ministry

- ✓ It replaced **Swavalamban** Yojana (2010) in 2015
- ✓ It is for everyone of **18-40** years age (target: Unorganised)
- ✓ Contribute till age 60 (about ₹ 40-1500/month)
- ✓ Get lifetime pension after age 60 (₹ 1000-5000/month)
- ✓ Administered by **PFRDA** through NPS

I read I forget, I see I remember

See explanation of this PDF on www.youtube.com/c/allinclusiveias

Prelims 2016

Regarding **Atal Pension Yojana**, which of the following statements is/are correct?

1. It is a minimum guaranteed pension scheme mainly targeted at **unorganized sector workers**
2. Only one member of a family can join the scheme
3. Same amount of pension is guaranteed for the spouse for life after subscriber's death.

Select the correct answer using the code given below:

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

Pension Schemes by MoLE for unorganized sector

Two pension schemes by **Ministry of Labour & Employment**, through LIC and CSC

PM Shram Yogi Maan-dhan yojana:

For street vendors, rickshaw pullers, mid-day meal workers, landless laborer, etc.



Monthly income < ₹ 15,000

NPS for Traders & Self Employed Persons:

For retail traders, shopkeepers, self-employed persons aka PM **Laghu Vyapari Maan-dhan Yojana**



Annual turnover < ₹ 1.5 crore

Common features

- Entry age **18-40 years**; **Aadhaar** mandatory
- Govt will make matching contribution
- Get at least ₹ 3000/m after age 60
- If death after 60, **spouse to get 50%** pension

Can't join if any of following:

- engaged in Organized Sector (member of EPF/NPS/ESIC)
- income tax payer**

Schemes for 60+

Reverse Mortgage: (by banks, not exactly a scheme)

- > For senior citizens who own house
- > Mortgage the house to get monthly payments

Vaya Vandana Yojana (2017-20, 2020-23)
Varishtha Pension Bima Yojana (2014-15)
 (Similar to **10 year FD**)
 (Finance Ministry)

- > **"Minimum age"** to buy the policy is **60 years**
- > Max investment ₹ 15 lakh; per family ceiling
- > 10 year term; Govt decides interest rate
- > Get regular payment (M, Q, HY, Y)
- > Premature exit will attract 2% penalty
- > Aadhaar is mandatory; GST is exempted
- > Implemented by LIC

Financial Inclusion

→ Access to affordable financial products and services

'**Global Microscope on Financial Inclusion**' report is released by 'The **Economist Intelligence Unit**'

Bank account Remittances
 Loan Payments
 Insurance

THE HINDU
 RBI unveils financial inclusion index

The annual FI-Index for the period ended March 2021 stood at 53.9 compared with 43.4 for the period ended March 2017. The FI-Index will be published in July every year, the RBI said in a release.

Financial Inclusion Index: (0-100)

- Introduced by **RBI** in August 2021
- No base year**; will be released in July annually
- 97 indicators; 3 parameters: **Access** (35%), **Usage** (45%), **Quality** (20%)
- Banking, investment, insurance, postal, pension, financial literacy, consumer protection, etc.

I read I forget, I see I remember

See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

Presence of financial service agents e.g. Banking Correspondents or Bank Mitra



Effective financial consumer protection



Allowing non-banks to issue e-money



Greater smartphone penetration



- 1969: Bank Nationalization
- Lead Bank Scheme
- 1974: Priority Sector Lending
- 1980: Bank Nationalisation
- 1992: SHG-Bank Linkage Program
- 2005: Joint Liability Groups
- 2006: Banking Correspondent
- 2013: Direct Benefit Transfer
- 2014: PM Jan Dhan Yojana
- 2015: PM Mudra Yojana
- 2016: Stand up India
- 2019: National Strategy for Financial Inclusion

Lead Bank Scheme:

- ❑ 1969: Gadgil Study Group recommended '**Area Approach**' to develop banking in rural areas
- ❑ 1969: RBI launched LBS (RBI has been administering LBS since then)
- ❑ RBI **designates** Lead Bank in **each district** (rural + urban)
- ❑ Lead Bank coordinates activities to **increase credit** to priority and other sectors and to **promote development** of the district
- ❑ Can a private sector Bank be made Lead Bank? Yes
- ❑ 1989 **Service Area Approach**: **Each branch** in rural / semi-urban area designated to serve 15-25 villages

Committees at three levels:

- ❑ **Block Level Bankers' Committee**: headed by Lead District Managers
- ❑ **District Consultative Committee**: headed by District Collector
- ❑ **State Level Bankers' Committee**: headed by Ch. of Convenor Bank

SHG-Bank Linkage Program:

- Initiative of **NABARD**, savings oriented
- Banks open **savings** accounts for SHGs.
- Banks provide loans to SHGs against group guarantee
- Quantum of **loan** could be several times the deposit

Banking Correspondent: (> 12 lakh)

- Who can become BC?
- What can BCs can do?
- Banks are responsible for actions for their BCs
- One BC can be BC for more than one bank
- **Micro ATM**: handheld a device used by BCs for deposit, withdrawal, fund transfer, balance enquiry, regardless of the bank associated with that particular BC

Joint Liability Groups:

- Initiative of **NABARD**, credit oriented
- Group of small farmers, artisans etc given collateral-free **loan** by bank
- Promoted by any individuals/institutions

Direct Benefit Transfer:

- ❑ Transfer money directly to people's bank account
- ❑ To reduce leakages, duplicity and delay

Pradhan Mantri MUDRA Yojana Collateral free loans

- ❑ To non-corporate, non-farm small/micro enterprises
- ❑ By Commercial Banks, RRBs, SFBs, MFIs and NBFCs
- ❑ **Shishu** (<50k), **Kishor** (50k - 5 lakh), **Tarun** (5-10 lakh)

Stand Up India Scheme:

- ❑ Loan amount: ₹ 10 lakh to ₹ 1 crore
- ❑ To promote entrepreneurship by giving bank loans
- ❑ To at least one SC or ST and at least one woman per bank branch of SCBs
- ❑ For setting up **Greenfield** ventures (i.e. **only** for new venture)
- ❑ 10,000 crore **refinance** through **SIDBI**
- ❑ 5,000 crore for **credit guarantee** through **NCGC**

Ministry of Finance

More than 81% account holders are Women under Stand Up India Scheme

MUDRA:68% of loan accounts belong to women entrepreneurs

PMJDY:23.21 crore accounts out of 41.93 crore accounts belong to women

Posted On: 08 MAR 2021 9:06AM by PIB Delhi

I read I forget, I see I remember

See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

Note: '**Stand Up India**' should not be confused with '**Startup India Seed Fund**'.
SISF gives funds to develop proof of concept, prototype, conduct trials, commercialization.
Then, the startup will be able to raise capital from AI/VC or get loan from Bank.

Conditions:

- Age < 2 years; recognised by DPIIT
- Not got > 10 lakh from any govt scheme

Can get up to:

- ₹ 20 lakh grant
- ₹ 50 lakh convertible debt

PM Jan Dhan Yojana National Mission for Financial Inclusion

- For at least 1 account/house, remittance, credit, insurance, pension, financial literacy.
- Basic savings bank deposit (**BSBD**) account
- Can be opened in **any** bank branch or BC
- Can be opened even **without documents**
(Small Account: one year, 50k savings, 10k/month)
- Beneficiaries 45 crore: PSB (35 crore) > RRB > Private

Benefits:

- ✓ No minimum balance
- ✓ Interest is given? Yes (its SA, not CA)
- ✓ Rupay Debit **card**
- ✓ Accident **insurance** Cover of ₹ 2 lakh
- ✓ **Overdraft** facility up to ₹ 10,000
- ✓ Can avail DBT, JJB, SBY, APY, MUDRA

Sukanya Samridhi Yojna: (since 2015)

- ✓ Age 0 - 10 years
- ✓ Open account in Post Office / Bank
- ✓ Deposit max ₹ 1.5 lakh per year
- ✓ Interest set by Govt
- ✓ Can't withdraw money before 18 years age
- ✓ Account valid for 21 years, or till marriage, whichever is earlier

Kanyashree Prakalpa (West Bengal)

- For unmarried girls of WB, age 13-19 years
- Attends educational/vocational/sports institution
- Family income < 1.2 lakh/year
- Age 13-18 years: ₹ 500/year
- Age 18: ₹ 25,000 if unmarried
- **Helped in preventing child marriages**

National Strategy for Financial Inclusion 2019-2024 by RBI (Universal Access to Financial Services)

- Every **village** should have a formal financial service provider within **5 km** radius
- Every **adult** should have access to **basic services** like bank account and insurance



Microfinance

RBI drops pricing caps on micro loans: Change in definition of microfinance

Written by **Shritama Bose, Mithun Dasgupta**
March 15, 2022 1:30:00 am

The Reserve Bank of India (**RBI**) on Monday released a revised framework for microfinance loans, putting an end to regulated interest rates in the segment and harmonising micro-lending norms across banks and non-bank lenders.

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12256&Mode=0>

- ✓ All collateral-free loans given to a household with annual **income** up to **₹ 3,00,000**
- ✓ Interest **rates** should not be usurious (RBI has not fixed the rates or put any upper limit)
- ✓ **EMI** should not exceed **50% of monthly income**
- ✓ Can't use **harsh** recovery practice (e.g. abusive language, publishing names, harassing relatives)
- ✓ No penalty for **pre-payment**
- ✓ Same regulations for **all banks and NBFCs**

Loans up to ₹ 3 lakh are micro loans? No

Microfinance:

- Term first used in 1970s during development of **Grameen Bank of Bangladesh** (1976), founded by **Muhammad Yunus**. They got 2006 Nobel Peace prize.

Malegam Committee 2011 is related to?

- Microfinance sector; by RBI

Numbers:

- Total micro-finance loans: ₹ 2.7 lakh crores
- Highest share: SCBs (40%); NBFC-MFIs: 30%

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

I read I forget, I see I remember | See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

Priority Sector Lending

No specific interest rate

BusinessLine

Priority sector lending certificates – who benefits?

Manas R Das | Updated On: Apr 07, 2022

Trading in these certificates helps banks reach their target, but does not incentivise them to boost their priority sector lending

Total trading volume of PSLCs (As on March 31) (₹ billion)



www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959

Applies to all Commercial Banks including SFB, UCB, RRB, LAB

Following are included in PSL: (Don't learn, just read)

- ✓ Landless agri labourers, oral lessees, share-croppers
- ✓ Loans to farmers for installation of solar power plants
- ✓ Khadi and Village industries
- ✓ SHGs, JLGs
- ✓ Loans up to ₹50 crore to Start-ups
- ✓ Loans up to ₹100 crore to Agri infra / Food processing
- ✓ Factoring transactions for MSMEs on TReDS
- ✓ Bank loans to NBFCs for on-lending
- ✓ Co-lending by Banks and NBFCs to priority sector
- ✓ Overdraft availed by PM-JDY account holders
- ✓ Compressed biogas plants
- ✓ Weaker section: PwD, SC, ST, Women (up to ₹1 lakh), Small and Marginal farmers, Distressed persons indebted to non-institutional lenders, etc.

- ✓ Agriculture
- ✓ MSME
- ✓ Export Credit
- ✓ Education
- ✓ Housing
- ✓ Social Infrastructure
- ✓ Renewable Energy
- ✓ Others

1972: Formally defined by RBI
1974: 33.33% target by 1979
2016: PSL certificates

PSL target: (% of Adjusted Net Bank Credit)

75% : RRBs, SFBs, (UCBs by 2024)

40% : Other banks (not payment banks)

If PSL target not achieved:

1. Give shortfall to RIDF
2. Buy PSL certificate

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

Marginal Farmers: land ≤ 1 hectare

Small Farmers: 1 < land ≤ 2 hectares

Factoring

The Indian EXPRESS

MSME liquidity line set to widen as more NBFCs start 'factoring'

Factoring law amendments have been cleared in both Houses of Parliament in the current session. This will enable nearly 9,000 NBFCs to participate in the factoring market instead of just seven now.

Written by Sunny Verma | New Delhi | Updated: August 3, 2021 9:46:34 am

"Only in India, factoring could be done by the banks or NBFCs that have a factoring licence — those who do over 50 per cent of business through factoring. Now, all NBFCs have been allowed to do factoring business, irrespective of proportion of income from factoring. This, therefore, brings liquidity into factoring business, which was deprived of it as only largely banks and few NBFCs could participate in it," said Sundeep Mohindru, CEO of M1exchange, an online platform for trade receivables.

Factoring is a transaction where an entity (like MSME) sells its receivables (dues from a corporate) to a third party (a 'factor' like a bank or NBFC) for immediate funds. Banks and NBFCs provide finance against these receivables, enabling availability of ready funds for the MSMEs. This is done on an online TReDS platform initiated by the Reserve Bank of India (RBI). TReDS facilitates financing and discounting of MSME trade receivables through multiple financiers.

Factoring:

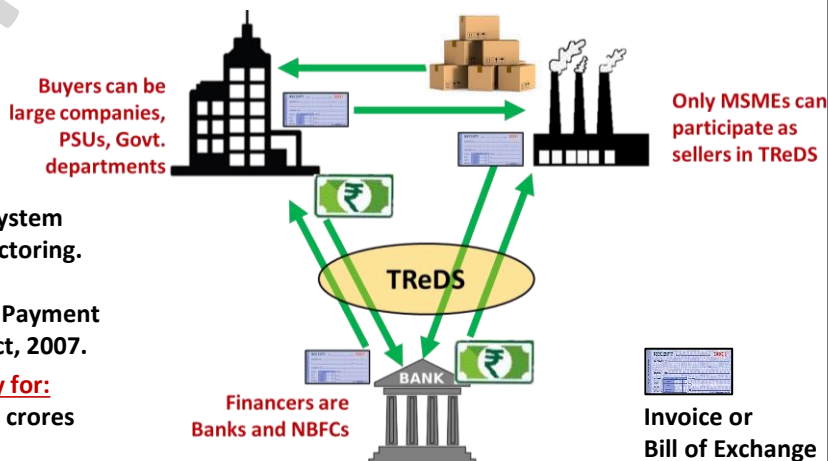
Company selling its accounts receivable to a third party at a discount.

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.

Registration on TReDS is compulsory for:

- ✓ companies with turnover > ₹ 500 crores
- ✓ Central PSUs



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

All-Inclusive Current Affairs for Prelims 2022

Economy Class-8

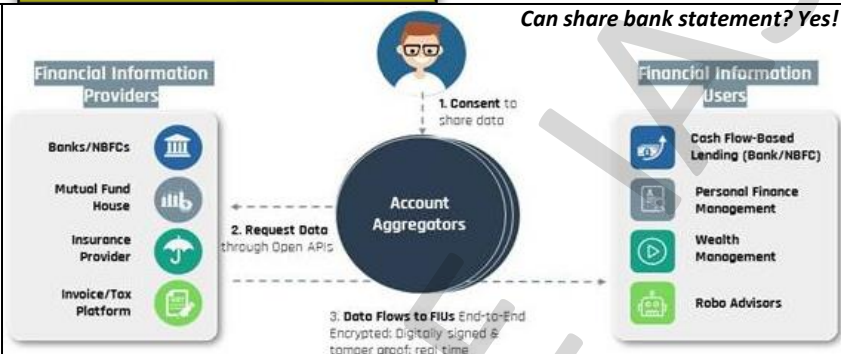
Account Aggregator

AA is an interoperable data blind consent manager

AAs **cannot read** consumer data. They **cannot resell** consumer data.

AAs enable consumers to selectively **share & even revoke data** once shared.

AAs have a fiduciary duty to consumers and are **RBI regulated entities**, sharing **digitally signed & encrypted data**



Can share bank statement? Yes!

Account aggregator: (NBFC registered with RBI)

- It **consolidates** all financial data of an individual, which otherwise remains in silos
- It **empowers** individual with control over their personal financial data
- It expands the potential pool of **customers** for lenders and fintech companies.

Payment System Operators

- ❑ **Section 4 of PSS Act 2007:** need RBI's permission to operate payment systems
- ❑ RBI authorised various PSOs like **CCIL, NPCI, ATM networks, Card** payment networks, **PPI** issuers, cross-border inbound money transfers entities, Instant Money Transfer operators, TReDS platform providers, Bharat Bill Payment, etc.

Prepaid Payment Instruments

Under PSSA 2007, no entity can set up and operate payment systems for PPIs without prior approval / authorisation of RBI.

Who can issue PPI?

- ✓ Bank ✓ NBFC
- ✓ Company registered in India with net worth > ₹ 15 crore

Types of PPI systems:

- ❑ **Closed system:** can buy goods/services only from issuer, not regulated or supervised by RBI
- ❑ **Semi-closed/open:** accepted at more places
- ❑ **Open system:** can withdraw cash from ATM

The Indian EXPRESS

RBI cautions public against prepaid payment instruments issued by unauthorised entities

RBI said sRide Tech Private Limited is operating a semi-closed (non-closed) pre-paid instrument (wallet) through its car-pooling app 'sRide' without obtaining the required authorisation from RBI under the provisions of the Payment and Settlement Systems Act, 2007.

By: PTI | Mumbai |
February 22, 2022 4:34:53 pm

Business Standard

RBI enforces 20-digit LEI for cross-border deals above Rs 50 crore

BS Reporter | Mumbai | Last Updated at December 11 2021 00:40 IST

The Reserve Bank of India (RBI) on Friday made Legal Entity Identifier (LEI) mandatory for cross-border transactions for capital or current account transactions of Rs 50 crore and above, from October 1 next year.

Legal Entity Identifier

- ❑ **20-digit** number issued by **CCIL / LEIIL**
- ❑ To uniquely **identify** parties in cross-border transactions
- ❑ **RBI**, under **FEMA 1999**, has made it compulsory for those doing capital or current account transactions > **₹50 crore**
- ❑ Globally regulated by Global LEI Foundation (est in 2014 by FSB)

Financial Stability Board successor to **Financial Stability Forum**

- est. after **2009 G20** London summit
- **Monitors** global financial system
- Hosted by Bank for International Settlements **Basel**, Switzerland

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CCIL

Clearing Corporation of India Ltd.

- ✓ Est 2001, HQ Mumbai
- ✓ Owned by? Banks, etc.
- ✓ Statutory body? No

- ✓ Subsidiary of RBI? No
- ✓ Regulated by RBI? Yes (under PSS Act 2007)

CCIL, as **Financial Market Infra**, is recognised as a Qualified **Central Counterparty** (QCCP) by RBI (since 2014)

Financial Market Infrastructure:

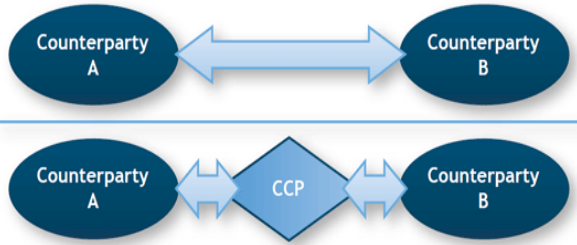
Institutions responsible for clearing, settling and recording financial transactions. Types:

1. Payment Systems
2. Central Securities Depositories
3. Securities Settlement Systems
4. Central Counterparties
5. Trade Repositories

Central Counter Party?

- CCIL becomes seller to the buyer and buyer to the seller
- Counterparty credit risk b/w buyer & seller is eliminated
- CCIL subsumes all counterparty and credit risks

Novation: substitution of old contract with new



Subsidiaries of CCIL:

- ❑ **Legal Entity Identifier India Ltd:**
 - Acts as a Local Operating Unit for issuing Legal Entity Identifiers (LEI) in India.
- ❑ **Clearcorp Dealing Systems Limited:**
 - Manages NDS-OM - the RBI owned anonymous electronic trading system for dealing in G-Secs

CCIL functions:

CCIL guarantees settlement of all trades accepted by the system

- ❑ **Guaranteed** settlement for Money, **G-Sec**, USD-INR Forex, Derivative markets
- ❑ **Non-Guaranteed** settlement for Rupee **interest rate** derivatives and **cross currency** transactions
- ❑ **Trade Repository** for all **OTC** transactions in Forex, Interest Rate and Credit derivative transactions

Centralized Payment Systems

➔ RTGS and NEFT



Mobile wallets, card networks, white label ATM operators allowed to join RBI's CPS

According to the RBI, direct access for non-banks to CPS lowers the overall risk in the payments ecosystem.

By: **ENS Economic Bureau** | Mumbai | July 29, 2021 3:01:59 am

The Reserve Bank of India (RBI) has decided to allow non-bank payment system providers (PSPs), including prepaid payment instruments (PPI) issuers like mobile wallets, card networks and white label ATM operators to participate in the Centralised Processing System (CPS) as direct members.

Till now:

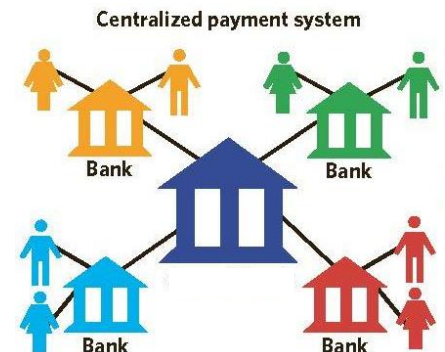
- Banks were accessing CPS directly
- Non-Banks through Banks

Now:

Non-banks can also access CPS directly

Which non-banks can directly access CPS?

- ✓ Card Networks
- ✓ White Label ATM Operators
- ✓ Prepaid Payment Instrument issuers



Meaning of Direct Access to CPS:

1. **Separate IFSC** (11 alphanumeric, by RBI, helps in identifying branches, RTGS, NEFT, IMPS, UPI, etc)
2. **Current account** with RBI
3. **Settlement account** with RBI
4. **Membership of Indian Financial Network (INFINET)** and use of Structured Financial Messaging System (**SFMS**) to communicate with CPS.

INFINET is wholly owned subsidiary of RBI.

SFMS is similar to SWIFT (India inter/intra bank).

I read I forget, I see I remember

See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias



← **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



FINANCIAL EXPRESS
Read to Lead

New umbrella entities explained: Why India has delayed their retail payment systems

RBI's decision to defer private umbrella entity licenses in light of data security concerns came much to sheer dismay of Tata & Reliance consortiums among other applicants, eager to venture into retail payments sector.

Written by **Guest**
September 13, 2021 6:47:30 pm

NPCI

National Payments Corporation of India:

- ✓ Est in **2008**, HQ **Mumbai**
- ✓ Initiative of **RBI** and **Indian Bank Association**,
- ✓ Its owners include both **Public and Private banks**

Some of its famous products are:

- ***99#**, UPI (2016), BHIM, Bharat Bill Pay, e-Rupi, RuPay card (2012), Positive Pay System
- **IMPS**: Immediate Payment Service
- **NFS**: National Financial Switch (connects ATMs)
- **NETC**: National Electronic Toll Collection (FASTag)
- **CTS**: Cheque Truncation System to stop the flow of physical cheques
- **NACH**: National Automated Clearing House. Central system for bulk payments to consolidate multiple ECS systems across India
- **Aadhaar Enabled Payment System**: Transaction at micro-ATM by biometric authentication
- **Aadhaar Payment Bridge**: Govt transfers subsidies based on Aadhaar number
- **Aadhaar Pay**: Merchant collects money by Aadhaar number and biometric authentication

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

Select Option:

1. Send Money
2. Request Money
3. Check Balance
4. My Profile
5. Pending Requests
6. Transactions
7. UPI PIN

***99#**

Cancel | Send



- UPI for feature phones
- Internet not needed
- **Unstructured Supplementary Service Data**
- Launched in 2012
- Since 2016, used to give UPI service without internet

Menu

1. Money Transfer
2. LPG Gas Refill
3. Fastag Recharge
4. Mobile Recharge
5. EMI Repayment
6. Balance check

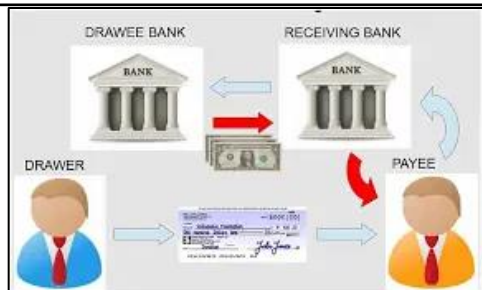
Options | Hold



- UPI for feature phones
- Internet not needed
- **Call IVR / Missed call**
- Launched in 2022

Positive Pay Mechanism:

- It is a fraud prevention mechanism
- Issuer shares cheque details with bank**
- Matched with cheque deposited by beneficiary
- Compulsory? No. But RBI said: Bank may make it compulsory if value is more than ₹ 5 lakh



I read I forget, I see I remember | See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

Unified Payment Interface:
By using Virtual Payments Address (VPA), one does not need IFSC code or bank account number.

Singapore:
➤ 1st to accept payments through BHIM App

Bhutan:
➤ 2nd to accept payments through BHIM App (first in our immediate neighbourhood)
➤ first to adopt UPI standards for its QR deployment

Offline Digital

Small Value Offline Digital Payments

- ❑ Telecom connectivity not needed. Must be done in **face-to-face mode only** (proximity mode)
- ❑ Can use **any channel** like card/wallet/mobile, etc; AFA not needed. Transaction **alerts** (by SMS/email) will have **time lag**
- ❑ Limit **₹200/transaction; ₹2000** overall limit. Limit replenishment can happen **only in online mode with AFA**
- ❑ **"UPI Lite - On-device wallet"**: to be launched soon

The Indian EXPRESS

UPI lite announced for offline transactions: Here's how it will work, amount limit, etc

UPI lite features, details: What is UPI lite? How is it different from 123Pay? Here we explain.

By: Tech Desk | Pune |
Updated: March 22, 2022 9:40:42 am

Auto-debit rules

THE HINDU

Explained | Effect of RBI's recurring payment rule on international subscription services

*E-mandate
Auto-debit
Recurring payment
Additional Factor Authentication*

John Xavier
NOVEMBER 10, 2021 12:54 IST
UPDATED: NOVEMBER 10, 2021 13:22 IST

How RBI's e-mandate rule is affecting India-based users of international subscription services

On October 1, the Reserve Bank of India (RBI) mandated additional factor authentication (AFA) took effect, providing an extra layer of security to consumers against online scams. The

New rules for cards and UPI (not NACH):

- Customer to get notification 24 hours before debit
- Customer can modify/cancel payment
- OTP needed if amount > ₹ 5000

Card Tokenisation

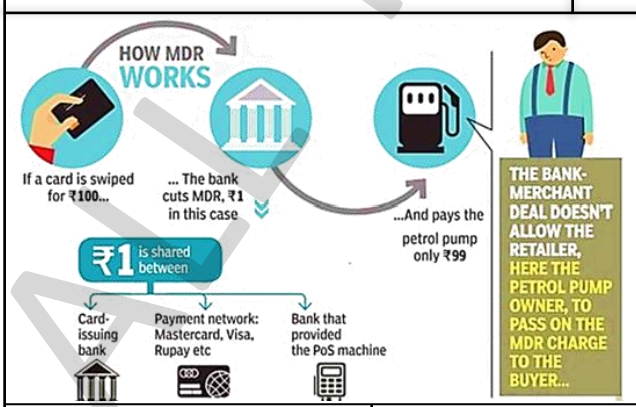
THE HINDU

Explained | What is tokenisation of debit and credit cards?

Prashanth Perumal
DECEMBER 24, 2021 14:18 IST
UPDATED: DECEMBER 25, 2021 22:45 IST

Tokenisation of domestic cards:

- Random numbers will replace sensitive card data on merchant websites
- Online transactions will become more secure
- Deadline extended to 30 June 2022
- For both debit and credit cards



Merchant Discount Rate

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.

Payment Infra Development Fund



PoS machine (Point of Sale)

- ₹ 500 crore fund;
- Manged by RBI
- For PoS infra in Tier-3 to Tier-6 cities and NE states
- Now extended to PM SVANidhi in tier-1,2 cities

PM SVANidhi

PM Street Vendor's AtmaNirbhar Nidhi
Collateral free working capital loan:

- up to ₹ 10,000; interest subsidy of 7% from SCB, SFB, RRB, CB, NBFC, etc.

Ministry: MoHUA (in 2020)

Implementation agency: SIDBI

Digital payments

DigiShala:

- By MeitY
- free DD channel to educate people about digital payments.

Digisaathi:

- By RBI and NPCI
- helpline for digital payments launched

Vitiya Saksharta Abhiyan (ViSaka):

- By Ministry of Education
- College students to promote digital payments

MANI app: Mobile Aided Note Identifier

- by RBI for visually challenged
- Like OCR, doesn't need internet
- Can't identify FICN

HARBINGER 2021:

- Global Hackathon by RBI
- For innovations in payments system
- Theme 'Smarter Digital Payments'

Digital Payments Index:

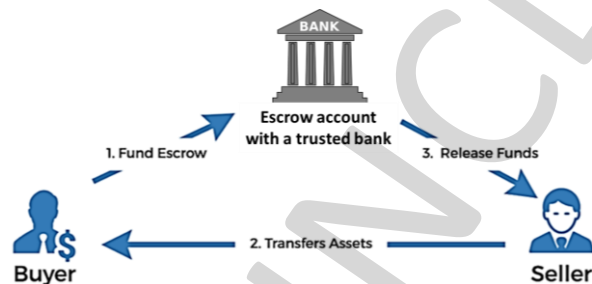
- Base year: 2018
- Launched: in 2021 by RBI
- For extent of digitisation in India
- Which state topped? 😊

Trend in Digital payments:

- Overall Volume and value consistently increased
- Most share by volume → UPI
- Most share by value → RTGS

Escrow account

An account where funds are held in trust, while two parties complete a transaction.

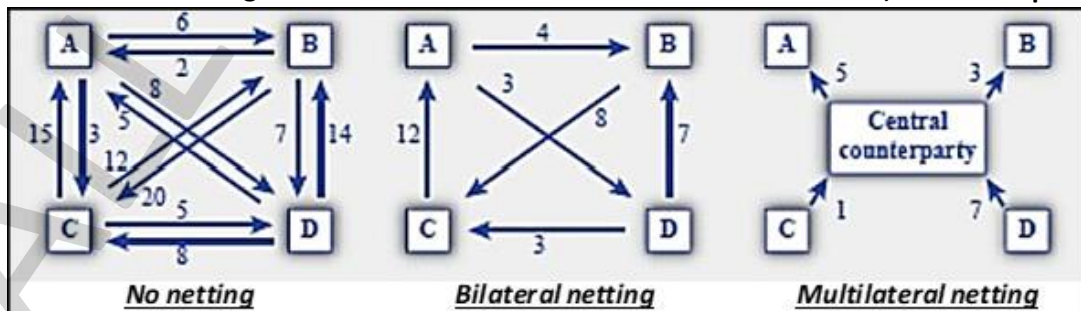


UPI / IMPS / RTGS / NEFT

	UPI	IMPS	RTGS	NEFT
Minimum	-	-	2 lakh	-
Maximum	1 lakh	2 lakh	-	-
Settlement	Real Time			30 minutes
Available	24 x 7 x 365			
Mode	Online		Online/Offline	
Operated by	NPCI		RBI	
Regulated by	RBI			

Bilateral Netting of Qualified Financial Contracts Act, 2020

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



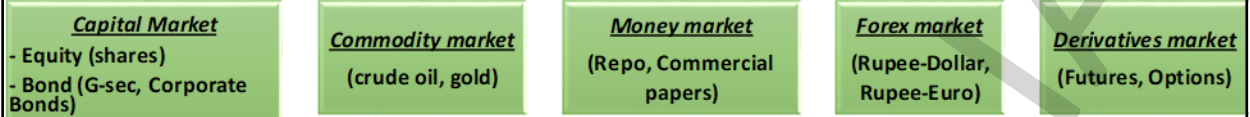
I read I forget, I see I remember | See explanation of this PDF on [YouTube](https://www.youtube.com/c/allinclusiveias) www.youtube.com/c/allinclusiveias

All-Inclusive Current Affairs for Prelims 2022

Economy Class-9

FINANCIAL MARKET

Market where financial instruments are traded.



Stock Broker



Investor



Stock Exchange



- BSE: 1875
- NSE: 1992

Depository (Dematerialized shares)



NSDL was established as first electronic securities depository in India with national coverage.

- 1996: National Securities Depository Ltd
- 1999: Central Depository Services Ltd

Sensex	Nifty
1986	1996
BSE	NSE
Weighted average of top 30 companies	Weighted average of top 50 companies

Market Cap:

- Market value of outstanding shares
- (Share price) X (outstanding shares)



Stock exchange:
 Largest → NYSE
 Oldest → Amsterdam 1602
 Asia's oldest → BSE 1875

<https://www.sebi.gov.in/stock-exchanges.html>

- 1) **BSE:** Bombay Stock Exchange
- 2) **NSE:** National Stock Exchange
- 3) **CSE:** Calcutta Stock Exchange Ltd
- 4) **ICEX:** Indian Commodity Exchange
- 5) **MSE:** Metropolitan Stock Exchange
- 6) **MCX:** Multi Commodity Exchange
- 7) **NCDEX:** Nat. Commodity & Derivatives Ex.

BSE is listed on NSE? Yes! (since 2017)
 A stock exchanges is a company.
 So, it can be listed on another exchange.

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.

Over-the-counter (OTC) trades:

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

Guarex, Soydex are: Dinosaurs? No Agri indices? Yes

I read I forget, I see I remember

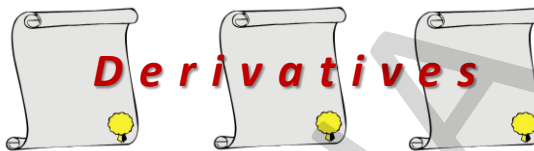
See explanation of this PDF on www.youtube.com/c/allinclusiveias

mint

Sebi issues guidelines for operationalizing gold exchanges in India

2 min read . Updated: 11 Jan 2022, 06:24 AM IST

The government has notified the Securities and Exchange Board of India (Vault Managers) Regulations, 2021, to create electronic gold receipts (EGRs), which are electronic receipts issued on the basis of a deposit of physical gold. This would pave the way for the operationalization of a gold exchange in India. Sebi also issued the framework for gold exchanges.



← **Gold Exchange:**

- Platform for trading EGRs

Electronic Gold Receipts:

- e-receipts issued against physical gold

SEBI

- Est 1988; SEBI Act 1992
- SEBI is a quasi-legislative, quasi-judicial and quasi-executive body. Make regulations. Conduct inquiry. Pass ruling and impose penalty.

Securities Appellate Tribunal: (Mumbai)

- Statutory body under **SEBI Act 1992**
- Hears **appeals against** orders passed by SEBI, IRDA, PFRDA, **X RBI**
- Presiding Officer appointed by Govt after consulting CJI/nominee
- Appeal against its order lies to **Supreme Court**

International Organization of Securities Commissions

- Global standard setter for securities sector
- 1983; Spain
- SEBI: Member
- IFSC: Associate member (2021)

Investor Education and Protection Fund:

- by FinMin, SEBI, RBI ? No
- Ministry of Corporate Affairs** in 2016
- Promote investor education
- Refund unclaimed dividends, matured deposits, etc.

The Indian EXPRESS

Budget announcement: GIFT City can host foreign universities, arbitration centre, handle climate finance

Freedom from domestic regulation!

Written by Avinash Nair | Ahmedabad | February 1, 2022 7:05:53 pm

Gift City

Gujarat → Gandhinagar → GIFT city → IFSC → Exchange / Bank / Insurers / Aircraft leasing / IT companies / etc

GIFT: Gujarat International Finance Tec-City
IFSC: International Financial Services Centre

IFSC at GIFT city:

- Set up in 2015 under SEZ Act 2005
- Tax benefits of doing business in IFSC: 10-year tax holiday, no STT, LTCG, etc.

International Stock Exchange:

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

International Financial Services Centres Authority

(Est: 2020; HQ: GIFT City)

- Statutory body under IFSCA Act, 2019
- Unified regulator for IFSC

Did you know:

- Before IFSCA, IFSC was regulated by RBI, SEBI, IRDA, PFRDA
- All four financial regulators are Statutory bodies
- HQ: Mumbai: RBI, SEBI Hyderabad: IRDA Delhi: PFRDA

THE HINDU

IFSC GIFT City | Financial hub, a work in progress

K. Bharat Kumar

MARCH 06, 2022 01:06 IST
UPDATED: MARCH 06, 2022 08:12 IST

The GIFT City SEZ – with demarcations for domestic and export-oriented units – is the only place in India to be designated as an IFSC.

“A jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in any currency except Indian Rupee,” is how GIFT City defines the IFSC.

I read I forget, I see I remember | See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

Listing of Companies

Company can list in two ways: IPO and Direct listing

- ❖ **IPO:** new shares are created, underwriters are involved.
- ❖ **DL:** existing outstanding shares are sold, u/w not involved.

Underwriter helps in IPO process, regulatory requirements, agree to buy shares, and then sell to investors.



IPOs and FPOs offer shares to QIB, NII, RII

- QIB:** Qualified Institutional Buyer
- NII:** Non-Institutional Investor / High Net worth Individual
- RII:** Retail Individual Investor

Individual investing up to Rs 2 lakh is RII, above 2 lakh is NII.

Qualified Institutional Placement (QIP) is an offer only to QIB.

If the issue is oversubscribed:

- All retail investors are allotted at least one lot of shares.
- If the one-lot-to-each-investor is not possible, a lottery system is used.



Rights issue:

Invitation to **existing shareholders** to purchase new shares in the company at discount.

Private placement:

Sale of shares to **pre-selected investors** rather than in the open market, as **alternative to IPO**.

Prospectus:

- Legal document** describing company's operations and purpose for offering securities.
- Red Herring Prospectus mentions price and number of shares offered? No



Anchor investors: (since 2009)

- Invests **a day before IPO** is made available to public
- They are **QIBs** like FPIs, MFs, Insurance co, etc.
- Must invest at least Rs 10 crore
- They usually have a **lock-in period** of 30 days. (Now 30 days for 50%, 90 days for remaining)
- Benefits:** Price discovery, market confidence, make IPO attractive.

Minimum Public Shareholding: (FinMin can exempt PSUs)

- All listed companies must have **at least 25%** of their equity shares held by non-promoters (public)
- Benefits: Less manipulation in stock price; provides liquidity in trading, etc



Offer For Sale:

- Sebi introduced it in **2012** to make it easier for companies to adhere MPS.
- Promoters dilute** their stake by selling their shares.
- Unlike FPO, OFS is only available for one trading day.

Insider Trading:

- Trading securities, on basis of material non-public info.
- Prohibited under SEBI Act 1992 and Companies Act 2013.

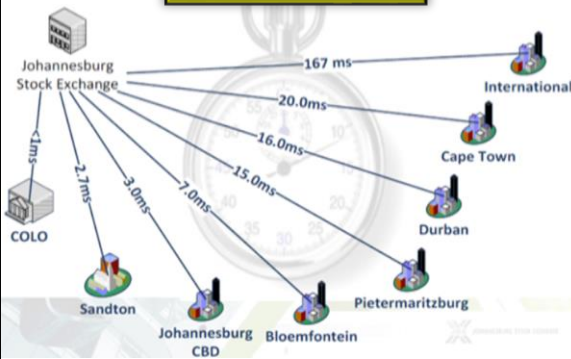
Two methods of issuing shares to employees:

- ESOP:** right to buy shares at predetermined price on a future date, usually used for employee retention.
- Sweat Equity:** shares issued for non-cash consideration, for providing some value addition.

I read I forget, I see I remember

See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

Co-Location



Co-location:

- Brokers set up their computers on **Exchange's premises**
- High fees, so not everyone can afford
- Allowed by NSE in 2009
- Gives advantage in **high-frequency algo-trading**

Algo trading:

- **Software** automatically places buy/sell orders, based on algorithm
- Usually used for high volume orders at **high speed**
- In India since **2008**, today about **50%**. Globally 80%.
- Anyone can? Yes (just have access to tech)
- But most beneficial for big brokers with co-location

Misc.

THE HINDU

SEBI introduces accredited investors concept in Indian securities market

PTI
NEW DELHI AUGUST 06, 2021 12:12 IST

Markets regulator SEBI has introduced the concept of 'accredited investors' in the Indian securities market, a move expected to open up a new channel for raising funds.

A person or entity will be identified as an accredited investor on the basis of net worth or income.

← Accredited Investors:

- They can deal in securities that are not available to general public.
- They can invest less than minimum amount needed in AIF and Portfolio Mgmt Services.
- Following automatically become AI, they need not apply: C/S govt, SWFs, QIBs, Category I FPIs, developmental agencies, multilateral agencies.

NSE Shine:

- **Blockchain platform for gold bullion**

Bullion refers to?

- Gold, silver, platinum etc.
- Value depends on price, weight, purity

Business Standard

NSE world's largest derivatives exchange for third straight year

Press Trust of India | New Delhi | Last Updated at January 19 2022 18:31 IST

In a statement on Wednesday **NSE** said it has ranked as the largest exchange globally in equity **derivatives** as well as currency **derivatives** by the number of contracts traded.

In addition, the exchange was ranked fourth by the number of trades in cash equities, as per the statistics maintained by the World Federation of Exchanges (WFE) for 2021.

← Caution:

- This news article talks about volume in derivatives.
- In terms of market cap in equities, BSE & NSE are near top 10.

NSE Prime:

- Higher corporate governance standards
- **NSE listed companies can join voluntarily**

THE ECONOMIC TIMES

National Stock Exchange launches NSE Prime

By SHUBHAM RAJ
ETMarkets.com

Dec 21, 2021, 08:18 PM IST

NEW DELHI: **NSE** on Tuesday launched a new corporate governance initiative – '**NSE Prime**', that NSE-listed companies can adopt voluntarily. NSE Prime is a framework that prescribes higher standards of corporate governance for listed Companies than those required by regulations.

Business Standard

India to move to T+1 settlement from Friday: Here's what it means

India To Start with T+1 stock settlement from February 25, which means that trade-related settlements must be done within one day of the transaction's completion.

Topics
Markets | BSE | NSE

Ashley Coutinho | Last Updated at February 24 2022 22:13 IST

INDIAVIX:

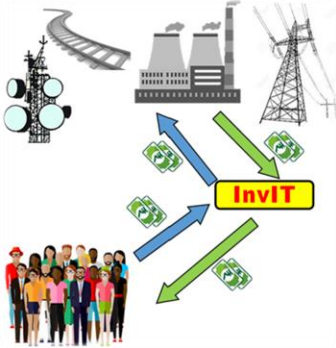
- **Volatility** index based on **Nifty Index Option** prices.
- It indicates expected market volatility in next 30 days.

Network for Greening Financial System

- **2017**; Paris; group of 83 central banks
- To contribute to environment
- RBI joined it in 2021

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



REITs, InvITs

REITs: Real Estate Investment Trusts
InvITs: Infrastructure Investment Trusts

- Like Mutual Funds: pool money → invest → distribute return
- Set up under Indian Trust Act, 1882
- Regulated by SEBI
- Some listed, some not.

ESG reporting

ESG reporting / Sustainability reporting:

- Disclosing data on environmental, social and governance impacts.
- Many benefits, like, shows financial risk due to environmental or social practices.
- To be included under Business Responsibility and Sustainability Reporting
- Voluntary for FY 2021-22 and mandatory from FY 2022-23 for the top 1,000 listed companies by market capitalization

Triple Bottom Line



Social Stock Exchange

Impact Investment:

investing into companies to make social or environmental impact, besides financial return.

Social Enterprise:

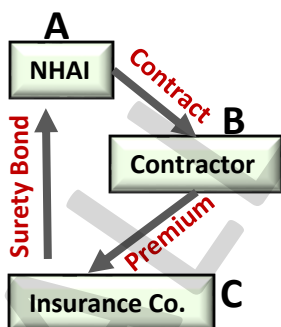
company engaged in the business of "creating positive social impact".

Social Stock Exchange:

Electronic fundraising platform for social enterprises. UK, USA, Canada, etc. have SSEs.

SEBI framework for SSE (September 2021)

- It can be used by both Non-profit organisations (NPOs) and For-profit social enterprises.
- Company must be engaged in at least one of 15 activities approved by SEBI (poverty, hunger...)
- Funds can be raised by equity, bonds, mutual funds, etc.
- Social audit will be mandatory.

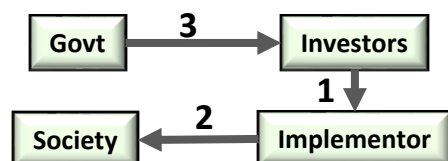


Surety Bonds:

- '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'.
- Now IRDA has issued guidelines for insurance companies do this job.

Social Impact Bonds:

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



GREEN BONDS:

- ✓ Bonds issued to raise money for **environment related projects**.
- ✓ **2007**: World's first GBs issued by World Bank and European Investment Bank.
- ✓ **2015**: India's first GBs issued by **Yes Bank**.
- ✓ **2018**: India's first on INX by Indian Railway Finance Corporation
- ✓ **2021**: **Power Finance** Corporation issued first ever **Euro** denominated Green Bond from India
- ✓ **Guidelines by? SEBI**

INDIAN GREEN BONDS COUNCIL:

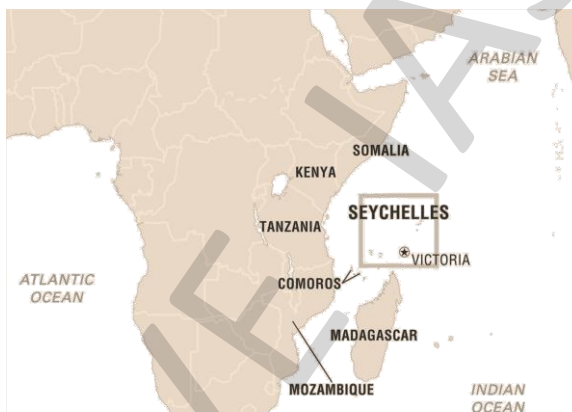
- ✓ Formed in **2016** to promote green bonds
- ✓ by **FICCI** and Climate Bonds Initiative

CLIMATE BONDS INITIATIVE:

- ✓ International organisation formed in **2009** to promote green bonds

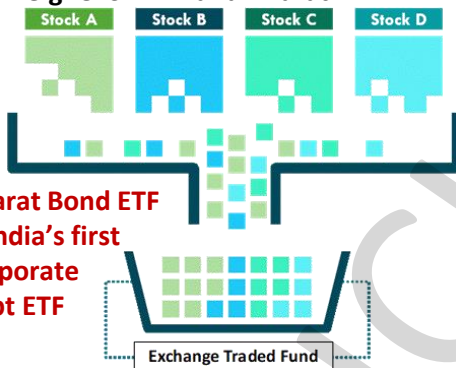
Blue Bond:

- ✓ To raise money for sustainable **marine** and fisheries projects.
- ✓ In 2018, **Seychelles** issued world's first sovereign blue bond



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

Inflation Index Bond:

1997:

- Capital Indexed Bonds (protected capital, not interest)

2013:

- IIB based on WPI (protects both capital and interest)

All-Inclusive Current Affairs for Prelims 2022

Economy Class-10

India's top trading partner?

USA / China (fluctuates)
Trade surplus with USA
Trade deficit with China

India's share in Global exports:

- Services exports → 3.4%
 - Merchandise exports → 1.7%
- USA 9%, China 13%

Why merchandise exports so low?

Low role in global value chains,
High interest rate, High tax, etc.

Top export destinations: USA > UAE > China

Top 5 export commodities: Petroleum Products > Drugs > Precious Stones

WTO

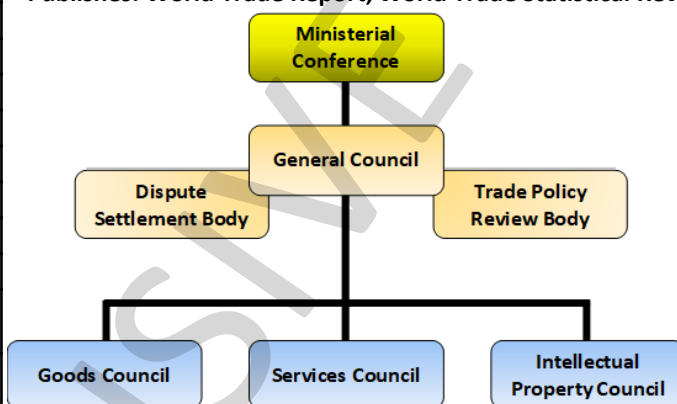
GATT & WTO Trade Rounds

No.	Year	Name	Remarks
1	1947	Geneva	Tariffs
2	1949	Annecy	Tariffs
3	1951	Torquay	Tariffs
4	1956	Geneva	Tariffs
5	1960-61	Dillon	Tariffs
6	1964-67	Kennedy	Tariffs
7	1973-79	Tokyo	Tariffs
8	1986-94	Uruguay	Tariffs, WTO, IPR, Agri, Textiles, etc.
9	2001 -	Doha	Also labour standards, environment, etc.

WTO: successor to GATT (1948)

Established on 01-01-1995 after Uruguay Round

Publishes: World Trade Report, World Trade Statistical Review



General Council:

- ✓ It has representatives from **all member** governments.
- ✓ It has authority to act on behalf of **Ministerial Conference** (which meets once in two years).
- ✓ It also meets as **Dispute Settlement body** and **Trade Policy Review Body**.

Dispute settlement body takes decision by

- Majority? No
- Reverse consensus method? Yes

Trade-Related Aspects of Intellectual Property Rights:

- Countries must protect **IPR** of nationals of other countries.
- Effective since 1995., all applies to all WTO member

- ✓ WTO agreements have **special provisions** on developing countries.
- ✓ WTO Secretariat gives **technical assistance** (mainly training of various kinds) for developing countries.
- ✓ WTO gives developing countries **longer time** to implement agreements.
- ✓ WTO allows developed countries to **treat developing countries more favourably** than other WTO members.

Developed or Developing:

- ✓ **WTO does not define** "developed" and "developing" countries
- ✓ **Countries themselves tell** whether they are "developed" or "developing" countries.
- ✓ e.g. South Korea announced it will not seek benefits as developing country
- ✓ Benefit giving country decides list of developing countries that will be given benefits (e.g. GSP)

Generalized System of Preferences

- Developed countries impose **less tariff** on some imports from some developing countries
- 2018: **USA withdrew GSP for India**
- GSP was adopted at UNCTAD in **Delhi** in **1968** and instituted in **1971**

UNCTAD: UN Conference on Trade & Development

Note:

- MFN** → equal treatment
 - GSP** → preferential treatment
- Both come under **WTO**

Special Safeguard Mechanism:

Developing countries can raise tariffs temporarily to deal with import surges or price falls.

Special and Differential Treatment

Special rights for developing countries like:

- all WTO members to **safeguard** interests of developing countries
- longer **time** to implement Agreements
- increase trading **opportunities**
- **help** in building capacity

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

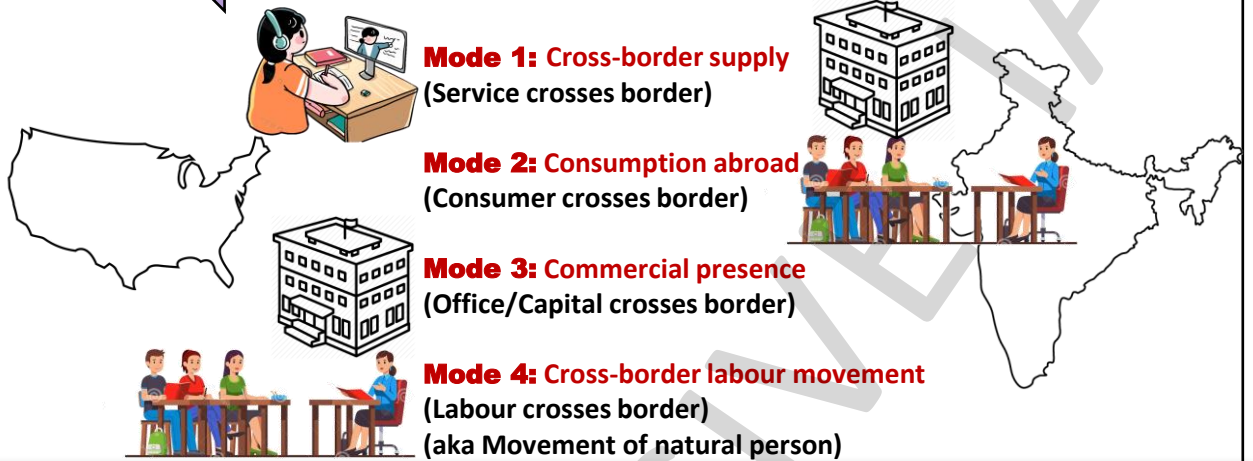
Trade in Services

- ❑ WTO concluded negotiations on **Services Domestic Regulations**
- ❑ Aim is to make it business easier for foreign service providers
- ❑ It is the first WTO deal on services in over two decades.

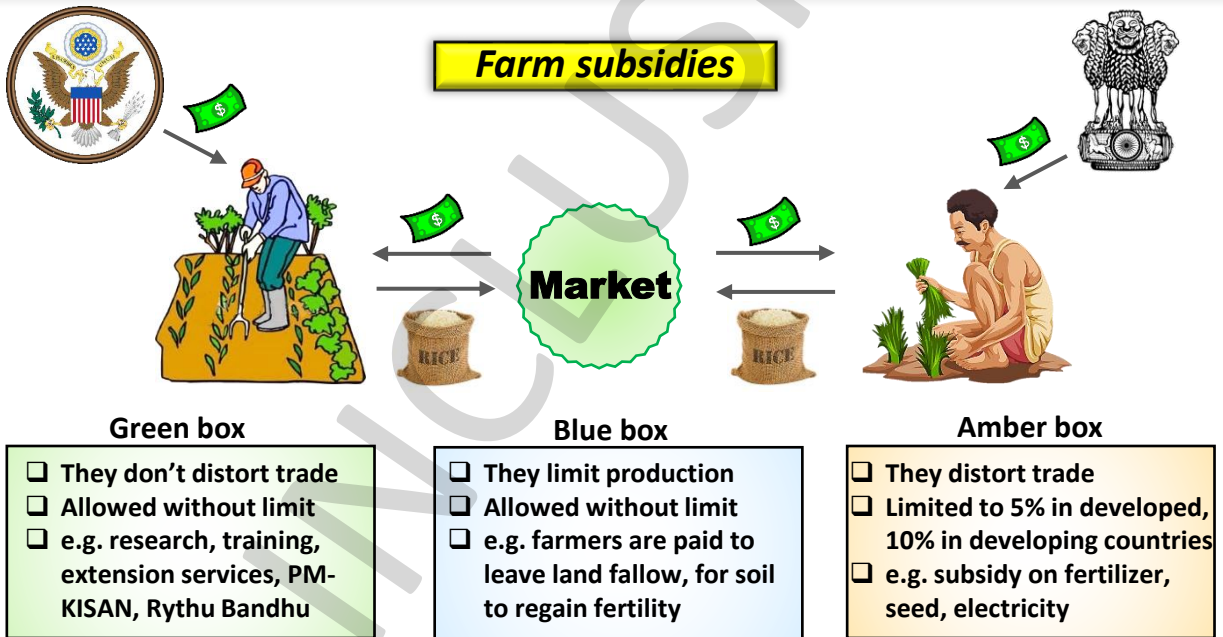
GATT → General Agreement on Tariffs and Trade
 GATS → General Agreement on Trade in Services
 GATT is for goods; GATS is for services

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

Agriculture

Most agri loans are:

- from **institutional** sources (not moneylenders)
- given by **Commercial** banks (not RRBs)
- short-term** loans (< 15 months)

Department of Fertilizer:

Under Ministry of **Chemicals**, not MoA&FW
Ensures adequate & timely availability of Fertilizers

Fertilizer consumption:

N:P:K ratio: Ideal **4:2:1** Actual **6.7 : 2.4 : 1**

FERTILIZER SUBSIDY		
	Non-urea	Urea
Subsidy given to?	▪ Manufacturer	▪ Manufacturer
Subsidy based on?	▪ Nutrient Based subsidy scheme ▪ Amount of nutrients in fertilizer	▪ Urea Policy ▪ Difference between selling price and cost of manufacturing
Import?	▪ Open General Licence ▪ Private companies free to import	▪ Canalized ▪ Only 3 PSUs can import

Green manure:

- crops grown to maintain soil **fertility**
- Does nitrogen fixation, maintain pH, etc.
- Reduces need for fertilizers
- Dhaincha, Cowpea, pigeon pea, Sunhemp, Green gram, moong, guar, etc.

Pulses:

- 20-25% **protein**
- 80-90% of pulses & millets are grown under **rainfed** agriculture
- grown in Kharif, Rabi, Zaid seasons

Leguminous crop

- They have nitrogen-fixing **rhizobium** bacteria in their root nodules.
- They improve soil **fertility**.
- They help in crop **rotation**.
- They reduce soil **erosion**.
- They are used as green **manure**, animal **fodder**, etc.
- e.g. Beans, groundnut, pea, gram, pulses, etc
- Lathyrism** is a neurological disease in humans / animals caused by eating certain legume crops.

In Pulses, India is largest:

- Producer (25% of global production)
- Consumer (27% of global consumption)
- Importer (14%)

PMFBY:

Farmer pays premium:
2% Kharif crops
1.5% Rabi crops
5% Commercial/horticultural crops

Rainfed agriculture:

- 51% of total net sown area; 40% of total food production
- 90% of millets, 80% of oilseeds and pulses, 60% of cotton
- Rainfed Area Development Program uses **Integrated Farming system** to increase productivity
- IFS = crops + horticulture, livestock, fishery, agro-forestry, apiculture, etc.

Cropping season	North	South
Kharif June-Sept	Rice, Cotton, Maize, Tur, Jowar, Bajra, Groundnut	Rice, Maize, Groundnut, Ragi, Jowar
Rabi October-March	Wheat, Mustard, Gram, Rapeseed, Barley	Rice, Maize, Groundnut, Ragi, Jowar
Zaid April-June	Fruits, Vegetables, Fodder	Rice, Vegetables, Fodder

Southern India:

- No distinct cropping seasons
- Temperature** is high enough to grow tropical crops anytime, provided soil **moisture** is available

Coffee:

- **India** is the **only** country that grows **all** of its coffee under **shade**.
- Grown in **intercropping** with **spices** and **fruit** crops.
- Arabica variety was brought from Yemen, planted in Baba Budan hills in **Chikmanagalur**, Karnataka.
- Another famous place: **Araku valley** in Andhra
- Almost **80%** of Indian coffee is **exported**.
- Propagated by **seeds** and **vegetative** propagation
- Coffee needs **hot and humid** climate to grow

Hemileia vastatrix:

fungus that causes coffee leaf rust

Ministry of Commerce and Industry
Coffee Board of India → **Bangalore**
Tea Board of India → **Kolkata**

I read I forget, I see I remember | See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

Tea:

- Temp: 20°-30°C
- Rain: 150-300 cm well distributed throughout year
- Soil: well drained, slightly acidic, high organic matter, high humus
- Propagated by seeds and vegetative propagation
- Tropical and sub-tropical areas

Anthraquinone

- contaminant / **pollutant**
- found in **environment**, hence in many food products like tea
- used in dyes, paint, textile, pulp, paper industries, as a bird repellent, etc

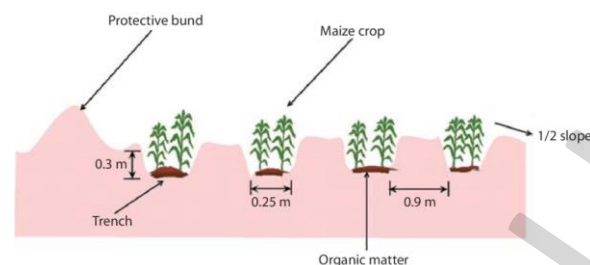
Globally Important Agricultural Heritage Systems

Designated by FAO. Three in India:

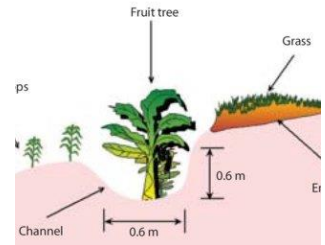
- 1) Kerala: **Kuttanad** Below Sea Level Farming System
- 2) Odisha: **Koraput** Traditional Agriculture
- 3) Kashmir: **Pampore** Saffron Heritage

Large Area Certification:

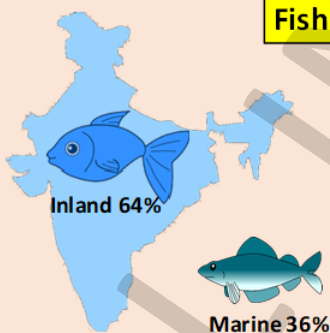
- by Department of Agriculture, Cooperation and Farmers Welfare
- It is part of Participatory Guarantee System (**Environment page-83**)
- Traditional Organic Areas** are certified as organic production hubs
- 14k ha area in **A&N is.** is the first to get this status
- quick and cost-effective certification process
- Farmers don't have to wait for transition period of 2-3 years to qualify as organic

**Trench Farming**

- for growing crops during extreme **winters**.
- Uses soil and solar heat to create suitable climatic conditions

**Project Chaman:**

- Launched in **2014**
- under **Mission for Integrated Development of Horticulture**
- better horticulture development using remote sensing
- Coordinated Horticulture Assessment using Management using geoinformatics

Fish**State subject:**

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

River ranching:

- type of aquaculture
- fish are raised in river
- Part of PM MSY

Fish Cryobanks:

Fish sperms for fish farmers

PM Matsya Sampada Yojana:

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

e-SANTA:

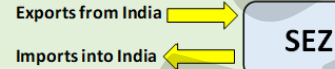
- Online platform to connect **aqua farmers and buyers**
- By Marine Products Export Development Authority under **MoCI**

Special Economic Zone

Special Economic Zones:

- Duty free area deemed to be **foreign territory** for trade, tariffs, etc
- Can be set up for **manufacturing** as well as **services**.
- India began setting up SEZs in 2000
- They are approved under **SEZ Act, 2005**
- Approx 450 approved, 238 operational

NIMZ



Export Processing Zone:

- EPZs were similar to SEZs to today.
 - Asia's first EPZ was est in **1965** at **Kandla**
- Note:**
New name of Kandla port is **Deendayal** Port
It is in Gulf of **Kutch**, not Gulf of Cambay

NIMZ	SEZ
National Mfg Policy 2011	SEZ Act 2005
For Industrial growth	For exports
Domestic territory	Deemed foreign territory

Infra

National Monetization Pipeline:

- limited period **transfer** of **Brownfield** Infrastructure Assets
- This asset monetisation in 4 years FY 2022-25 may fetch **Rs 6 lakh crore**
- **Remember:** govt is "not" selling assets. Govt is giving assets on "rent".

India Investment grid:

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

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**

Gati Shakti

- National Master Plan for multi-modal connectivity plan
- It is a **digital platform** for coordination in different ministries, for planning and execution of infra connectivity projects
- Cost shown in media: **Rs 100 lakh crore**

EPC – BOT – HAM – TOT

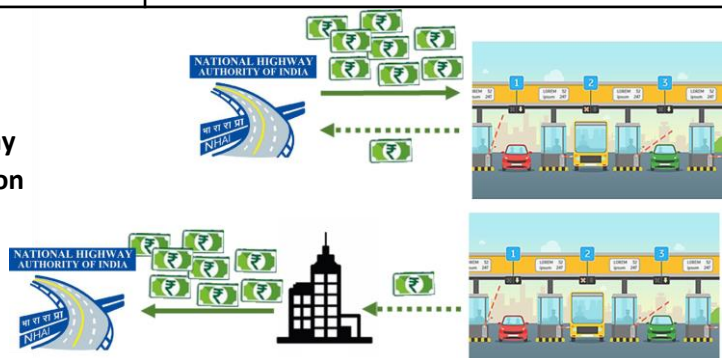
	EPC	BOT	HAM
Financing risk	NHAI	Private company	Shared
Revenue risk	NHAI	Private Company	NHAI
Operations & Maintenance risk	NHAI	Private Company	Either party (Depends on contract)



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

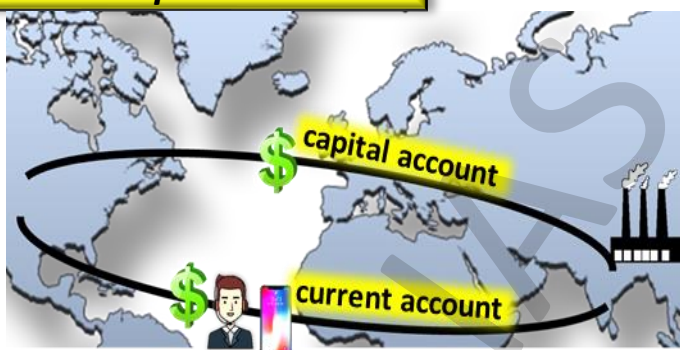
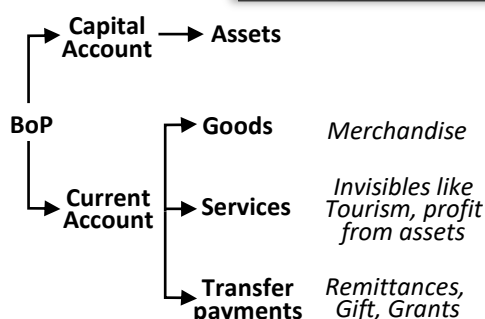
Toll Operate Transfer :

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



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

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

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**

Prelims 2012:
The price of any currency in international market is decided by
 1. World Bank
 2. Demand for goods/services provided by the country concerned
 3. Stability of the government of the concerned country
 4. Economic potential of the country in question.
 Which of the statements given above are correct?
 (a) 1, 2, 3 and 4 (b) 2 and 3 only (c) 3 and 4 only (d) 1 and 4 only

Convertibility of Rupee:
 Conversion to other currencies
 Current account → fully convertible
 Capital account → partially convertible

Full convertibility:
 ➤ Benefit: capital inflow
 ➤ Problem: more volatility

Prelims 2019:
 Which of the following is "not" the most likely measure the Govt / RBI takes to stop slide of Indian rupee?
 (a) Curbing imports of non-essential goods and promoting exports
 (b) Encouraging Indian borrowers to issue rupee denominated Masala Bonds
 (c) Easing conditions relating to external commercial borrowing
 (d) Following an expansionary monetary policy

Prelims 2019:
 In the context of India, which of the following factors are contributors to reducing the risk of a currency crisis?
 1. The foreign currency earnings of India's IT sector
 2. Increasing the government expenditure
 3. Remittances from Indians abroad
 Select the correct answer using the code given below.
 (a) 1 only (b) 1 and 3 only
 (c) 2 only (d) 1, 2 and 3

FEMA 1999
 Regulates foreign exchange transactions
 Classifies all forex transaction as capital or current account transactions.
 All transactions by resident Indian, that do not alter his assets or liabilities outside India, are current account transactions.

Liberalized Remittance Scheme by RBI under FEMA
 Allows all resident individuals, including minors, to freely remit up to \$ 2,50,000 per financial year for any permissible current or capital account transaction or a combination of both.



RoDTEP:
 ➤ Remission of Duties and Taxes on Export Products
 ➤ 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

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

Design Linked Incentive Scheme
 Ministry of Electronics & IT (MeitY)
 Financial incentives etc will be given to companies for semiconductor related technologies....

Chips to Startup (C2S) Programme
 Ministry of Electronics & IT (MeitY)
 To train engineers in semiconductor related technologies like Very large-scale integration and Embedded System Design

MSME	*crores	Micro	Small	Medium	Just remember: <input type="checkbox"/> Investment: 1 → 10 → 50 <input type="checkbox"/> Turnover: (multiply by 5)
	Investment	1	10	50	
	Turnover	5	50	250	

Amended Technology Upgradation Fund Scheme Ministry of Textiles
 Capital subsidy for companies to upgrade tech to increase productivity, quality, etc.

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**

Rating Agencies

Credit Rating Agencies:

- They assess **creditworthiness** of an organisation (i.e. ability to repay debt)
- They are regulated by **SEBI**
- There are **seven** CRAs in India

2020 news:

- CRAs failed to warn investors about **ILFS crisis**.
- So, SEBI is tightening regulations for CRAs.
- Real problem? Conflict of interest:
 - Issuer pays model (company pays CRA to get rated)
 - Non-rating services (CRA give Consultancy services to Company)

Sovereign Credit Ratings

- by Moody's, Fitch, S&P, etc
- They assess overall economic, political stability, default risk, etc
- Labels like: investment grade, speculative grade, junk, etc.
- India's rating not very good
- Implications:** increased borrowing cost for even private companies, poor investor confidence, etc.

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

SWIFT

SWIFT Society for Worldwide Interbank Financial Telecommunications

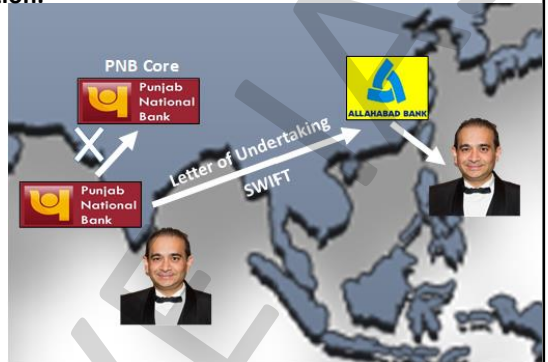
- 1973, **Belgium**, SWIFT is a members-owned cooperative
- Messaging network** for banks and other financial institutions (>11,000)
- To securely exchange information, such as money transfer **instructions**
- SWIFT **does not transfer the money**, it only sends information.

Bank Identifier Code or SWIFT code

- 8-11 digit code
- identifies Country, City, Bank branch
- Each member institution gets code

Letter of Undertaking:

- Type of **bank guarantee**
- Bank allows its customer to raise money from another Indian Bank's foreign branch as short term credit
- It was misused by Nirav Modi, PNB suffered major loss.
- RBI stopped this practice in 2018.



ISPRL

underground rock caverns

Indian Strategic Petroleum Reserves Limited

- 2005; subsidiary of Oil Industry Development Board
- Under Ministry of Petroleum and Natural Gas

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%)

Specific tax:

- according to **quantity** of goods
- e.g. Rs 30 excise duty by Centre

Ad Valorem tax:

- according to **value** of goods
- e.g. 20% VAT by state govt

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.)
 - ✓ Projects were sanctioned by States, but now **Centre** has taken complete control

Critical minerals:

- Elements **essential** for economy/security/technology, but has risk of supply chain disruption.
- e.g. lithium, platinum, Rare-earth materials (Science page-70)

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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	2016
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 CPI	Wholesale Price Index WPI	Producer Price Index PPI	Index of Industrial Production IIP	Purchasing Manager's Index PMI
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.

I read I forget, I see I remember

See explanation of this PDF on **YouTube** www.youtube.com/c/allinclusiveias

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

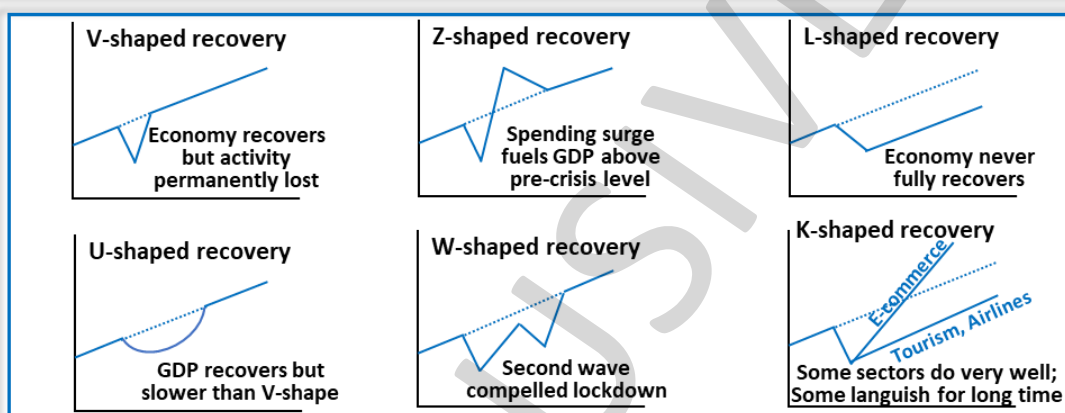
Select the correct answer using the codes given below:

- (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

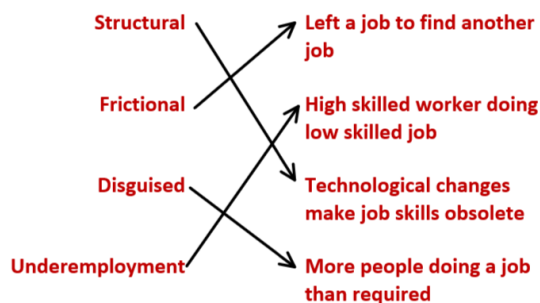


PLFS:

- Since 2017
 - By National Statistical Office
 - Quarter: CWS for urban areas
 - Annually: CWS & US for Urban & Rural areas
- Q. **US, CWS, CDS** 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)

Unemployment type

Explanation



Prelims 2011:

Which of the following can aid in furthering the government's objective of inclusive growth?

1. Promoting self-help groups
2. Promoting micro, small enterprises
3. Implementing the right to education act

Select the correct answer:

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

Prelims 2012:

Which of the following can be said to be essentially the parts of 'Inclusive Governance'?

1. Permitting NBFC to do banking
2. Establishing effective District Planning Committees in all districts
3. Increasing government spending on public health
4. Strengthening Mid-day Meal Scheme

Select the correct answer:

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

Inflationary Gap

_____ Present real GDP
Inflationary gap
_____ GDP at full employment
_____ Present real GDP
Recessionary gap

Inflationary gap:
(present real GDP) - (GDP at full employment)

Recessionary gap:
(GDP at full employment) - (present real GDP)

Virtual Digital Assets

Virtual Digital Assets:

- May or may not be using crypto/blockchain technology
- Flat **30% tax** on digital asset gains
- Loss? can't set off against gains
- Gift? recipient will pay tax
- Applicable on CBDC? No





Why is govt not calling cryptocurrency as currency?

Something is currency only if it is issued by RBI (even if its crypto). CBDC will be currency.

Adjusting capital loss: (Long term vs Short term) (This is not important)

- LTCL can be adjusted against LTCG
- STCL can be adjusted against both LTCG and STCG

Digital Public Goods

Private goods	Public goods
 <p>Benefits are limited to one particular consumer e.g. chocolate</p>	 <p>Benefits are NOT limited to one particular consumer e.g. measures to reduce air pollution</p>
 <p>Those who do not pay can be excluded e.g. theatre</p>	 <p>Those who do not pay cannot be excluded e.g. public park</p>

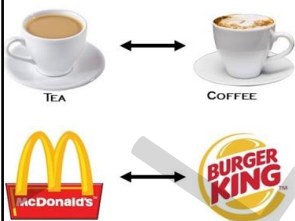


National public digital platforms at the forefront of #DigitalIndia story
<https://nasscom.in/knowledge-center/publications/digital-india-digital-public-goods-platformisation-play>

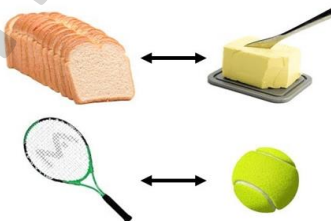
NASSCOM

Types of Goods

Substitute Goods



Complementary Goods



White Goods

large electrical goods used domestically



When income rises:

People will buy more branded ice-cream (**Normal goods**)
 People will buy less non-branded ice-cream (**Inferior goods**)

When prices rise:

People will buy even more potatoes (**Giffen goods**)
 People will buy even more Mercedes (**Veblen goods**)

I read I forget, I see I remember | See explanation of this PDF on  www.youtube.com/c/allinclusiveias

<p>G7 related terms in news:</p> <ul style="list-style-type: none"> ✓ Carbis Bay Declaration ✓ Washington Consensus ✓ Cornwall Consensus 	<p>Miscellaneous</p> <p>Longevity risk (related term: Longevity Finance)</p> <ul style="list-style-type: none"> <input type="checkbox"/> Potential risk due to increasing life expectancy of pensioners <input type="checkbox"/> Can negatively impact pension funds and insurance companies 			
<p>COMPETES Act</p> <p>US law to improve competitiveness of US industry</p>	<p>Logistics Performance Index:</p> <ul style="list-style-type: none"> <input type="checkbox"/> World Bank 			
<p>Digital Berlin Wall:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Countries adopting different digital technologies <input type="checkbox"/> May lead to balkanization of digital economy 	<p>LEADS</p> <ul style="list-style-type: none"> <input type="checkbox"/> Logistics Ease Across Different States <input type="checkbox"/> by Ministry of Commerce and Industry 			
<p>Splinternet aka cyber-balkanization</p> <ul style="list-style-type: none"> <input type="checkbox"/> Dividing internet into different parts, controlled by different powers <input type="checkbox"/> People would see different form of internet, based on location, e.g. <input type="checkbox"/> Golden Shield Project aka Great Firewall of China <input type="checkbox"/> Online iron curtain of Russia can cut it off from world 	<p>Global Innovation Index → WIPO</p> <p>Indian Innovation Index → NITI</p>			
<p>Tax Inspectors Without Borders</p> <ul style="list-style-type: none"> <input type="checkbox"/> initiative of UNDP and OECD <input type="checkbox"/> Countries cooperate to strengthen tax administration <p>Note: Doctors/Reports w/o border are international NGOs</p>				
<p>Blending of mustard oil:</p> <p>FSSAI banned blending any edible oil in mustard oil</p> <p>It may increase demand for domestic mustard oil, reduce import.</p> <p>1998: mixing Argemone Mexicana in mustard oil lead to dropsy epidemic (swelling in body)</p>				
<p>Open network for digital commerce</p> <ul style="list-style-type: none"> <input type="checkbox"/> private non-profit company established by the Department for Promotion of Industry and Internal Trade (DPIIT) of Government of India to develop open networks for e-commerce. <input type="checkbox"/> It will help small retailers in e-commerce, more choice to customers, etc. 				
<p>Revamped Distribution Sector Scheme:</p> <ul style="list-style-type: none"> ▪ to improve efficiencies and finances of govt DISCOMs ▪ provide result-linked financial assistance, etc. ▪ Reduce AT&C losses to 12-15% by 2024-25 (currently 22%) <p><i>AT&C = Aggregate Technical & Commercial losses</i></p> <p>General Network Access:</p> <ul style="list-style-type: none"> <input type="checkbox"/> about telecom network? NO!!! <input type="checkbox"/> aka Connectivity and General Network Access <input type="checkbox"/> It is for inter-state power transmission <input type="checkbox"/> Central Electricity Regulatory Commission has released draft GNA <p>National Grid:</p> <ul style="list-style-type: none"> <input type="checkbox"/> India has 5 regional grids. In 2014, all grids were connected to create National grid. <input type="checkbox"/> National grid is owned and maintained by Power Grid Corporation of India <p>Green Energy Corridor:</p> <ul style="list-style-type: none"> <input type="checkbox"/> integrate renewable energy with existing grid 				
<p>Who needs to pay income tax?</p> <ul style="list-style-type: none"> ▪ Resident: pay tax on income from India and abroad ▪ Non-Resident: pay tax on income from India ▪ Resident not ordinarily resident: pay tax on income from India <p>In general:</p> <p>Stayed in India for > 6 months → Resident</p> <p>Stayed in India for < 6 months → NRI</p> <p>Stayed in India for 4-6 months and income from India exceeds Rs 15 lakh → Resident but not ordinarily resident</p>				
<p>I read I forget, I see I remember</p>	<p>See explanation of this PDF on YouTube www.youtube.com/c/allinclusiveias</p>			
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