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## RaRe Series - Current Affairs Notes

May 2024 - February 2025

# Economy


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# ECONOMY

MAY 2024

## 1. IMF'S STAND-BY ARRANGEMENT (SBA)

The International Monetary Fund has approved of USD 1.1 billion to Pakistan as part of a bailout package supported by the **IMF's Stand-By Arrangement (SBA)**.

The **IMF's Stand-By Arrangement (SBA)** is a financial assistance program designed to provide **short-term** support to countries experiencing balance of payments problems.

**Key Features of the SBA:**

**Eligibility:** Open to IMF member countries facing financial difficulties.

**Duration:** Typically 12-24 months, but can extend up to 36 months.

**Repayment:** Begins 3.25 years after disbursement, with 8 equal quarterly installments over 2.75 years.

**Interest Rate:** Based on the SDR interest rate plus a margin, with potential surcharges.

## 2. PARADOX OF THRIFT

The Paradox of Thrift suggests that **when people save more money, especially during a recession, it can lead to a decrease in overall economic activity.**

The concept was popularized by British economist **John Maynard Keynes** in his 1936 book, The **General Theory of Employment, Interest, and Money.**

## 3. PROJECT INDIAN SINGLE SKY HARMONISED (ISHAN)

**The Indian Single Sky Harmonised (ISHAN) initiative is a significant step towards consolidating India's airspace management.**

ISHAN aims to refine and strengthen air traffic management (ATM) across India by unifying the four existing Flight Information Regions (FIRs) - **Delhi, Mumbai, Kolkata, and Chennai** - into a single entity at the **Nagpur** air traffic control.

The implementation of Project ISHAN lies under the purview of the **Airports Authority of India (AAI).**

**Objectives:** Reduce carbon emissions, enhance safety, and optimize fuel efficiency.

**<u>Airports Authority of India (AAI)</u>**

**AAI** is a **statutory body** under the Directorate General of Civil Aviation, Ministry of Civil Aviation.

Established in 1995, AAI was formed by merging **Airports Authority and the International Airports Authority of India.**

**Mandate** is to oversee and manage India's civil aviation infrastructure, including ground facilities and airspace**.**

## 4.FRONT RUNNING

Front Running is a prohibited trading technique where **an individual purchases or sells securities before a significant order is executed to gain an advantage from the resulting price shift.** It is commonly referred as **tailgating**.

**The common patterns include Buy-Buy-Sell (BBS) and Sell-Sell-Buy (SSB).** BBS involves buying before a large buy order, while SSB involves selling before a large sell order, both to profit from subsequent price movements.

**Front running is illegal in India and is considered a form of market manipulation.**

**Difference Between Front Running and Insider Trading:** Insider trading uses non-public information about a company, while front running exploits knowledge of pending orders or anticipated market movements.

## 5. CONFLICT MINERALS

Recently, the Democratic Republic of the Congo (DRC) has accused Apple of using **conflict minerals.**

Conflict minerals, also known as "blood minerals**," are extracted from regions affected by armed conflict or human rights abuses.** These minerals used **in funding violence and wars.**

| Main conflict minerals | Ore |
|---|---|
| Tin | cassiterite |
| Tantalum | columbite-tantalite |
| Tungsten | wolframite |
| Gold | |

## 6. NAVRATNA STATUS

Recently, the **Indian Renewable Energy Development Agency**, a public sector undertaking company was granted '**Navratna status'** from the department of public enterprises.

The Indian government classifies Public Sector Undertakings (PSUs) into three categories: Maharatna, Navratna, and Miniratna.

**Navratna companies are a group of Central Public Sector Enterprises (CPSEs) in India that enjoy a certain degree of financial autonomy from the government.**

These **companies have specific privileges and can invest up to Rs 1,000 crore without explicit government approval.**

**Eligibility Criteria for Navratna Status:** A company must be a Miniratna with 4 independent directors and score 60/100 on PBDIT, manpower cost, service cost, capital employed, net worth, and net profit. Significant global presence is also required.

**Benefits of Navratna Status**: Navratna companies can invest up to Rs 1,000 crore or 15% of net worth in a single project and 30% annually, offering greater financial flexibility and reduced government approval requirements.

**<u>Indian Renewable Energy Development Agency (IREDA)</u>**

IREDA, a Navratna company under the administrative control of **the Ministry of New and Renewable Energy (MNRE).**

It is an Non-Banking Financial Institution **(NBFC)** established in **1987** to promote and finance renewable energy and energy efficiency projects.

## 7. RESERVE BANK OF INDIA (ELECTRONIC TRADING PLATFORMS) DIRECTIONS, 2024

The Reserve Bank of India (RBI) has recently issued a draft Master Direction – **Reserve Bank of India (Electronic Trading Platforms) Directions, 2024.**

The Reserve Bank of India (Electronic Trading Platforms) Directions, 2024 is a set of regulations issued by the RBI that applies to entities operating **Electronic Trading Platforms (ETPs).**

These **directions apply** to ETPs with contracted transactions in eligible instruments.

**Exemptions** exist for scheduled commercial banks and standalone primary dealers, including foreign banks operating through branches.

Algorithmic trading is defined, and these directions are effective immediately.

## 8. DRIP PRICING

**Drip pricing is a pricing technique used by firms where they initially advertise only part of a product's price** (referred to as the "headline price").

As the customer proceeds through the buying process, additional charges are gradually revealed.

This technique can lead to "**hidden charges**" that surprise consumer.

## 9. CAPITAL GAIN TAX (CGT)

**Capital Gain Tax (CGT) is a tax levied on profits accumulated from the sale of capital assets.**

**Types of Capital Gain Tax (CGT):**

**Short-term CGT:** If an asset is held for less than 36 months (24 months for immovable properties), the profit from its sale is considered a short-term capital gain and Taxed at the individual's income tax rates.

**Long-term CGT:** For assets held for more than 36 months (12 months for certain assets like equities and mutual funds), the profit is considered a long-term capital gain and generally taxed at 20% with indexation benefits. However, shares held for more than one year attract a 10% tax.

**Exemptions:** Inherited property is generally not subject to CGT at inheritance but may be liable for CGT upon subsequent sale**.**

## 10. NIFTY NON-CYCLICAL CONSUMER INDEX FUND

Groww Mutual Fund recently launched India's first **Nifty Non-Cyclical Consumer Index Fund**.

The **Nifty Non-Cyclical Consumer Index Fund** is a type of mutual fund that aims to generate long-term capital growth by investing in securities of the Nifty Non-Cyclical Consumer Index (TRI).

This index **contains 30 companies that are not significantly impacted by economic instability and are in regular demand**.

These stocks are also known as **defensive stocks,** as they tend to outperform their industry peers in the stock market.

They are not affected by cyclical changes

The Nifty Non-Cyclical Consumer Index Fund is **regulated by the Securities and Exchange Board of India (SEBI).**

**About the Nifty Non-Cyclical Consumer Index:**

The Nifty Non-Cyclical Consumer Index aims to **track the performance of a portfolio of stocks that broadly represent the Non-Cyclical Consumer theme within basic industries** such as Consumer Goods, Consumer Services, Telecom, Services, Media, Entertainment, Publication, and Textiles.

The index selects the **largest 30 stocks** from eligible basic industries semi-annually based on their 6-month average free-float market capitalization.

## 11. NON-MARKET ECONOMY (NME)

**Vietnam** has been actively advocating for a shift from its current **"non-market economy"** status to a "market economy" designation in the United States.

A **non-market economy** refers to a **country where market forces do not play a dominant role in determining prices, wages, and resource allocation.**

In contrast to **market economies, where supply and demand largely dictate economic decisions.**

**Characteristics of Non-Market Economies**

Non-market economies may **have restrictions on currency convertibility.** Their currencies might not be freely traded on international markets.

Wages in non-market economies are **often set through centralized mechanisms** (such as government or industry agreements) rather than free bargaining between labour and management.

The **state often owns or significantly controls** major industries and resources.

The **government plays a central role** in allocating resources and making decisions related to prices and output.

**Potential human rights considerations**

**Implications of Non-Market Economy Status:**

Vulnerability to anti-dumping duties

Trade disputes with market economies

Challenges in accessing global markets

## 12.INDIAN AGRICULTURAL RESEARCH INSTITUTE (IARI)

The **Indian Agricultural Research Institute (IARI)** has recently introduced a new high-yielding wheat seed variety named HD 3386.

The Indian Agricultural Research Institute (IARI), also known as the Pusa Institute, is **India's largest and foremost institution in the field of agricultural research, higher education, and training.**

**IARI began in 1905 at Pusa, Bihar**, with a generous grant of 30,000 pounds from an American philanthropist, Henry Phipps.

IARI played a pivotal role in the Green Revolution in India during the 1970s.

It attained the status of a Deemed University in 1958.

IARI is situated in **Delhi** and is **administered by the Indian Council of Agricultural Research** (ICAR).

ICAR is the apex body coordinating research and education in agriculture across the country.

**Mandate of IARI:**

Conduct basic, strategic, and anticipatory research in field and horticultural crops to enhance productivity and quality.

Develop resource-efficient integrated crop management technologies for sustainable agricultural production systems.

Serve as a center for post-graduate education and human resource development in agricultural science.

Provide national leadership in agricultural research, education, extension, and technology assessment.

## 13. GOLD ETF

An exchange-traded fund (ETF) is a type of investment fund that is also an exchange-traded product, i.e., it is traded on stock exchanges. ETFs own financial assets such as stocks, bonds, currencies, debts, futures contracts, and/or commodities such as gold bars.

**GOLD ETF**

A Gold ETF is an exchange-traded fund (ETF) that aims to track the domestic physical gold price.

Gold ETFs are units representing physical gold which may be in paper or dematerialized form. **One Gold ETF unit is equal to 1 gram of gold a**nd is backed by physical gold of very high purity.

Gold ETFs combine the flexibility of stock investment and the simplicity of gold investments.

Gold ETFs are listed and traded on the National Stock Exchange of India (NSE) and Bombay Stock Exchange Ltd (BSE) like a stock of any company. Buying Gold ETFs means you are purchasing gold in an electronic form. You can buy and sell gold ETFs just as you would trade in stocks.

When you actually redeem Gold ETF, you don't get physical gold, but receive the cash equivalent.

Because of its direct gold pricing, there is a complete transparency on the holdings of a Gold ETF. Further the ETFs have much lower expenses as compared to physical gold investments.

## 14. VENTURE CAPITAL (VC)

**Venture capital (VC) is a form of private equity financing** that is provided to startups and small businesses with **long-term growth potential**.

VC firms or funds invest in these early-stage companies in exchange for equity, or an ownership stake, taking **on the risk of financing startups in the hopes that some of the companies they support will become successful.**

**Funding for venture capital comes from wealthy investors, investment banks, and specialized VC funds.**

**VC investors may provide not only financial support but also technical or managerial expertise** to help the startup succeed.

For newer companies (with a short operating history), VC funding is often necessary when other capital sources (such as capital markets or bank loans) are not accessible.

## 15. INDIA VOLATILITY INDEX (VIX)

The Volatility Index, VIX or the Fear Index, is a **measure of the market's expectation of volatility over the near term.**

The Volatility Index is a measure of the amount by which an underlying index is expected to fluctuate in the near term, (calculated as annualised volatility, denoted in percentage e.g. 20 per cent) based on the order book of the underlying index options.

India VIX is a volatility index **computed by the NSE based on the order book of NIFTY Options**. For this, the best bid-ask quotes of near and next-month NIFTY options contracts, which are traded on the F&O segment of NSE are used.

India VIX indicates the investor's perception of the market's volatility in the near term i.e. it depicts the expected market volatility over the next 30 calendar days.

The higher the India VIX values, the higher the expected volatility and vice versa, as per NSE.

The **Chicago Board of Options Exchange (CBOE**) was the first to introduce the volatility index for the US markets in 1993 based on S&P 100 Index option prices.

'VIX' is a trademark of the CBOE, and Standard & Poor's has granted a license to NSE, with permission from the CBOE, to use such a mark in the name of the India VIX and for purposes relating to the India VIX.

## 16. INDIA INTERNATIONAL BULLION EXCHANGE (IIBX)

The India International Bullion Exchange (IIBX) is **India's first International Bullion Exchange**.

It is based at GIFT City (Gujarat International Finance Tech City) IFSC (International Finance Services Center), **Gandhinagar, Gujarat**.

IIBX has been conceptualized to provide a gateway to import bullion into India and provide a world-class bullion exchange ecosystem to promote bullion trading, investment in bullion financial products, and vaulting facilities in IFSCs.

The **exchange ecosystem** is expected to bring all the market participants at a common transparent platform for bullion trading and provide an efficient price discovery, assurance in the quality of gold, enable greater integration with other segments of financial markets and help establish India's position as a dominant trading hub in the World.

The IIBX is **regulated by the International Financial Services Centers Authority (IFSCA)**, a unified authority for the development and regulation of financial products, financial services, and financial institutions at IFSCs.

**Products and technology** offered at IIBX are diversified, and available at a cost that is far more competitive than those at Indian exchanges, as well as global exchanges in Hong Kong, Singapore, Dubai, London, and New York.

**Bullion** refers to physical gold and silver of high purity that is often kept in the form of bars, ingots, or coins.

## 17. FUTURES & OPTIONS TRADING

Futures and options are two types of financial derivatives that derive their value from an underlying asset such as shares, stock market indices, commodities, ETFs, and more.

**Futures** are contracts that obligate the buyer to purchase a specific asset, and the seller to sell and deliver that asset, at a specific future date. They are typically used to hedge against risk or for speculation.

Key Features:

Futures contracts are **standardized** in terms of contract size, expiration date, and other details, facilitating easy trading on exchanges.

Both parties in a futures contract are **obligated** to fulfill the contract at expiration. This means the buyer must purchase, and the seller must sell the asset at the agreed-upon price.

Traders must maintain a **margin account**, which requires an initial margin (a percentage of the contract's value) and maintenance margin (minimum balance to keep the position open).

**Options**, on the other hand, give the buyer (of an options) the right, but not the obligation, to buy (or sell) an asset at a specific price at any time during the life of the contract. They are often used for hedging, speculation, or arbitrage.

Key Features:

There are **two types** of options: **call and put**. A call option confers the right to buy a stock at the strike price before the agreement expires. A put option gives the holder the right to sell a stock at a specific price.

The buyer has the **right but is not obligated** to exercise the option. The seller, however, has the obligation to fulfill the contract if the buyer exercises the option.

The buyer of an option pays a **premium** to the seller for this right. The premium is the price of the option.

This is the **price** at which the option holder can buy (call) or sell (put) the underlying asset.

Options have a finite life and must be exercised on or before their expiration date.

**key differences between futures and options:**

**Futures** contracts obligate both parties to trade on a specific future date. **Options** contracts grant the buyer the right, but not the obligation, to trade at a specific price before expiration.

Futures contracts expose traders to **high risk** due to their mandatory nature. Options contracts offer more flexibility and **limited risk**, as the buyer's loss is capped at the premium paid.

Futures contracts require a significant upfront **margin**, while options contracts only require a smaller premium payment.

## 18. ECONOMIC CAPITAL FRAMEWORK (ECF)

The **Economic Capital Framework (ECF)** is a methodology that provides a way to determine the appropriate level of risk provisions and profit distribution. It's **used by businesses and financial institutions** to evaluate and measure the capital necessary to endure potential risks and uncertainties.

The ECF was developed in the context of the **Reserve Bank of India (RBI).** As per **Section 47 of the RBI Act 1934,** the central bank is required to pay the balance of its profits to the central government after making provision for bad and doubtful debts, depreciation in assets, and contributions to staff.

The original Economic Capital Framework (ECF) was implemented in 2015. In 2018, the RBI formed a **committee led by Dr. Bimal Jalan** to review the framework. Based on the committee's recommendations, the RBI adopted a revised ECF in 2019.

The revised ECF introduced a Surplus Distribution Policy.

The previous surplus distribution policy targeted only the total economic capital, which includes the central bank's capital, reserves, risk provisions, and revaluation balances. However, the Expert Committee recommended that the target should also include realized equity, which is the component of RBI's economic capital comprising its capital, reserve fund, and risk provisions.

The Committee recommended that the total economic capital should be maintained between **20.8% to 25.4%** of the RBI's balance sheet.

The risk provisioning under the **Contingent Risk Buffer (CRB)** should be maintained within a range of 5.5-6.5% of the RBI's balance sheet. The CRB is the country's savings for a financial stability crisis, which has been consciously maintained with the RBI in view of its role as Lender of Last Resort.

If the realized equity is above the required levels, the entire net income of RBI will be transferred to the government. If it is lower, risk provisioning will be made to the necessary extent and only the residual net income will be transferred.

For the accounting year 2023-24, the Central Board of Directors of the RBI approved the transfer of Rs 2,10,874 crore as surplus to the Central Government

## 19. TRADE DEFICIT

India has recorded a trade deficit, with nine of its top 10 trading partners, including China, Russia, Singapore, and Korea, in 2023-24, according to official data.

**Trade deficit** arises in the course of international trade when the payments for imports exceed the receipts from export trade. A trade deficit is also referred to as a negative balance of trade.

A rising trade deficit, even from importing raw materials and intermediates, can cause the **country's currency to depreciate** because more foreign currency is needed for imports. This depreciation makes imports more expensive, worsening the deficit.

To cover the growing deficit, the country might need to borrow more from foreign lenders, increasing external debt and this can deplete foreign exchange reserves and signal economic instability to investors, leading to reduced foreign investment.

**Reducing a trade deficit** involves a combination of increasing exports and decreasing imports.

**Some strategies to reduce trade deficit:**

**Infrastructure Development**: Improve infrastructure to facilitate trade and exports.

**Trade Diversification**: Reduce reliance on single trading partners by diversifying trade relations.

**Import Restrictions**: Implement Quality Control Orders (QCOs) to curb non-essential imports.

**Currency Devaluation**: Devalue the domestic currency to make exports cheaper and imports more expensive.

**FDI Attraction**: Attract Foreign Direct Investment (FDI) to boost domestic production and exports.

**Energy Diversification**: Reduce reliance on imported crude oil by diversifying energy sources.

**Latest Data:**

China has emerged as India's largest trading partner with $118.4 billion of two-way commerce in 2023-24, edging past the U.S.

India has a trade surplus of $36.74 billion with the U.S. in 2023-24 The surplus is also there with the U.K., Belgium, Italy, France and Bangladesh.

India's total trade deficit in the last fiscal narrowed to $238.3 billion.

## 20. COST INFLATION INDEX

The Cost Inflation Index (CII) is a measure used to estimate the increase in the prices of goods and assets year-by-year due to inflation. It's particularly used in India for the purpose of taxation.

The CII is used to calculate **the long-term capital gains** from a capital asset transfer or sale.

The **profit earned through the sale or transfer of any capital asset**, such as land, property, stocks, shares, trademarks, patents, and so on, is referred to as capital gain.

**Long-term capital assets** are recorded at their original cost, regardless of inflation. This can lead to higher capital gains taxes when these assets are sold. To address this, the Cost Inflation Index (CII) adjusts the original cost based on inflation, reducing the taxable capital gain.

The **government has notified the Cost Inflation Index** meaning under Section 48 of the Income Tax Act, 1961.

**The Central Board of Direct Taxes (CBDT),** a part of the Ministry of Finance, helps the government to notify the CII. The notification includes the CII for each financial year, starting from the **base year of 2001-02.**

## 21. EXTERNAL COMMERCIAL BORROWINGS (ECB)

External Commercial Borrowings (ECB) refer to commercial loans [in the form of bank loans, buyers' credit, suppliers' credit, securitised instruments] availed from non-resident lenders with minimum average maturity of 3 years.

ECB can be used to finance a variety of purposes, including the expansion of business, the acquisition of assets, and the repayment of existing debt.

ECB can be obtained from a variety of sources, including foreign banks, international financial institutions, and foreign subsidiaries of Indian companies.

ECB can be in the form of rupee-denominated loans, which are repaid in Indian rupees, or foreign currency-denominated loans, which are repaid in a foreign currency.

ECB can be accessed under two routes, viz., (i) Automatic Route and (ii) Approval Route

ECB is **subject to regulatory oversight by the Reserve Bank of India (RBI),** which sets limits on the amount of ECB that Indian companies can obtain and the purposes for which it can be used. Companies must also meet certain eligibility criteria in order to access ECB, such as minimum credit ratings and debt-equity ratios.

**Advantages of ECB:**

ECB allows Indian companies to access a wider pool of capital from foreign sources.

Diversified Funding Sources: Reduces reliance on domestic funding, improving financial stability.

Lower Cost of Borrowing: Potentially cheaper interest rates compared to domestic loans.

Longer Repayment Periods: Provides more flexibility in repayment schedules.

Access to Global Markets: Enables Indian companies to tap into international markets and expand operations.

## 22. CERTIFICATE OF DEPOSIT (CD)

A CD is a contract between depositors and the approved bank or financial institution. The depositor lends the money to the bank, and in exchange, the bank provides interest to the depositor for a set time.

At the time the instrument reaches maturity, depositors can redeem their funds.

CDs are given in a dematerialised format. **It is governed by the Reserve Bank of India (RBI),** which establishes the rules for purchasing CDs.

Certificate of Deposits (CDs) may be issued by:

- Scheduled Commercial Banks;
- Regional Rural Banks; and
- Small Finance Banks.
- Select all-India Financial Institutions that have been permitted by the RBI to raise short-term resources within the umbrella limit fixed by the RBI.

CDs may be issued at a discount on face value but may also be issued as coupon bearing instruments. CDs may also be issued on a fixed / floating rate basis.

Like a fixed deposit (FD), a CD's purpose is to denote in writing that you have deposited money in a bank for a fixed period and that bank will pay you interest on it based on the amount and duration of your deposit.

**Features of CD**

Banks:

- CDs shall be issued in minimum denomination of ₹5 lakh and in multiples of ₹5 lakh thereafter.
- The tenor of a CD at issuance shall not be less than seven days and shall not exceed one year.

Financial Institutions:

- FIs can issue CDs for a period not less than 1 year and not exceeding 3 years from the date of issue.

A certificate of deposit is fully taxable under the Income Tax Act.

Loans cannot be granted against CDs, unless specifically permitted by the Reserve Bank.

## JUNE 2024

### 1.BANK CLINIC

The 'Bank Clinic 'aims to earn the goodwill of customers and provide feedback to banks on areas where there is a deficiency in service.

- The 'Bank Clinic' is an **initiative by the All India Bank Employees' Association (AIBEA)**. It is designed to assist bank customers with grievance redress.

Here are some key details about the 'Bank Clinic':

- The 'Bank Clinic' is an online platform where a bank's retail customer can lodge an online complaint.
- A customer can fill out the details of their complaint, create a ticket, and receive a reply in five working days on the remedies available and information on what the RBI guidelines prescribe on that matter.
- It is a non-resolving advisory platform guiding customers on the remedies available per RBI guidelines.It guides customers on available remedies but does not directly resolve queries.
- It is an additional channel for retail bank customers to get their grievances addressed, besides the normal Banking Ombudsman channel.
- This initiative is expected to help customers address their grievances amid rapid expansion in technology and a series of Reserve Bank of India (RBI) guidelines on retail banking.

### 2.OPEN NETWORK FOR DIGITAL COMMERCE (ONDC)

The 'Open Network for Digital Commerce' (ONDC), is a Government of India (GoI) backed technology infrastructure.

- It is a **network-centric model**, wherein buyers and sellers can transact irrespective of the platforms/applications they use as long as "platforms/applications are connected to this open network".
- This is a significant departure from existing platform centric models of e-commerce where buyers and sellers can only interact within walled platforms.
- To illustrate, today, a seller on Amazon cannot reach a buyer on Flipkart, and vice versa.
- These walled platforms have increasingly dominated transaction volumes in India's ecommerce market over the years, and today are able to wield immense power and control over e-commerce supply chains.
- This concentration of power and control has led to harmful behaviour such as self-preferencing by platforms or leveraging data to distort competition, which squarely impacts MSME businesses and the consumer interest. ONDC is GoI's answer to this market distortion.
- ONDC is expected to make e-Commerce more inclusive and accessible for consumers. Consumers can potentially discover any seller, product or service by using any compatible application or platform, thus increasing freedom of choice for consumers.
- It will enable the consumers to match demand with the nearest available supply. This would also give consumers the liberty to choose their preferred local businesses. Thus, ONDC would standardize operations, promote inclusion of local suppliers, drive efficiencies in logistics and lead to enhancement of value for consumers.
- ONDC was incorporated as a Section 8 (NON-PROFIT) company in December 2021, with the Quality Council of India and Protean eGov Technologies Limited as Founding Members.

Various public and private sector entities have invested in ONDC, including Punjab National Bank, State Bank of India, Axis Bank, Kotak Mahindra Bank, BSE Investments, Central Depository Services, ICICI Bank, and the Small Industries Development Bank of India.

It is important to note that the relationship between the GoI and ONDC is not legally defined and it does not flow from an act of parliament.

## 3.APPRECIATION AND DEPRECIATION OF RUPEE

**Appreciation of the Rupee:**

When the Rupee appreciates, it gains strength against the Dollar. This means you need fewer Rupees to buy a Dollar. For example, if the value of 1 USD decreases from ₹75 to ₹70, this change is termed as an appreciation of the Rupee

Here are some impacts of Rupee appreciation:

- Exports: Rupee appreciation affects exporters negatively as they may lose importers because they find imports from India more costly.
- Imports: Importers can import more quantity at a less price. This is because they need fewer Rupees to buy a Dollar.

**Depreciation of the Rupee:**

When the Rupee depreciates, it loses strength against the Dollar. This means you need more Rupees to buy a Dollar. For example, if the value of 1 USD increases from ₹70 to ₹75, this change is termed as depreciation of the Rupee.

Here are some impacts of Rupee depreciation:

- Exports: Exporters stand to gain the most from Rupee depreciation as it makes exports more competitive.
- Imports: Imports will become costly. This is because importers need more Rupees to buy a Dollar.
- Inflation: The biggest impact of a weakening Rupee is inflation, given India imports more than 80% of its crude oil. This is because the cost of imported goods increases due to a reduction in the value of Rupee.
- IT Sector: The Indian IT sector, which focuses heavily on exports, can achieve more revenue from their global clients due to the decline of the Rupee value.
- Remember, the appreciation and depreciation of the Rupee are strongly influenced by the change in demand or supply for the Rupee and the Dollar.

## 4.GREEDFLATION

'Greedflation caused more than half of last year's inflation surge in US, study finds, as corporate profits remain at all-time highs.

**Inflation** (or the inflation rate) is the rate at which the general price level rises. When it is reported that the inflation rate was 5% in June it implies that the general price level of the economy (as measured by a representative basket of goods and services) was 5% more than what it was in June 2022.

There are two main ways in which inflation happens. Either prices get pushed up because input costs have risen — this is called cost-push inflation — or they are pulled up because there is excess demand — this is called demand-pull inflation.

**What is the wage-price spiral?**

If prices go up, it is natural that workers will ask for higher wages. But if wages go up, it only fuels the overall demand, while doing nothing to boost the supply. End result: inflation surges further because while a worker has more money, so does his colleague. When they go to the market then the only thing that changes is the price of the good — in other words, inflation rises.

But what if prices were going up not because workers were getting higher wages but because their masters — the companies — were making more profits?

**What is Greedflation**

Greedflation simply means (corporate) greed is fuelling inflation. In other words, instead of the wage-price spiral, it is the profit-price spiral that is in play.

In essence, greedflation implies that companies exploited the inflation that people were experiencing by putting up their prices way beyond just covering their increased costs and then used that to maximise their profit margins. That, in turn, further fuelled inflation.

In the developed countries — in Europe and the US — there is a growing consensus that greedflation is the real culprit.

## 5.ASSET RECONSTRUCTION COMPANIES

A deputy governor at the Reserve Bank of India (RBI) has expressed concern that 'tainted promoters' are using asset reconstruction companies to regain control of their bankrupt companies.

An Asset Reconstruction Company is a specialized financial institution that buys the NPAs or bad assets or bad loans from banks and financial institutions so that the latter can clean up their balance sheets.

An Asset Reconstruction Company (ARC) is a company incorporated under the Companies Act and registered with Reserve Bank of India under section 3 of The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

SARFAESI Act provides the legal basis of setting up an Asset Reconstruction Company (ARC) in India.

ARCs are regulated by RBI as a Non-Banking Financial Company (NBFC) under RBI Act, 1934. They function under the supervision and control of the Reserve Bank of India (RBI).

100% Foreign Direct Investment (FDI) are allowed in Asset Restructuring Companies under the Automatic route.

Functions of ARC as follows:

- Acquisition of financial assets
- Change or takeover of Management / Sale or Lease of Business of the Borrower
- Rescheduling of Debts
- Enforcement of Security Interest: step of enforcement of security interest means ARCs can take possession/sell/lease the supported asset like land, building etc.
- Settlement of dues payable by the borrower

**How ARCs get fund to buy bad assets from banks?**

Regarding funds, an ARC may issue bonds and debentures for meeting its funding requirements.

But the chief and perhaps the unique source of funds for the ARCs is the issue of Security Receipts.

As per the SARFAESI Act, Security Receipts is a receipt or other security, issued by a reconstruction company (or a securitization company in that case) to any Qualified Institutional Buyers (QIBs) for a particular scheme.

The Security Receipt gives the holder (QIB) a right, title or interest in the financial asset that is bought by the ARC. These SRs issued by ARCs are backed by impaired assets.

## 6.MONETARY POLICY COMMITTEE (MPC)

The Reserve Bank of India's **Monetary Policy Committee (MPC)** has decided to keep the repo rate unchanged at 6.5%.

- The **Monetary Policy Committee (MPC)** plays a critical role in shaping India's monetary policy. It **decides the RBI's benchmark interest rates.**
- The Reserve Bank of India Act 1934 empowers the RBI to make the monetary policy.
- **The Monetary Policy Committee (MPC) is a six-member body headed by the Governor of the RBI.**
- Other members include the Deputy Governor in charge of monetary policy, one official nominated by the RBI Board, and three independent members appointed by the Government.
- **Members of the Monetary Policy Committee (MPC) are appointed for a term of four years.** Moreover, once their term is completed, they are not eligible for reappointment
- The primary goal of the MPC is to **maintain price stability** while keeping in mind the objective of growth.
- The MPC is **responsible for setting policy rates like the repo rate, reverse repo rate, and others to control inflation** within a specified target level.
- The committee **meets at least four times a year**, and the decisions are made public after each meeting.
- All decisions are made through a **majority vote**, and **in case of a tie, the RBI Governor has the casting vote.**

## 7.DUTY DRAWBACK SCHEME (DDS)

The Central Board of Indirect Taxes and Customs (CBIC) recently started automatic electronic payment of duty drawback amounts directly into exporters' bank accounts.

- The Duty Drawback Scheme (DDS) in India is a significant fiscal incentive for exporters, **designed to refund the taxes and duties paid on inputs used in the manufacture of exported goods.**
- The Duty Drawback Scheme (DDS) is administered by the Central Board of Indirect Taxes and Customs (CBIC) to promote exports.

**Key Features of DDS:**

- It rebates the incidence of Customs and Central Excise duties, chargeable on imported and excisable material, respectively, when used as inputs for goods to be exported.
- The duty drawback provisions are described under the Customs Act, 1962.
- This WTO compliant scheme ensures that exports are zero-rated and do not carry the burden of the specified taxes.
- It is a crucial program to help exporters offset some of the costs accrued during the export process, particularly in the supply or value chain.

**Eligible Goods for the Duty Drawback:**

- To export goods imported into India.
- To export goods imported into India after having been taken for use.
- To export goods manufactured/produced out of imported material.
- To export goods manufactured/produced out of indigenous material.
- To export goods manufactured/produced out of imported or indigenous materials.

**Criteria to Claim for Processing Drawback Claims:**

- Any individual must be the legal owner of the goods at the time the goods are exported.
- He/she must have paid customs duty on imported goods.

Duty drawback is available on most goods on which customs duty was paid on importation and which has been exported.

## 8.WTO SPS AGREEMENT

India and the United States have reached a mutually agreed solution regarding the long-standing dispute over poultry import under **WTO Sanitary and Phytosanitary Measures (SPS Agreement).**

The Sanitary and Phytosanitary Measures (SPS Agreement) is a significant international treaty under the World Trade Organization (WTO) framework.

It addresses the application of food safety and animal and plant health regulations.

**Key aspects of the SPS Agreement:**

**Purpose:** Ensures food safety, prevents the spread of pests/diseases, and facilitates international trade.

**Science-Based Measures:** SPS measures must rely on scientific evidence.

**Harmonization:** Encourages aligning with international standards (e.g., Codex Alimentarius, OIE, IPPC).

**Non-Discrimination:** Prohibits arbitrary discrimination between countries with similar conditions.

**Risk Assessment:** Allows country-specific standards if scientifically justified, supported by risk assessments.

**Transparency:** Requires members to notify and provide information on SPS measures and assessments.

## 9.GENERAL ANTI-AVOIDANCE RULE (GAAR)

**General Anti-Avoidance Rule** is an **anti-tax avoidance law in India**, aimed at curbing tax evasion and preventing tax leaks. Implemented on April 1, 2017, under the Income Tax Act, 1961.

**Objective of GAAR:**

**To check aggressive tax planning strategies that lack commercial substance**.

To ensure that transactions are not structured solely to avoid taxes.

**Key Features of GAAR:**

GAAR can be invoked for transactions that are legal but are entered into primarily to avoid tax.

It distinguishes between acceptable tax mitigation and unacceptable tax avoidance or evasion

Tax mitigation is allowed under the Act, even after GAAR's implementation.

Tax evasion, which is illegal, is not covered by GAAR as existing laws address it.

Tax avoidance, though not illegal, is considered undesirable if it undermines effective tax collection.

**GAAR vs BEPS:**

GAAR is often discussed in relation to Base Erosion and Profit Shifting (BEPS).

BEPS refers to tax avoidance strategies by Multinational Corporations (MNCs) to shift profits to tax havens, thus eroding the tax base.

## 10.GOODS AND SERVICES TAX (GST) COUNCIL

**The GST Council is a constitutional body for making recommendations to the Union and State Government on issues related to Goods and Service Tax.**

The **101st Amendment Act of 2016** paved the way for the introduction of a new tax regime (i.e. goods and services tax – GST) in the country.

The amendment inserted a new **Article 279-A** in the Constitution of India.

The objectives of the GST Council are to ensure a smooth implementation of the GST, regulate the goods and services tax regime in India, harmonize tax laws across states, simplify the tax structure, eliminate cascading taxes, and reduce compliance costs.

The Council is a **joint forum of the centre and the states** and consists of the following members:

**The Union Finance Minister as the Chairperson**

The Union Minister of State in-charge of Revenue or Finance

The Minister in-charge of Finance or Taxation or any other Minister nominated by each state government

The members of the Council from the states have to choose one amongst themselves to be the Vice-Chairperson of the Council.

The decisions of the Council are taken at its meetings.

**Every decision of the Council is to be taken by a majority of not less than three-fourths of the weighted votes of the members present and voting at the meeting.**

## 11.MINIMUM SUPPORT PRICES (MSP)

The Union Cabinet has approved an increase in **the Minimum Support Prices (MSP)** for all mandated kharif crops for the marketing season 2024-25.

**The MSP is the minimum price set by the Indian government for select crops raised during the kharif (monsoon) and rabi (winter) seasons.**

It ensures that farmers receive a remunerative price for their produce, even if market prices fall below this threshold.

It encourages continued investment in agriculture by providing profit assurance.

**The** government announces MSP for **24 major agricultural commodities twice a year,** before the Kharif (summer) and Rabi (winter) sowing seasons.

Purchase operations are organized through public and cooperative agencies.

**By announcing MSP before the sowing season, it helps farmers make informed decisions on crop selection.**

It encourages investment in modern techniques and high-yielding varieties, enhancing overall agricultural productivity.

MSP incentivizes the production of essential crops like wheat, rice, and pulses.

This contributes to food security by ensuring an adequate supply of staple foods.

**The FCI is responsible for actual procurement for the Public Distribution System (PDS) and buffer stock operations.**

The FCI purchases the produce at the “procurement price”, which may see a minor increase to account for inflation between sowing and harvesting times.

**The MSP is determined based on the recommendations of the Commission for Agricultural Costs and Prices (CACP).**

Factors considered include cost of production, changes in input prices, market trends, and demand-supply situations.

State governments may add a bonus to the MSP, enhancing the remuneration received by farmers for their produce.

## 12.NON-BANKING FINANCIAL COMPANY (NBFC)

The Reserve Bank of India (RBI) has emphasized the need for collaboration, innovation, and effective risk management within the **Non-Banking Financial Company (NBFC) sector.**

- A Non-Banking Financial Company (NBFC) is a financial institution that **provides banking services such as loans, advances, acquisition of securities, leasing, insurance, and chit business.**
- However, unlike traditional banks, NBFCs do not hold a banking license.
- NBFCs cannot accept deposits from the general public or be part of the payment and settlement system.
- NBFCs focus on providing credit and other financial services without engaging in deposit-taking activities. Their role is crucial in supporting economic growth and meeting diverse financial needs.

**Some common types of NBFCs in India:**

- **Asset Finance Company (AFC):** Supports productive/economic activities by financing physical assets like machinery and automobiles.
- **Investment Company (IC):** Primarily acquires securities.
- **Loan Company (LC):** Provides loans and advances unrelated to asset financing or investment in securities.
- **Infrastructure Finance Company (IFC):** Invests in infrastructure loans and has a minimum net-owned fund of ₹300 crores.
- **Core Investment Company (CIC):** Holds investments in equity shares, bonds, and loans in group companies.
- **Microfinance Institution (MFI):** Serves low-income groups, especially in rural areas.
- Housing Finance Company (HFC): Specializes in housing finance.
- **NBFC-Factors:** Engages in factoring by purchasing receivables from companies at a discount.
- **Peer-to-Peer (P2P) Lending Platforms:** Facilitate direct lending between individuals and businesses through online platforms.

## 13.PATENT

Patent filings by Bharat Biotech International Limited (BBIL) at patent offices in India, the United States and Europe suggest that only its scientists and personnel are credited as 'inventors 'of the vaccine with no mention of ICMR scientists.

- **A patent is a statutory right granted to inventors for their inventions.**
- It allows them to exclude others from making, using, selling, or importing the patented product or process without their consent.
- In exchange, inventors must fully disclose their invention.
- **The Indian patent system is governed by the Patents Act, 1970, which has undergone amendments in 2003 and 2005.**

**Key Changes Introduced Under Patents (Amendment) Rules, 2024:**

- **Reduced Timeline for Request for Examination (RFE):** The timeline for filing an RFE is now reduced from 48 months to 31 months from the priority date. This accelerates the patent examination process.
- **Simplified Submission of Form 3:** Applicants can file a single updated Form 3 after receiving the First Examination Report (FER).
- **Certificate of Inventorship:** To recognize inventors' contributions to patented inventions.

- **Frequency of Filing Statements:** The frequency of filing working patents has been reduced from once a year to once every three years.
- **Amendments in Pre-grant and Post-grant Opposition Procedures:** Adjustments in time frames for recommendations by an Opposition Board and applicant responses.
- **Divisional Applications:** Now possible for inventions disclosed in provisional or complete applications.
- **Term of a Patent:** Every patent granted has a term of 20 years from the date of filing the application. For applications filed under the national phase of the Patent Cooperation Treaty (PCT), the term is 20 years from the international filing date

**Intellectual Property (IP):**

- IP encompasses various "creations of the mind" that receive property rights. **It includes patents, copyrights, trademarks, and more.**

**Types:**

- **Copyright:** Protects original works of authorship (e.g., books, music, software). Creators have exclusive rights to reproduce and distribute their works.
- **Trademark:** Identifies goods or services, distinguishing them from others. Trademarks prevent misuse and confusion (e.g., Coca-Cola®).
- **Others:** IP also covers trade secrets, industrial designs, and geographical indications.

**Scope:**

- Unlike patents, which focus on inventions, IP covers a broader range of creative and expressive works.

## 14.FOREIGN DIRECT INVESTMENT (FDI)

FDI is an investment by individuals, businesses, or governments from one country into another to establish lasting influence in a foreign business. **It is a non-debt-creating capital flow.**

**Key Aspects:**

- FDI brings **capital and resources** to the host country, boosting economic growth through infrastructure and technology investment.
- It also **creates jobs**, reducing unemployment and enhancing living standards.
- Foreign investors often bring advanced **technologies**, processes, and management practices to the host country.
- FDI can provide **access to new markets** for both the host country and the investing company.
- FDI can contribute to overall economic development in the host country by promoting industrialization, improving infrastructure, and fostering innovation and entrepreneurship.

**FDI Routes in India**

- **These routes are regulated by the Reserve Bank of India (RBI) and the Department for Promotion of Industry and Internal Trade (DPIIT), and they define the conditions, limits, and sectors in which FDI is allowed.**
- **Automatic Route:** Under the automatic route, **FDI is allowed without the need for prior approval from the RBI or the government.** Investors only need to notify the RBI within a specified time frame after the investment is made. This route is available for most sectors, except those that are prohibited or require government approval.
- **Government Route:** In sectors or activities that are not covered under the automatic route, FDI **requires government approval.** Investors must apply for approval through the Foreign Investment Facilitation Portal (FIFP) or the Foreign Investment Promotion Board (FIPB), depending on the sector.

## 15.PRIORITY SECTOR LENDING (PSL)

Reserve Bank of India (RBI) revises Priority Sector Lending (PSL) norms.

- **Priority Sector** refers to those sectors which the Government of India and the Reserve Bank of India consider as important for the development of the basic needs of the country.
- The banks are **mandated to encourage the growth of such sectors with adequate and timely credit.**
- Priority Sector Lending (PSL) is an important policy tool in India aimed at ensuring that adequate credit is available to vital sectors of the economy that may not get timely and adequate credit in the absence of this special dispensation.
- Priority Sector Lending was formalised in 1972 to facilitate the flow of credit to such sectors, which though creditworthy, cannot access credit from formal financial institutions.
- This initiative is designed to promote inclusive growth by directing a portion of the lending by banks to specified sectors.
- Some categories of priority sector are: Agriculture, Micro Small and Medium Enterprises, Export Credit, Education, Housing, Social Infrastructure, Renewable Energy, Others.
- Banks who have not achieved their PSL targets can achieve their PSL targets by purchasing Priority Sector Lending Certificates (PSLCs). This mechanism allows banks that have surpassed their PSL targets to sell their excess lending to other banks that have not met their targets.

**Monitoring and Reporting:**

- Banks are required to submit quarterly and annual reports on their Priority Sector Lending performance to the RBI.
- The RBI monitors and ensures compliance with PSL guidelines, and non-compliance can attract penalties.

## 16.INFLATION

Reserve Bank of India (RBI) Governor Shaktikanta Das has recently emphasized the importance of managing **inflation** effectively.

- **Inflation refers to the sustained increase in the general price level of goods and services in an economy over a period of time.**
- It **erodes the purchasing power of money** and affects the standard of living.

**Causes of Inflation:**

- **Demand-Pull Inflation:** Occurs when aggregate demand exceeds aggregate supply, leading to rising prices.
- **Cost-Push Inflation:** Arises due to increased production costs (e.g., higher wages, raw material costs).
- **Built-In Inflation:** A self-perpetuating cycle where expectations of future inflation lead to higher wages and prices.

**Effects of Inflation:**

- **Positive Effects:**
  - Debt relief for borrowers (as money becomes less valuable).
  - Encourages spending and investment.
- **Negative Effects:**
  - Reduced purchasing power for fixed-income earners.
  - Uncertainty and instability in the economy.

**Measuring Inflation:**

**Consumer Price Index (CPI):**

The CPI measures changes in the cost of a basket of goods and services consumed by households.

CPI includes various categories such as food, energy, commodities (like cars and clothes), and services (e.g., rent, healthcare).

Each category has a relative importance based on its share of total expenditures.

**Wholesale Price Index (WPI):**

The WPI reflects changes in wholesale prices of goods at the producer level.

WPI helps understand cost pressures in production and supply chains.

Unlike CPI, WPI does not directly represent consumer prices.

**Controlling Inflation:**

**Monetary Policy:**

**Interest Rates:** The RBI adjusts policy interest rates (like the repo rate) to influence borrowing costs. Higher rates can reduce demand and curb inflation.

**Open Market Operations (OMOs):** The RBI buys or sells government securities to manage liquidity and influence interest rates.

**Cash Reserve Ratio (CRR):** The CRR determines the portion of deposits banks must keep with the RBI. Adjusting it affects liquidity and lending capacity.

**Fiscal Policy: The government can control inflation through fiscal measures such as**

**Taxation:** Adjusting taxes affects disposable income and spending.

**Government Spending:** Managing public expenditure impacts demand.

**Supply-Side Measures:**

**Agricultural Reforms:** Enhancing productivity and reducing supply bottlenecks in agriculture can stabilize food prices.

**Infrastructure Development:** Improving infrastructure reduces production costs.

**Trade Policies:** Facilitating imports can ease supply constraints.

**Inflation Targeting Framework:**

The Central Government, in consultation with the RBI, determines the inflation target in terms of the Consumer Price Index (CPI), once in five years and notifies it in the Official Gazette.

The Monetary Policy Committee (MPC) determines the policy repo rate required to achieve the inflation target.

## 17.EXTERNAL DEBT TO GDP RATIO

**The external debt-to-GDP ratio** is a crucial economic metric that compares a country's external debt to its gross domestic product (GDP).

**External Debt:**

External debt refers to the total amount of money a country owes to external creditors, including foreign governments, international organizations, and private entities outside the country.

It includes both short-term and long-term debt obligations.

**External debt is a type of public debt.** Public debt refers to the total amount of money that a government owes to external creditors and domestic lenders.

**Gross Domestic Product (GDP):**

GDP represents the total value of all goods and services produced within a country's borders during a specific period (usually a year).

It reflects the economic output and productivity of a nation.

**Calculation of External Debt-to-GDP Ratio:**

- The external debt-to-GDP ratio is calculated by dividing the total external debt by the country's gross domestic product (GDP).
- This ratio helps assess a nation's financial stability and its ability to manage debt obligations.
- **A low external debt-to-GDP ratio indicates that an economy produces sufficient goods and services to repay its debts without accumulating further debt.**
- Conversely, **a high ratio suggests challenges in paying off external debts**, potentially leading to higher interest rates for borrowing.

**Significance:**

- When a country's debt-to-GDP ratio climbs, its risk of default increases, potentially causing financial panic in domestic and international markets.
- Governments aim to lower this ratio, but during periods of unrest (e.g., wartime or recession), borrowing may increase to stimulate growth.

## 18.CURRENCY SWAP

The Reserve Bank of India (RBI) has recently introduced a revised **Currency Swap** Framework for SAARC (South Asian Association for Regional Cooperation) countries, covering the period from 2024 to 2027.

- A currency swap is **an agreement between two parties** (usually central banks or governments**) to exchange principal and interest payments on a loan** denominated in **one currency for equivalent amounts in another currency.**
- The parties agree to swap back this amount at a specified date, using the same exchange rate as agreed initially.
- These swaps are **often conducted using the local currencies** of **the countries involved** in the agreement.

**Purpose and Benefits:**

- Ensure foreign exchange liquidity and prevent BOP crises.
- Mitigate exchange rate risks with fixed terms.
- Offer cost-effective borrowing, cheaper than market alternatives.

## 18.CORE SECTOR GROWTH

In May 2024, the **growth of India's core sector** stood at 6.3%.

- **The core sector in India comprises eight key industries: coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity.**
- The core sector's performance serves as a crucial indicator of overall industrial and economic health.
- These industries are vital for infrastructure development. Steel, cement, and electricity production are essential for building roads, bridges, and power plants.

**Core Sector Growth**:

- **Core sector growth refers to the rate of increase in output or production from key industries over a specific period (usually annually or monthly).**
- It is calculated by combining growth rates from individual core industries, considering their respective weights in the Index of Core Industries (ICI).

**Index of Eight Core Industries (ICI):**

- The ICI is **prepared monthly by the Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade (DPIIT) under Ministry of Commerce & Industry.**
- The **base year** for the current ICI series is **2011-12.**

**Components of the ICI include:**

- **Coal:** Production (excluding coking coal).
- **Electricity:** Generation from thermal, nuclear, hydro sources, and imports from Bhutan.
- **Crude Oil:** Total production.
- **Cement:** Production in large and mini plants.
- **Natural Gas:** Total production.
- **Steel:** Production of alloy and non-alloy steel.
- **Refinery Products:** Total refinery production.
- **Fertilizer:** Production of various types (urea, ammonium sulphate, etc.).

**Weightage of core industries in the ICI:**

- Petroleum Refinery Products (28.04%)
- Electricity (19.85%)
- Steel (17.92%)
- Coal (10.33%)
- Crude Oil (8.98%)
- Natural Gas (6.88%)
- Cement (5.37%)
- Fertilizer (2.63%)

# JULY 2024

## 1.CENTRAL ELECTRONICS LTD (CEL)

Union Minister Dr Jitendra Singh recently announced the grant of "Mini RATNA" status (Category-1) for **Central Electronics Ltd (CEL)** at its Golden Jubilee celebration.

Central Electronics Limited (CEL) is a Government of India Enterprise operating under the Department of Scientific and Industrial Research (DSIR), which **falls under the Ministry of Science and Technology.**

CEL was established in 1974 with the **primary objective of commercially exploiting indigenous technologies developed by National Laboratories and R&D Institutions within India.**

Its mission is to achieve excellence in technology and manufacturing, with a focus on being a market leader in Solar Energy Systems and Strategic Electronics.

CEL's activities are sharply focused on three main areas:

- **Solar Photovoltaic Cells, Modules, and Systems**
- **Selected Electronic Systems**
- **Selected Electronic Components**

**Mini Ratna status:**

The Mini Ratna status is **granted by the Indian government to public sector enterprises** that have made significant contributions to the country's development while demonstrating financial autonomy, sustainability, and efficiency in their operations.

The Mini Ratna status is **divided into two categories**, with Category 1 being the higher of the two

**Mini Ratna Category 1:**

The **company must have made profits continuously for the last three years** or have a positive net worth.

The company must be **financially autonomous and self-sustaining**.

The company **should be able to fund its expansions and modernization plans without relying on budgetary support** from the government.

## 2.PROJECT NEXUS

The Reserve Bank of India (RBI) has joined **Project Nexus**, a significant initiative aimed at enhancing the efficiency and security of cross-border payments.

**Project Nexus is an initiative by the Bank for International Settlements (BIS) to develop a global platform for cross-border payments.**

Project Nexus is a collaborative effort between the BIS, central banks, and financial institutions to create a standardized global payment platform.

**Benefits:**

**Standardization:** Simplifies the way Instant Payment Systems (IPS) connect to one another.

**Single Connection:** Allows payment system operators to reach all other countries on the network without building custom connections for each.

**Instant Payments:** Enables cross-border payments from sender to recipient within 60 seconds in most cases.

**Cost Efficiency:** Provides near-zero cost for sending and receiving payments.

**Growth Acceleration:** Accelerates the growth of instant cross-border payments by leveraging existing instant payment systems.

## 3.PURCHASING MANAGERS 'INDEX (PMI)

The **Purchasing Managers' Index (PMI)** is a survey-based **measure of current and future business conditions** that asks respondents about changes in their perception of key business variables compared to the previous month.

The **PMI is usually released at the start of every month**. It is, therefore, considered a good leading indicator of economic activity.

**The PMI is calculated separately for the manufacturing and services sectors**.

The PMI ranges from 0 to 100:

Above 50 indicates expansion.

Below 50 indicates contraction.

A reading at 50 signifies no change.

PMI **provides early insights into economic trends.**

It **helps decision-makers, analysts, and investors make informed choices** ahead of official data releases.

## 4.SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

Securities and Exchange Board of India (SEBI) is a **statutory body** established on **April 12, 1992,** in accordance with the provisions of the Securities and Exchange Board of India Act, 1992.

Its primary functions are to protect the interests of investors in securities and to promote and regulate the securities market.

**Structure:**

SEBI Board consists of a chairman and several other whole time and part time members.

Further, **a Securities Appellate Tribuna**l (SAT) has been constituted to protect the interest of entities that feel aggrieved by SEBI's decision.

SAT consists of a Presiding Officer and two other Members. It has the same powers as vested in a civil court. Further, if any person feels aggrieved by SAT's decision or order can appeal to the Supreme Court.

**Powers and Functions:**

**SEBI is a quasi-legislative and quasi-judicial body.**

It drafts regulations, conducts inquiries, passes rulings, and imposes penalties.

It functions to fulfill the requirements of three categories:

- **Issuers** – By providing a marketplace in which the issuers can increase their finance.
- **Investors** – By ensuring safety and supply of precise and accurate information.
- **Intermediaries**– By enabling a competitive professional market for intermediaries.

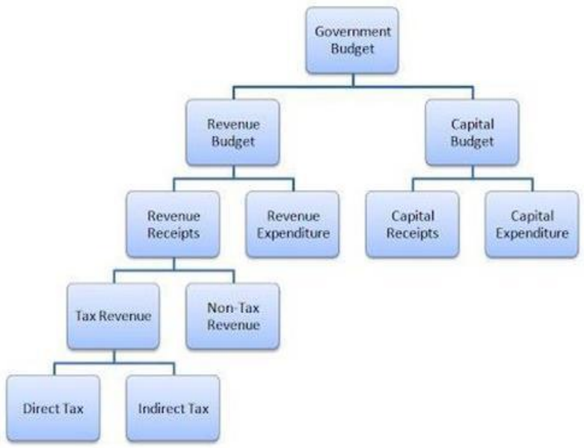
## 5.MONEY MULES

A **money mule** is someone **who transfers or moves illegally acquired money on behalf of someone else.**

These transactions can pass through various financial institutions or be converted into cash or cryptocurrencies, effectively masking the money trail, and funnelling the profits back to the criminal groups.
These individuals unwittingly become conduits for criminals, helping launder proceeds from online scams, frauds, and other illicit activities.
By doing so, they add layers of distance between the criminals and their victims, making it challenging for law enforcement to trace the money trails.

## 6.UNION BUDGET

**A budget is a forecast of the government's revenue and expenses for a future period, typically the upcoming financial year.**
The Union Budget gives a detailed account of the government's finances over the previous fiscal year, summarises new tax proposals for the upcoming fiscal year, and estimates revenue and expenditure for the next fiscal year.




The Union Budget accounts for the government's finances during the fiscal year from April 1 to March 31.
**The first Budget in pre-independent India was presented in 1860 by James Wilson of the British Indian Government.**
**After independence, India's first Budget was presented in 1947 by Finance Minister RK Shanmukham Chetty.**
**As per Article 112 of the Indian Constitution, the Union Budget is a statement of the government's estimated receipts and expenditures.**
It is also known as the Annual Financial Statement of the Government.
**The term "budget" is not mentioned in the Constitution.**
The Department of Economic Affairs, Ministry of Finance, is the nodal body responsible for preparing the Budget document.

**Budget Components:**

**Revenue Budget:**

Includes day-to-day expenses like salaries, pensions, subsidies, and interest payments.
Funded by revenue receipts (taxes, duties, fees, etc.).

**Capital Budget:**

Covers capital expenditure on infrastructure, development projects, and investments.
Funded by capital receipts (loans, disinvestment proceeds, etc.).

**Receipts:**

**Tax Revenue:** Collected from direct and indirect taxes (income tax, GST, customs duties, etc.).
**Non-Tax Revenue:** Includes dividends, interest, and other non-tax sources.
**Capital Receipts:** Loans raised by the government.

**Expenditure:**

**Revenue Expenditure:** Day-to-day expenses (salaries, subsidies, interest payments).

**Capital Expenditure:** Investments in long-term assets (roads, schools, hospitals).

**Fiscal Deficit:**

Excess of total expenditure over total receipts.

Indicates borrowing to cover the deficit.

**Budget Speech:**

The Union Budget in India is presented in the Lok Sabha by the Finance Minister in the name of the President of India.

Highlights policy measures, tax changes, and sectoral allocations.

## 7.BALANCE OF PAYMENT (BOP)

**Balance of Payment (BOP) of a country is "a systematic record of all economic transactions between the residents of one country with the residents of the other country in a financial year".**

All trades conducted by both the private and public sectors are accounted for in the BOP in order to determine how much money is going in and out of a country.

**BOP statement of a country indicates whether the country has a surplus or a deficit of funds.**

**When a country's export is more than its import, its BOP is said to be in surplus.**

On the other hand, **BOP deficit indicates that a country's imports are more than its exports.**

**Components of BOP**:**Current Account:**

This account deals with the inflow and outflow of goods and services between countries. It includes

**Trade Balance:** The difference between exports and imports of goods.

**Services Balance:** Transactions related to services (e.g., tourism, transportation, software services).

**Capital Account:**

This account focuses on capital transfers and financial transactions.

It gives a summary of the net flow of both private and public investment into an economy.

External Commercial Borrowing (ECB), Foreign Direct Investment, Foreign Portfolio Investment, etc form a part of capital account.

**Errors and Omissions:**

Sometimes the balance of payment does not balance. This imbalance is shown in the BOP as errors and omissions. It reflects the country's inability to record all international transactions accurately.

**Changes in Foreign Exchange Reserves:**

Movements in the reserves include changes in the foreign currency reserves held by the Reserve Bank of India (RBI) and also in Special Drawing Rights (SDR) held with the IMF.

## 8.CREDIT-DEPOSIT (CD) RATIO

**The Credit-Deposit (CD) Ratio represents the ratio of total loans disbursed by a bank (credits) to the total deposits received from customers (deposits).**

In other words, it shows how much of a bank's core funds are being used for lending, which is a fundamental banking activity.

It's a critical metric for assessing a bank's lending activity and liquidity management.

**Optimal Range:**While the RBI doesn't prescribe a specific CD ratio, an optimal range typically falls between 80% and 90%.

**A low CD ratio suggests that the bank may not be fully utilizing its resources** or earning as much as it could.

**A high CD ratio indicates that the bank might lack sufficient liquidity to cover unforeseen fund requirements,** potentially leading to an asset-liability mismatch.

**Influencing Factors:**

**Loan Demand:** An increase in loan demand can drive up the CD ratio.

**Deposit Mobilization:** If a bank attracts more deposits without corresponding lending growth, the CD ratio decreases.

**Economic Cycles:** Booms and recessions impact both loan demand and deposit inflows.

## 9.ALTERNATIVE INVESTMENT FUND (AIF)

**An Alternative Investment Fund (AIF) is a privately pooled or collective investment fund incorporated in India.**

AIFs differ from conventional investment instruments like stocks, bonds, and cash.

**The Securities and Exchange Board of India (SEBI) regulates AIFs.**

**AIFs are subject to the SEBI (Alternative Investment Funds) Regulations, 2012.**

**AIFs collect funds from sophisticated investors (both Indian and foreign) for investment purposes.** They fall into three categories:

**Category I AIFs:** These funds invest in start-ups, early-stage ventures, social ventures, and sectors considered socially or economically desirable by regulators. Examples include venture capital funds, angel funds, and infrastructure funds.

**Category II AIFs:** These funds include real estate funds, debt funds, and private equity funds.

**Category III AIFs:** These funds employ complex trading strategies, including derivatives, and may use leverage.

## 10.DIGITAL ECONOMY REPORT 2024

The digital economy refers to e**conomic activities that are enabled by digital technologies,** including the Internet, mobile devices, and other digital platforms.

The **United Nations Conference on Trade and Development (UNCTAD) releases** the Digital Economy Report.

This report provides insights into the trends and policies shaping the digital economy globally.

**Key Recommendations:**

Adopting circular economy models.

Strengthening regulations with tougher environmental standards.

Investing in renewable energy and supporting R&D of energy-efficient technologies.

Incentivizing and promoting new sustainable business models (e.g., electronic products as a service).

## 11.AGRI FUND FOR START-UPS & RURAL ENTERPRISES (AGRI-SURE)

The Agri-SURE fund, launched by the **Department of Agriculture and Farmers' Welfare in collaboration with NABARD**, aims **to support agri start-ups and rural enterprises.**

**The fund is managed by NABVENTURES, a subsidiary of NABARD**, and is designed to promote innovation and technology in agriculture and allied sectors.

The fund aims to promote investment in innovative, technology-driven, high-risk, and high-impact activities in agriculture and allied areas.

**Contributors:**

**NABARD**: ₹250 Crore

**Ministry of Agriculture:** ₹250 Crore

**Other Institutions:** ₹250 Crore

**Focus Areas:**

Enhancing productivity through technology

Supporting Farmers' Producer Organizations (FPOs)

Building infrastructure for a new rural environment

Promoting long-term growth and job creation in rural areas

## 12.SDG INDIA INDEX 2023-24


**The SDG India Index provides a holistic view of the social, economic, and environmental status of the country and its states and union territories.**

**The NITI Aayog, in collaboration with the United Nations in India, releases the SDG India Index.**

It helps in monitoring and evaluating the progress towards the 16 SDGs adopted by the United Nations in 2015.

The Index uses a set of 113 indicators to assess performance across various parameters such as health, education, gender equality, climate action, economic growth, and environmental sustainability.

SDG India Index 2023-24 measures and tracks national progress of all States and UTs on 113 indicators aligned to the Ministry of Statistics and Programme Implementation's (MoSPI) National Indicator Framework (NIF).

**Overall Score:** India's overall SDG score improved to 71 in 2023-24, up from 66 in 2020-21 and 57 in 2018.

**Top Performing States**: Kerala and Uttarakhand achieved the highest scores of 79 each.

**Significant Progress:** Notable advancements in Goals 1 (No Poverty), 8 (Decent Work and Economic Growth), 13 (Climate Action), and 15 (Life on Land).

**Fastest Moving States:** Uttar Pradesh (increase by 25 points), followed by J&K (21), Uttarakhand (19), Sikkim (18), Haryana (17), Assam, Tripura, and Punjab (16 each), Madhya Pradesh and Odisha (15 each).

**New Entrants in Front-Runner Category:** Arunachal Pradesh, Assam, Chhattisgarh, Madhya Pradesh, Manipur, Odisha, Rajasthan, Uttar Pradesh, West Bengal, and Dadra and Nagar Haveli and Daman and Diu.

**Government Programs:** Pradhan Mantri Awas Yojana, Ujjwala, Swachh Bharat, Jan Dhan, Ayushman Bharat-PMJAY, Ayushman Arogya Mandir, PM-Mudra Yojana, Saubhgaya, Start-up India.

**SDG Localisation:** Efforts spearheaded by NITI Aayog, working closely with States and UTs to promote competitive and cooperative federalism.

## 13.INDIAN COUNCIL OF AGRICULTURAL RESEARCH (ICAR)

**The Indian Council of Agricultural Research (ICAR) was established on July 16, 1929, as a registered society under the Societies Registration Act, 1860.**

It functions as an **autonomous organization under the Department of Agricultural Research and Education (DARE),** which is part of the **Ministry of Agriculture and Farmers Welfare, Government of India.**

**ICAR is the apex body** for coordinating, guiding, and managing research and education in agriculture, including horticulture, fisheries, and animal sciences.

## 14.PUBLIC DISTRIBUTION SYSTEM (PDS)

The Household Consumption Expenditure Survey (HCES) provides valuable insights into how the **Public Distribution System (PDS)** affects household spending.

**The Public Distribution System (PDS) is a crucial component of India's food security framework.**

**It operates under the Ministry of Consumer Affairs, Food, and Public Distribution.**

**The Public Distribution System (PDS) is a government-run program aimed at distributing essential food items to economically vulnerable populations at subsidized rates.**

The Public Distribution System plays a crucial role in improving food security and nutrition for millions of households in India.

PDS is operated under the joint responsibility of the Central and the State Governments.

**Central Government is responsible for procurement, storage, transportation, and bulk allocation of foodgrains.**

**State Governments handle distribution to consumers through Fair Price Shops** (FPS), identification of eligible families, and issuance of ration cards.

The Public Distribution System (PDS) is a vital part of the **National Food Security Act (NFSA), 2013.**

**Related acts:**

**National Food Security Act (NFSA), 2013:** This act aims to provide subsidized food grains to approximately two-thirds of India's population. It legally entitles 75% of the rural population and 50% of the urban population to receive subsidized food grains under the Targeted Public Distribution System (TPDS).

**Essential Commodities Act, 1955:** This act provides for the control of the production, supply, and distribution of essential commodities to maintain or increase their supply and secure their equitable distribution and availability at fair prices.

## 15.INTERNATIONALIZATION OF THE INDIAN RUPEE

The **internationalisation of the Indian rupee refers to the process of increasing the use and acceptance of the rupee outside India** for various purposes, including trade, investment, and reserves.

**Benefits of Internationalizing the Rupee:**

- **Reduced Dependency on Foreign Currencies**
- **Increased Global Trade**
- **Enhanced Financial Integration:**
- **Improved Monetary Policy Effectiveness**
- **Strengthened Regional Influence**
- **Diversification of Reserves**
- **Development of Financial Services**

**Challenges of Internationalizing the Rupee**

- **Exchange Rate Volatility**
- **Capital Flight and Financial Stability**
- **Capital Controls**.
- **Competition from Established Currencies**

## 16.NATIONAL COMPANY LAW TRIBUNAL (NCLT)

- The National Company Law Tribunal (NCLT) is a **quasi-judicial body established by the Central Government of India under section 408 of the Companies Act, 2013.**
- NCLT was constituted on June 1, 2016.
- **It operates under the provisions of the Companies Act, 2013.**
- NCLT was **formed based on the recommendation of the V. Balakrishna Eradi committee** on law relating to the insolvency and the winding up of companies.

**Functions:**

- The NCLT **disposes of proceedings** under the Companies Act, including **arbitration, compromise, reconstruction, and winding up of companies.**
- It is also the **Adjudicating Authority for insolvency proceedings** under the **Insolvency and Bankruptcy Code, 2016.**
- Under the Companies Act, 2013, **the National Company Law Tribunal (NCLT) has the authority to approve the merger of firms in India.** This is part of its jurisdiction.
- The NCLT's role is **to oversee the legal aspects of corporate transactions, including mergers and acquisitions, to ensure they comply with statutory provisions** and are in the best interest of shareholders and creditors.
- **Appeals:** Decisions taken by the NCLT can be appealed to **the National Company Law Appellate Tribunal (NCLAT),** and further appeals can be made to the **Supreme Court** on points of law.

## 17.BANCASSURANCE

- Bancassurance is **an agreement between a bank and an insurance company that allows the bank to sell the insurance company's products to its customers.**
- The term "bancassurance" comes from France, where it was first used in 1980.
- In India, bancassurance was adopted in 2000, and is **regulated by the Insurance Regulatory and Development Authority (IRDA) and the Reserve Bank of India (RBI).**

There are three models of bancassurance in India - the referral model, the corporate agent model, and the broker model.

**The benefits of bancassurance:**

**Increased insurance penetration:** Bancassurance helps to increase insurance coverage among the general public, especially in rural areas. **In the financial year 2023, India's insurance penetration stood at 4 percent,** with the majority coming from the life insurance sector.

**Convenience:** Customers can access various financial services, including insurance, at one location.

**Additional revenue stream:** Banks can earn additional income through commissions on insurance sales.

**Diversified product offerings:** Banks can expand their product portfolio beyond traditional banking services.

**Enhanced customer relationships:** Banks can build stronger relationships with customers by offering a wider range of financial services.

**Increased efficiency:** Bancassurance allows for streamlined processes and reduced costs.

**Improved risk management:** Insurance products can help banks manage risk more effectively.

**Financial inclusion:** Bancassurance can contribute to financial inclusion by providing access to insurance for underserved populations.

## 18.NATIONAL BANK FOR FINANCING INFRASTRUCTURE AND DEVELOPMENT (NABFID)

National Bank for Financing Infrastructure and Development (NaBFID) is a **specialized Development Finance Institution (DFI)** in India.

It is a **statutory body** established by the Government of India.

Its creation was formalized through the enactment of the **National Bank for Financing Infrastructure and Development Act, 2021.**

The **primary objective** of the National Bank for Financing Infrastructure and Development (NaBFID) **is to address the long-term financing needs of critical infrastructure projects in India.**

It aims to strengthen the development of bonds and derivatives markets in India and sustainably boost the country's economy.

**NaBFID is recognized by the Reserve Bank of India (RBI) as an All-India Financial Institution (AIFI).**

As a Development Finance Institution (DFI) and All-India Financial Institution, NaBFID channels investments into **critical infrastructure sectors such as energy, roads, railways, and urban infrastructure**.

## 19.REMISSION OF DUTIES AND TAXES ON EXPORTED PRODUCTS (RoDTEP) SCHEME

**The RoDTEP (Remission of Duties and Taxes on Export Products) scheme is a flagship export promotion initiative by the Commerce Ministry of India.**

**RoDTEP aims to refund embedded central, state, and local duties and taxes paid on inputs that were previously non-refundable.**

It replaced the existing MEIS (Merchandise Exports from India Scheme).

**The scheme was introduced to boost exports and ensure WTO compliance after a dispute panel ruled against India's export subsidy programs.**

**Features:**

**Refund of Non-Refundable Duties:** Mandi tax, VAT, coal cess, and central excise duty on fuel are now refundable under RoDTEP.

**Automated Credit System**: Refunds are issued as transferable electronic scrips, tracked through an electronic ledger.

**Quick Verification:** Digitization speeds up clearance, and IT-based risk management ensures accuracy.

**Multi-Sector Coverage:** All sectors, including textiles, benefit from RoDTEP.

**Sector-Specific Decisions:** A dedicated committee decides benefit levels for each sector.

**Eligibility:**

**All sectors, including textiles, can enjoy RoDTEP benefits.**

The scheme supports competitiveness, employment, and overall economic growth, aligning with India's vision of an Aatmanirbhar Bharat.

## 20.REVISED TAX SLAB

Finance Minister Nirmala Sitharaman in her seventh Budget speech on July 23 , **revised the tax slabs** under the new regime.


Income tax is a **direct tax imposed by the government on the income earned by individuals, companies, and other entities.**

It covers various sources of income, including salaries, house property, business profits, capital gains, and other sources.

In India, the **Income Tax applies to individuals based on a slab system**, where **different tax rates are assigned to different income ranges.**

As the **person's income increases**, the **tax rates also increase**. This type of taxation allows for a fair and **progressive tax system** in the country.

The income tax slabs are revised periodically, typically during each budget.

**These slab rates vary for different groups of taxpayers.**

In India, the income tax system operates under two main regimes: **the old tax regime and the new tax regime.**

| **Income range (in INR)** | **Tax Rates** |
|---|---|
| **Up to 250,000*** | **Nil** |
| **250,001 to 500,000** | **5%** |
| **500,001 to 1,000,000** | **20%** |
| **Above 1,000,000** | **30%** |

**Old Tax Regime:**

The income tax slabs are different under the old and the new tax regimes.

**The slab rates under the old tax regime are divided into three categories**

Indian Residents aged < 60 years + All the non-residents

60 to 80 years: Resident Senior citizens

More than 80 years: Resident Super senior citizens

For the financial year 2024-25

The resident individuals who are **senior citizens above the age of 60**, the basic **exemption limit is Rs 3 lakh.**

For **super senior citizens aged 80 years** and above, the basic **exemption limit is Rs 5 lakh.**

- For the **Indian citizens aged less than 60 and all the non-residents** the basic **exemption limit is up to 250,000.**
- Resident individual taxpayers with a total income not exceeding Rs 500,000 are eligible for a tax rebate of Rs 12,500 or the actual tax payable, whichever is lower.

**New Tax Regime:**

- **The new tax regime in India was introduced in 2020.**
- Taxpayers have the option to choose between the old tax system and the new one.
- It offers concessional tax rates but reduces deductions and exemptions compared to the old regime.
- The Budget 2024 has revised the tax slabs in the New Regime, providing taxpayers with an extra opportunity to save Rs 17,500 in taxes.
- Additionally, the standard deduction has been raised to Rs. 75,000 under this regime and the family pension deduction has been increased to Rs. 25,000 from Rs. 15,000.
- This is applicable for the FY 2024-25.

## 21.GREENIUM

- **The term greenium, also known as the green premium, refers to a pricing benefit associated with green bonds.**
- **The greenium represents the difference in yield between a green bond and a conventional bond issued by the same entity.**
- **Green bonds typically offer lower interest rates (yields) compared to traditional government securities** (like regular government bonds).
- Investors are willing to accept these lower yields because of the appeal of sustainability. They prioritize supporting environmentally friendly projects.
- **Long-term green projects are associated with reduced physical and financial risk.** Investors are willing to settle for lower returns due to this reduced risk.
- As a result, issuers benefit from the cost savings (the greenium) on coupon payments for green bonds.

**Green Bonds**:

- **Green bonds are debt instruments issued by governments, corporations, or other entities to fund specific projects or activities that have positive environmental impacts.**
- These projects are categorized as “green” based on national or international green taxonomies.
- Examples include renewable energy projects, electric buses, and energy-efficient initiatives.

## 22.INDEXATION

- **Indexation is the process of adjusting the original purchase price of an asset or investment in order to neutralise the impact of inflation on it.**
- Inflation reduces the value of money over time, and therefore, when an asset is sold or an investment is redeemed, indexation helps in arriving at the cost of acquisition with the impact of inflation over the holding period factored in.
- The cost of acquisition thus arrived at, is called the indexed cost of acquisition. It resets the base for calculation of gains or losses from the sale or redemption.
- **The returns calculated on the indexed cost of acquisition are generally seen as more realistic than absolute gains calculated on the basis of the actual price at the time of purchase.**
- Indexation is an efficient way of preventing draining of your returns on investments in the form of taxes.

Indexation usually applies to long-term investments. Indexation helps in adjusting the purchase price of the investments.

# AUGUST 2024

## 1.PROMPT CORRECTIVE ACTION (PCA) FRAMEWORK

**The Prompt Corrective Action (PCA) framework for Urban Cooperative Banks (UCBs) is a regulatory system imposed by the Reserve Bank of India (RBI) to address financial stress in these banks.**

It replaces the existing Supervisory Action Framework (SAF) and will be effective from April 1, 2025.

The framework emphasizes timely intervention to prevent further deterioration. It ensures that corrective measures are taken promptly to stabilize UCBs.

The PCA framework follows a gradual escalation approach. As the financial health worsens, the intensity of corrective actions increases step by step.

The RBI communicates the PCA status of UCBs to the public, promoting transparency and accountability.

**Applicability:**

**The PCA framework applies to UCBs with deposits above Rs 100 crore.**

UCBs are categorized into four tiers based on their deposit size:

Tier 1: UCBs with deposits up to Rs 100 crore.

Tier 2: UCBs with deposits above Rs 100 crore and less than Rs 1,000 crore.

Tier 3: UCBs with deposits above Rs 1,000 crore and less than Rs 10,000 crore.

Tier 4: UCBs with deposits above Rs 10,000 crore.

**Exclusion of Tier 1 UCBs:**Tier 1 UCBs are not included in the PCA framework but will continue to be closely monitored.

**Norms for Invoking PCA:**

The PCA framework is triggered based on specific risk thresholds:

Capital Adequacy Ratio (CAR) up to 250 basis points below the required CAR.

Net non-performing assets (NPAs) above 6.0% but below 9.0%.

Incurring losses during two consecutive years

## 2.SURROGATE ADVERTISEMENT

**Surrogate advertising involves duplicating the brand image of one product to promote another product within the same brand.** It acts as a “substitute” advertisement.

Surrogate advertising is a clever marketing tactic employed by brands to promote products indirectly when direct advertising is restricted due to legal or social constraints.

**Purpose:** Brands use surrogate advertising to circumvent restrictions on promoting certain products directly.

For instance, liquor and tobacco-related products face such limitations.

**Disguised Promotion:**

Surrogate goods may resemble a similar commodity or an entirely different product. Companies advertise their actual products (like alcohol) by associating them with other seemingly unrelated products (like music CDs or soda).

**Industry Examples:** Liquor brands often use their logos and brand names to promote non-alcoholic products.

For instance, a whiskey brand may advertise music CDs or mineral water under the same brand umbrella.

**Common in India:** They allow brands to maintain visibility and uphold their image while adhering to legal restrictions.

**Subtle and Legal:**

By using surrogate advertising, brands subtly convey their message without violating regulations.

The target audience recognizes the brand's niche even when the advertised product is different.

**Brand Extension:** The motive behind surrogate advertising is to ensure that customers associate the disguised product with the original brand. This process is akin to "brand extension."

## 3.COTTON CORPORATION OF INDIA (CCI)

The **Cotton Corporation of India (CCI) was established in 1970 under the Companies Act 1956.**

It **operates as a central public sector undertaking under the ownership of the Ministry of Textiles, Government of India.**

**Diverse Activities:**The CCI is engaged **in various activities related to trade, procurement, and export of cotton.**

Its **primary mandate includes ensuring equitable distribution of cotton** among different industry constituents.

CCI **purchases cotton from farmers at minimum support prices (MSP) and ensures fair returns.**

It also **manages buffer stocks to stabilize prices** and supports farmers during market fluctuations.

Additionally, the CCI aids in the import of cotton.

**History of the Cotton Industry in India:**

India has a rich history related to textiles, with cotton being a vital commodity.

For about 3,000 years, India held a global monopoly over cotton textile manufacturing, serving as an ideal medium of exchange during ancient times.

During the Middle Ages, India exported cotton textiles to Eastern and European markets.

The modern cotton industry began with the establishment of the Bombay Spinning and Weaving Company in 1854, marking a significant milestone in India's cotton production.

**India's Dominance in Cotton Production:**

**India is the world's largest producer of cotton, contributing 18% of the global total.**

It also boasts the largest area under cotton cultivation, representing about 25% of the world's cultivated land.

Key **cotton-producing states** include **Gujarat, Maharashtra, Andhra Pradesh, Haryana, Punjab, Madhya Pradesh, Rajasthan, Karnataka, and Tamil Nadu.**

## 4.E-RUPEE (DIGITAL RUPEE)

The **e-rupee, or digital rupee, is a digital currency issued by the Reserve Bank of India (RBI).**

It was launched on a pilot basis in December 2022.

It is available entirely in electronic form and does not leave a computer network.

**Types:**

**Retail e-Rupee:** Intended for general public use, allowing individuals to make everyday transactions.

**Wholesale e-Rupee:** Designed for financial institutions to facilitate interbank transactions and other large-scale financial activities.

**Features:**

**Legal Tender:** The e-rupee is like banknotes issued by the RBI and is a legal tender that can be used to make transactions. The only difference is that they can only be transacted online.

**Non-Interest Bearing:** The digital rupee in users' wallets does not attract interest payments from the central bank.

**Conversion:** Deposits held in banks can be converted into digital rupees and vice versa for ease of use.

**Objectives:**

**Efficiency:** Aims to enhance the efficiency and security of transactions.

**Accessibility:** Provides an additional option for using money, especially in a digital format.

**Implementation**

Initially offered by a select group of public and private banks in a few major cities.

**Usage:** Can be used for both person-to-person and person-to-merchant transactions.

**Significance:**

**Modernization:** Represents a step towards modernizing India's financial system.

**Adoption:** With fintech companies joining the initiative, the adoption rate is expected to increase further.

## 5.YEN CARRY TRADE

**A carry trade** is a trading strategy that involves **borrowing at a low-interest rate and investing in an asset that provides a higher rate of return.**

It typically **involves borrowing in a low-interest rate currency and converting the borrowed amount into another currency.**

The **proceeds are generally deposited in the second currency if it offers a higher interest rate.**

Alternatively, the proceeds could be deployed into assets such as stocks, commodities, bonds, or real estate denominated in the second currency.

**Yen Carry Trade:**

The Japanese yen is one of the most widely used currencies for carry trades.

**In a yen carry trade, investors, including retail Japanese investors, borrow at a low interest rate at home and purchase assets in another country with higher returns**, such as overseas equities and bonds.

The yen has been popular for carry trades because Japan has maintained a zero-interest rate policy for over two decades. The idea behind low interest rates is to stimulate economic activity.

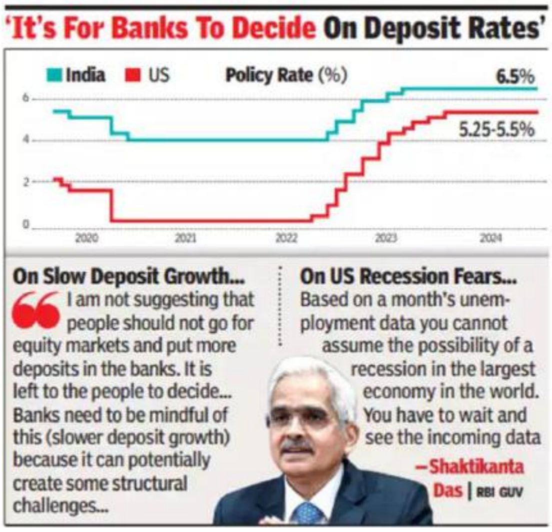
For instance, such low interest rates incentivize investors to borrow cheaply in yen and invest in other countries (such as Brazil, Mexico, India, and even the US) to earn better returns. These carry trades are called yen carry trades.

**Recent Developments:**

**Interest Rate Increase:** The Bank of Japan recently raised its interest rate to 0.25%, causing the yen to strengthen.

**Investor Reaction:** As the yen appreciated, investors who had borrowed yen were forced to sell their higher-yielding assets to repay their loans, leading to a sell-off in global markets.

## 6.REPO RATE




**The repo rate,** short for "repurchase rate," is the **interest rate at which the Reserve Bank of India (RBI) lends money to commercial banks against the collateral of government securities.**

It is a crucial tool used by the RBI to manage liquidity and control inflation in the economy.

**Who decides Repo Rate in India?**

The repo rate in India is decided by the **Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI).**

**The MPC is headed by the Governor of the RBI and includes six members: three from the RBI and three external members appointed by the Government of India**.

The MPC meets periodically to review and set the repo rate, considering various economic factors such as inflation, growth, and liquidity conditions.

Their decisions are aimed at achieving the RBI's primary objectives of maintaining price stability and supporting economic growth.

**Impact of changes in Repo Rate on the Indian Economy**

**Inflation Control:**

**Increase in Repo Rate:** When the RBI raises the repo rate, borrowing becomes more expensive for banks. This leads to higher interest rates on loans for consumers and businesses, reducing spending and borrowing, which helps to control inflation.

**Decrease in Repo Rate:** Lowering the repo rate makes borrowing cheaper for banks, which can lead to lower interest rates on loans. This encourages spending and investment, potentially boosting economic growth but also risking higher inflation.

**Economic Growth:**

**Increase in Repo Rate:** Higher borrowing costs can slow down economic activity as businesses may delay expansion plans and consumers may reduce spending.

**Decrease in Repo Rate:** Cheaper borrowing costs can stimulate economic activity by encouraging businesses to invest and consumers to spend more.

**Loan and EMI Rates:**

**Increase in Repo Rate:** Banks are likely to increase interest rates on loans, leading to higher EMIs for borrowers.

**Decrease in Repo Rate:** Banks may lower interest rates on loans, reducing EMIs and making borrowing more attractive.

**Currency Exchange Rates:**

**Increase in Repo Rate:** Higher interest rates can attract foreign investment, leading to an appreciation of the Indian rupee.

**Decrease in Repo Rate:** Lower interest rates might lead to capital outflows, potentially depreciating the rupee.

**Stock Market:**

**Increase in Repo Rate:** Higher interest rates can negatively impact stock markets as borrowing costs rise and corporate profits may decline.

**Decrease in Repo Rate:** Lower interest rates can boost stock markets by reducing borrowing costs and increasing corporate profitability.

## 7.DEBT SWAPS

**Debt swaps are financial transactions where the terms of an existing debt are exchanged for different obligations or assets.**

Some common types of debt swaps:

**Debt-for-Equity Swap**: In this swap, a creditor agrees to cancel a portion or all of a debtor's outstanding debt in exchange for equity in the debtor's company. This is often used in corporate restructuring to reduce debt burdens.

**Debt-for-Debt Swap:** This involves exchanging one type of debt for another, often with different terms, such as interest rates, maturities, or currencies. This can help the debtor manage risk or improve cash flow.

**Debt-for-Nature Swap**: A debtor country agrees to fund conservation or environmental protection projects in exchange for a portion of its debt being forgiven. This is typically arranged between a debtor nation and a creditor, often with the involvement of an environmental organization.

**Debt-for-Development Swap**: Similar to debt-for-nature swaps, but the funds saved from debt forgiveness are redirected towards social or economic development projects, such as education, healthcare, or infrastructure.

**Debt-for-Bond Swap**: Existing debt is exchanged for new bonds, often with more favorable terms. This can be used to extend the maturity of debt, reduce interest payments, or restructure a country's or company's obligations.

Debt swaps are used as tools for debt restructuring, risk management, or achieving policy objectives, such as promoting environmental sustainability or economic development.

**What are the benefits of debt swaps for developing countries?**

**Debt Relief:** They help reduce the debt burden, freeing up resources that can be used for development projects instead of debt repayment.

**Funding for Development:** The funds saved from debt relief are redirected towards critical areas such as education, healthcare, environmental conservation, and infrastructure.

**Economic Stability:** By reducing debt, countries can improve their credit ratings and attract more foreign investment, leading to economic growth and stability.

**Sustainable Development:** Debt swaps often focus on sustainable development goals, promoting long-term environmental and social benefits.

**Strengthened Partnerships:** These arrangements can foster stronger relationships between debtor countries and their creditors, encouraging collaboration on development initiatives.

**Capacity Building:** Implementing development projects through debt swaps can enhance local capacities and institutions, leading to better governance and project management.

party to another.

## 8.CHEQUE TRUNCATION SYSTEM (CTS)

**The Cheque Truncation System (CTS) is an electronic method of clearing cheques,** introduced by the Reserve Bank of India (RBI) to speed up the process and enhance efficiency.

**Process:**

**Cheque Truncation:** The physical movement of cheques is stopped at the presenting bank. Instead, an electronic image of the cheque, along with relevant data, is transmitted to the paying bank.

**Data Capture:** The presenting bank captures the cheque's image and Magnetic Ink Character Recognition (MICR) data using a scanner.

**Transmission:** The data and images are digitally signed, encrypted, and sent to a central processing location (Clearing House) for onward transmission to the paying bank.

**Implementation:**

CTS was first implemented in the National Capital Region (NCR) of Delhi in 2008, followed by Chennai in 2011.

By 2013, CTS was implemented nationwide, and only CTS-2010 compliant cheques were accepted for clearing.

Under CTS, cheque processing locations in India are consolidated into the three grids in Chennai, Mumbai and New Delhi.

**What type of instruments can be presented for clearing through CTS?**

Only CTS-2010 standards compliant instruments can be presented for clearing through CTS.

CTS-2010 standards contain certain benchmarks towards achieving standardization of cheques issued by banks across the country.

These include provision of mandatory minimum-security features on cheque forms like quality of paper, watermark, bank's logo in invisible ink, void pantograph, etc., and standardisation of field placements on cheques.

The minimum-security features and standardisation help presenting banks while scrutinising / recognising cheques of drawee banks in an image-based processing scenario.

**Benefits of CTS:**

**Faster Clearing:** Cheques can be cleared within the same day.

**Data Management:** Easier data storage and retrieval.

**Risk Minimization:** Enhanced security and reduced fraud risk.

**Cost Savings:** Lower costs due to reduced physical movement of cheques.

**Efficiency:** Shorter clearing cycles and centralized image archival system.

## 9.INCOME TAX APPELLATE TRIBUNAL (ITAT)

**The Income Tax Appellate Tribunal (ITAT) was set up** on January 25, 1941, **under Section 5A of the Income Tax Act, 1922.**

**It is a quasi-judicial institution specializing in appeals under the Direct Taxes Acts.**

**The Income Tax Appellate Tribunal (ITAT) operates under the Ministry of Law and Justice.**

Initially, it had six members and three benches in Delhi, Kolkata, and Mumbai. Now, it has 63 benches at 27 different stations.

**The orders passed by the ITAT are final,** an appeal lies to the High Court only if a substantial question of law arises for determination.

**There are different benches of the ITAT for different regions, each having regional jurisdiction.**

The President of the ITAT constitutes a bench from amongst its members, with each bench consisting of an accountant member and a judicial member.

However, the President or any member of the ITAT may dispose of any appeal where the total income as calculated by the Assessing Officer does not exceed Rs.50 lakh

In cases where required, the ITAT may constitute a special bench with three or more members to dispose of appeals, with at least one accountant member and one judicial member.

The ITAT is also the final fact-finding authority, and its decisions on factual matters are final.

**Functions of the ITAT**

The ITAT hears appeals concerning orders passed by the income-tax authorities.

It is the second forum to hear income-tax appeals after the Commissioner of Income-tax (Appeals).

The ITAT functions under the supervision of the jurisdictional High Court and is subordinate to the High Court.

It must follow the precedent set by the jurisdictional High Court and the Supreme Court of India.

## 10.OVERNIGHT INDEX SWAP

**An Overnight Index Swap (OIS**) is a **financial derivative used primarily for hedging interest rate risk.**

The Overnight Index Swap (OIS) market is a financial market where **participants exchange fixed interest rate payments for floating interest rate payments based on an overnight index,** such as the overnight MIBOR (Mumbai Interbank Offered Rate) in India.

**OIS contracts are used to hedge against interest rate risks or to speculate on future changes in interest rates.**

In an OIS contract, one party pays a fixed interest rate, while the other pays a floating rate that is reset daily based on the overnight index.

These swaps typically have short durations, often ranging from one week to one year.

Common participants include banks, financial institutions, and foreign investors.

**OIS contracts provide a way to manage interest rate exposure without the need for actual borrowing or lending of funds.**

**How It Works?**

**Daily Reset:** The floating rate is reset daily based on the overnight index (e.g., MIBOR in India).

**Interest Calculation:** At the end of the contract period, the interest payments are calculated. The fixed rate payer pays the fixed rate interest, and the floating rate payer pays the interest based on the average of the overnight rates over the contract period.

**Net Settlement:** The difference between the fixed and floating interest payments is settled in cash. Only the net difference is exchanged, not the notional principal.

## 11.INVESTOR EDUCATION PROTECTION FUND AUTHORITY (IEPFA)

**The Investor Education and Protection Fund (IEPF) is a fund established by the Government of India under the Companies Act, 2013.**

Its primary objectives are to promote investor awareness and protect the interests of investors.

The IEPF plays a crucial role in safeguarding investors’ interests and promoting financial literacy.

**Key points about the IEPF:**

**Unclaimed Amounts:** The fund collects unclaimed dividends, shares, matured deposits, and other amounts that have remained unpaid or unclaimed for a period of seven years. These amounts are then transferred to the IEPF.

**Investor Awareness:** The IEPF conducts various programs and initiatives to educate investors about their rights and responsibilities, helping them make informed investment decisions.

**Refunds and Claims:** Investors can claim their unclaimed amounts from the IEPF by submitting the necessary forms and documentation.

**Administration:** The IEPF Authority, established under the Ministry of Corporate Affairs, is responsible for managing the fund and ensuring its proper utilization.

## 12.CREDIT INFORMATION COMPANIES (CICS)

Credit Information Companies (CICs), also known as credit bureaus are **independent third-party agencies licensed and regulated by the Reserve Bank of India (RBI).**

They collect, maintain, and analyse credit information of individuals and businesses, which is provided by financial institutions like banks and NBFCs.

**Functions of CICs**

**Data Collection:** CICs gather financial data related to loans, credit cards, and other credit-related activities from various lenders.

**Data Analysis:** They analyse this data to create credit reports and scores, which reflect the creditworthiness of individuals and businesses.

**Data Sharing:** These reports and scores are shared with member institutions, which include banks, NBFCs, and other financial entities, to assist in making informed lending decisions.

**India has four major CICs:**

**TransUnion CIBIL:** The oldest and most widely used credit bureau in India.

**Experian:** Provides comprehensive credit information services.

**Equifax:** Known for its detailed credit reports and analytics.

**CRIF High Mark:** Offers credit information services for both individuals and businesses.

**Importance of CICs**

**For Lenders:** CICs help lenders assess the credit risk of potential borrowers, enabling better risk management and decision-making.

**For Borrowers:** They provide borrowers with their credit scores and reports, which can help them understand their credit standing and improve their credit behaviour.

## 13.DISASTER RISK TRANSFER PARAMETRIC INSURANCE SOLUTION (DRTPS)

**Nagaland became the first state in India** to adopt a **Disaster Risk Transfer Parametric Insurance Solution (DRTPS)** by signing an MoU with SBI General Insurance.

Insurance is a financial arrangement that provides protection against potential financial losses or risks.

**The Disaster Risk Transfer Parametric Insurance Solution (DRTPS)** is an innovative approach to **managing disaster risks.**

**What is DRTPS?**

DRTPS is a type of insurance that **provides payouts based on predefined parameters or triggers, such as the magnitude of an earthquake or the amount of rainfall, rather than the actual loss incurred**. This allows for quicker and more efficient disbursement of funds following a disaster.

**Key Features:**

**Predefined Triggers**: Payouts are made when specific conditions are met, such as a certain level of rainfall or wind speed.

**Speedy Payouts:** Since the triggers are predefined, the process of claim settlement is much faster compared to traditional insurance.

**Risk Mitigation:** Helps in reducing the financial impact of disasters by providing immediate funds for recovery and rebuilding efforts.

**Customizable:** Can be tailored to the specific needs and risks of a region or sector.

**Benefits: Quick Recovery:** Ensures that funds are available immediately after a disaster, aiding in faster recovery.

**Financial Stability:** Helps maintain economic stability by mitigating the financial losses caused by disasters.

**Enhanced Preparedness:** Encourages better disaster preparedness and risk management practices.

**Traditional Insurance:**

**Loss-Based Claims:** Payouts are based on the actual loss incurred, which requires detailed assessment and verification.

**Slower Payouts:** The claim process can be lengthy due to the need for damage assessment and verification.

**Subjective Assessment:** The payout amount can be subject to disputes and negotiations based on the assessment of the damage.

**Standard Policies:** Policies are generally standardized and may not be as customizable to specific risks.

## 14.DIAMOND IMPREST LICENCE

The **Diamond Imprest Licence is a regulatory framework introduced by the Indian government to support diamond exporters,** particularly benefiting Micro, Small, and Medium Enterprises (MSMEs).

The Diamond Imprest Licence was **introduced by the Ministry of Commerce & Industry of India.**

**Diamond Imprest Licence allows eligible exporters to import cut and polished diamonds, including semi-processed, half-cut, and broken diamonds.**

Under this, exporters can import diamonds up to 5 per cent of their average turnover from the past three years, with a requirement to add 10 percent value.

**These imports must be used by the importer and cannot be transferred, even after exports are completed.**

This licence was earlier there in the foreign trade policy of 2002 and 2009.

This will provide a level-playing field for Indian MSME diamond exporters. It will stop the flight of investment and also introduce more employment opportunities.

**Significance**

**Support for MSMEs:** Provides a level-playing field for Indian MSME diamond exporters.

**Investment Retention**: Aims to stop the flight of investment.

**Employment Opportunities:** Expected to introduce more employment opportunities in the sector.

## 15.KRISHI-DECISION SUPPORT SYSTEM (KRISHI-DSS)

The **Krishi-Decision Support System (Krishi-DSS) is developed under the Ministry of Agriculture & Farmers' Welfare.**

The Krishi-Decision Support System (Krishi-DSS) is an innovative platform designed to assist farmers with real-time, data-driven insights to enhance agricultural productivity.

**Key Features:**

**Satellite-Based Geospatial Data:** Utilizes satellite imagery to monitor crop health, soil conditions, and water resources.

**Weather Forecasting:** Provides accurate weather predictions to help farmers plan their activities.

**Pest and Disease Alerts:** Early warnings about potential pest attacks and disease outbreaks.

**Crop Mapping and Monitoring:** Tracks the growth and health of crops throughout the season.

**Soil Health Analysis:** Offers insights into soil fertility and recommendations for soil management.

**Water Resource Management:** Monitors water availability and usage to optimize irrigation practices.

**Benefits:**

**Informed Decision-Making:** Helps farmers make better decisions regarding planting, irrigation, and pest control.

**Increased Productivity:** Aims to boost crop yields by providing timely and relevant information.

**Sustainability:** Promotes sustainable farming practices by optimizing resource use.

**Risk Mitigation:** Reduces the risks associated with unpredictable weather and pest infestations.

**Implementation:**

**Accessibility:** The system is designed to be user-friendly and accessible to farmers through mobile applications and web platforms.

**Collaboration**: Developed in collaboration with various agricultural research institutions and technology partners.

**Impact:**

**Empowerment:** Empowers farmers with the knowledge and tools needed to improve their farming practices.

**Economic Growth:** Contributes to the overall economic growth of the agricultural sector by enhancing productivity and sustainability.

## 16.NATIONAL COAL INDEX (NCI)

The **National Coal Index (NCI) is a price index that reflects the change in the price level of coal in a particular month relative to a fixed base year (FY 2017-18).**

It combines the prices of coal from all sales channels, including notified prices, auction prices, and import prices.

This includes coking and non-coking of various grades transacted in the regulated (power and fertilizer) and non-regulated sectors.

Washed coal and coal products are not included.

**The NCI is released monthly by the Ministry of Coal in India.**

The concept and design of the index, as well as the representative prices, were developed by the Indian Statistical Institute, Kolkata.

The NCI's upward movement indicates rising demand for coal, which will encourage coal producers to take maximum benefit by further scaling-up domestic coal production to meet the growing energy demands.

The downward trajectory of the NCI signifies a more equitable market, harmonizing supply and demand dynamics.

**Significance**

Market Indicator: The NCI tracks coal price trends, offering insights into market dynamics.

Policy Making: Policymakers use the NCI to shape energy policies, subsidies, and regulations.

Investment Decisions: A rising NCI signals higher demand, encouraging coal sector investments.

Energy Security: The NCI helps balance supply and demand, reducing price volatility.

Economic Planning: It aids in forecasting and managing coal production and consumption.

## 17.CENTRAL CONSUMER PROTECTION AUTHORITY (CCPA)

The **Central Consumer Protection Authority (CCPA)** has imposed a ₹3 lakh penalty on Sriram's IAS for publishing a misleading advertisement.

- **The Central Consumer Protection Authority (CCPA) is a regulatory body established under the Consumer Protection Act, 2019 in India.**
- The CCPA was formed in 2019 and became active in 2020.
- Its primary goal is to protect, promote, and enforce the rights of consumers. This includes addressing issues related to unfair trade practices, misleading advertisements, and violations of consumer rights. **Composition:** Chief Commissioner, Two Commissioners. One commissioner each will represent for goods and services.

**Powers and Functions**

- Investigations: CCPA probes violations of consumer rights and unfair trade practices.
- Complaints: It files and reviews consumer rights cases before the Consumer Commission.
- Guidelines & Notices: Issues guidelines and safety alerts against unfair or hazardous practices.
- Advisory Role: Advises governments on consumer welfare policies.
- Enforcement: Can recall unsafe goods, order refunds, and halt unfair practices

## 18.NATIONAL PEST SURVEILLANCE SYSTEM (NPSS)

The Union Government recently launched the AI-based **National Pest Surveillance System (NPSS)**.

- The **National Pest Surveillance System (NPSS) is a digital initiative by the Ministry of Agriculture and Farmers Welfare.**
- **It leverages Artificial Intelligence (AI) and Machine Learning (ML) to provide timely pest management advisories to farmers across India.**
- This system aims to reshape pest management practices and empower farmers by reducing their reliance on pesticide retailers and fostering a scientific approach to pest control.

**Key Features of NPSS:**

**User-Friendly Access:** Comprises a mobile app and a web portal, ensuring accessibility for all farmers.

**Real-Time Data and Analytics:** Utilizes real-time data and advanced analytics for accurate pest identification, monitoring, and management.

**Quick Solutions:** Provides quick solutions to pest attacks and crop diseases, reducing crop losses and improving productivity.

**Actionable Insights:** Offers comprehensive pest incidence data and automated advisories, empowering farmers with actionable insights for informed decision-making and proactive crop protection measures.

## 19.SELF-REGULATORY ORGANISATIONS (SROS)

The Reserve Bank of India (RBI) recently issued a framework for recognizing **Self-Regulatory Organisations (SROs)** in the financial markets.

- **A Self-Regulatory Organization (SRO) is a non-governmental entity that has the authority to create and enforce industry regulations and standards.**
- These organizations **aim to promote ethical practices, professionalism, and consumer protection within their respective industries.**

**Who Regulates SROs?**

- While SROs operate independently, they are often subject to oversight by government regulatory bodies. For example:
- In the financial sector, SROs like the Financial Industry Regulatory Authority (FINRA) in the U.S. are overseen by the Securities and Exchange Commission (SEC).

In India, **SROs in the financial sector are regulated by entities such as the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI).**

**Role of SROs in Financial Markets**

Setting Standards: SROs define industry norms for fair and transparent practices.

Monitoring Compliance: They ensure members follow established rules and regulations.

Dispute Resolution: Provide mechanisms to resolve conflicts between members and clients.

Investor Protection: Promote transparency and ethics to safeguard investors.

Education & Training: Offer programs to keep members updated on best practices and regulations.

**Examples of SROs in India**

**Association of Mutual Funds in India (AMFI):** Regulates mutual fund companies and promotes ethical practices in the mutual fund industry.

**National Stock Exchange (NSE):** Functions as an SRO for stockbrokers and trading members.

**Bombay Stock Exchange (BSE):** Another major SRO for stockbrokers and trading members.

**Institute of Chartered Accountants of India (ICAI):** Regulates the profession of chartered accountancy in India.

## 20.INDIA AUSTRALIA RAPID INNOVATION AND START-UP EXPANSION (RISE) ACCELERATOR

The **India Australia Rapid Innovation and Start-up Expansion (RISE) Accelerator** is a **bilateral program** launched by the Atal Innovation Mission (AIM) and Australia's Commonwealth Scientific and Industrial Research Organisation (CSIRO).

It was **designed to support start-ups and small- to medium-sized enterprises (SMEs) in both India and Australia.**

**RISE Accelerator targets to enable start-ups with mature tech-based innovations to fast-track their cross-border social, economic and environmental impact through cross-border innovation ecosystem.**

**Purpose**

**Foster Innovation:** Encourage the development of cutting-edge technologies.

**Facilitate Cross-Border Collaboration:** Enable start-ups to expand their impact across India and Australia.

**Address Shared Challenges:** Focus on solutions for environmental and climate issues.

**Functions**

**Market Insights:** Valuable information on market trends and regulatory landscapes.

**Partnerships:** Connections with potential partners, investors, and customers.

**Mentorship:** One-on-one guidance from industry experts.

**Validation and Adaptation:** Support for adapting and validating technologies in new markets.

**Benefits**

Participants in the RISE Accelerator can expect:

**Accelerated Growth:** Fast-tracked connections to the right partners and customers.

**Credibility:** Enhanced reputation and visibility in international markets.

**Funding Opportunities:** Access to joint-innovation funds, grants, and investors.

**Comprehensive Support:** Tailored assistance to navigate early steps in a new region and scale technology overseas

## 21.REGIONAL RURAL BANKS (RRBS)

- **Regional Rural Banks (RRBs) are government-owned scheduled commercial banks in India** that operate at the regional level in different states.
- They were **established to provide banking and financial services to rural areas**, particularly to small and marginal farmers, agricultural labourers, and small artisans.

**Key Details about RRBs:**

- **Launch Date:** RRBs were **established on October 2**, 1975, following the **recommendations of the Narasimham Committee** on Rural Credit.
- **Regulation:** RRBs are **regulated by the Reserve Bank of India (RBI) and are governed by the Regional Rural Banks Act, 1976.**
- **Ownership:** The **ownership structure of RRBs is shared among the Government of India (50%), the concerned State Government (15%), and the sponsoring bank (35%).**

**Features of RRBs:**

- **Regional Focus:** RRBs operate within specified regions, typically covering one or more districts in a state.
- **Target Audience:** They primarily serve rural and semi-urban areas, focusing on the agricultural sector and rural development.
- **Products and Services:** RRBs offer a range of banking services including savings and current accounts, fixed deposits, loans, and digital banking services like mobile banking and internet banking.

**Functions of RRBs:**

- **Credit Provision**: Providing credit to small and marginal farmers, agricultural labourers, and rural artisans to support agricultural and rural development.
- **Government Schemes:** Implementing various government schemes such as the disbursement of wages under MGNREGA and distribution of pensions.
- **Financial Inclusion:** Promoting financial inclusion by extending banking services to underserved rural areas.
- **Support to MSMEs:** Offering credit and financial services to micro, small, and medium enterprises (MSMEs) in rural areas.

## 22.SECURITIES MARKET

- **A securities market is a platform where individuals and institutions trade various financial instruments.** These instruments, known as securities, represent ownership, creditor relationships, or ownership rights.
- **The market facilitates the buying and selling of these financial assets,** ensuring efficient and transparent transactions.

**Types of Securities:**

- **Stocks:** Represent ownership in a corporation, **giving holders claims on assets, earnings, and voting rights.**
- **Bonds:** Debt instruments issued by corporations or governments, where **bondholders receive interest payments and repayment of principal upon maturity.**
- **Derivatives:** Contracts whose **value is based on an underlying asset**, index, or interest rate, including options, futures, and swaps.
- **Exchange-Traded Funds (ETFs):** Securities that track an index or basket of assets but trade on exchanges like stocks.

**Mutual Funds:** Professionally managed investment funds that pool money from many investors to purchase securities and build portfolio.

**Key Components of Securities Market:**

**Primary Market:**

**Issuance of New Securities:** This is where **new securities are issued and sold** for the first time. **Companies and governments raise capital** by issuing new stocks or bonds. New issuances of government securities, such as Treasury Bills and Government Bonds, are conducted through auctions in the primary market.

**Initial Public Offerings (IPOs):** When a company offers its shares to the public for the first time.

**Secondary Market:**

**Trading of Existing Securities:** This is where **existing securities are traded** among investors. The issuer does not receive any funds from these transactions.

**Stock Exchanges:** Organized platforms like the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) where securities are bought and sold.

**Functions of Securities Market:**

**Capital Formation:** Helps companies and governments raise funds for expansion, projects, and other needs by issuing stocks and bonds.

**Liquidity:** Provides a platform for investors to buy and sell securities, ensuring they can convert their investments into cash when needed.

**Price Discovery:** Helps determine the price of securities based on supply and demand dynamics.

**Risk Management:** Allows investors to manage and diversify their risk by investing in a variety of securities.

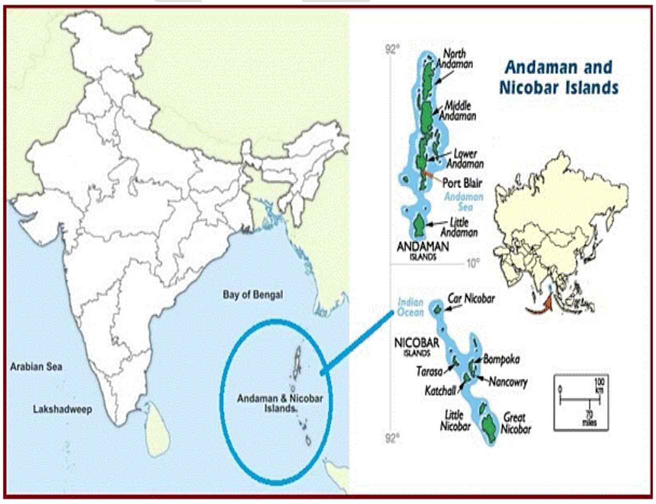
**Economic Indicator:** The performance of the securities market often reflects the overall health of the economy.

**Regulation**

**In India, the securities market is regulated by the Securities and Exchange Board of India (SEBI)**, which ensures transparency, protects investor interests, and maintains market integrity.

## 23.GREAT NICOBAR ISLAND(GNI) PROJECT

**The Great Nicobar Project is a multi-development initiative aimed at the holistic development of Great Nicobar Island, a strategic location in the southern end of the Andaman and Nicobar Islands.**




The project is expected to be developed over 30 years in a phased manner.

**It was cleared by the Ministry of Environment in November 2022** and is part of a broader strategy to enhance India's strategic presence and infrastructure in the region.

**Strategic Importance:**

**Geopolitical Significance:** Enhances India’s strategic presence in the Indian Ocean, countering expansionist activities by neighbouring countries, particularly China.

**Maritime Security:** Strengthens India's ability to safeguard its maritime interests and curb illegal activities such as poaching by Myanmarese fishers.

**Infrastructure Development:**

**International Container Trans-shipment Terminal:** Facilitates global trade and improves India's shipping capabilities.

**Greenfield International Airport:** Dual-use airport designed for both military and civilian purposes, enhancing connectivity and strategic defence capabilities.

**Township Development:** Modern living spaces and support facilities for residents and workers.

**450 MVA Power Plant:** Combination of gas and solar-based power generation to ensure sustainable energy supply.

**Economic Impact:**

**Investment:** Valued at ₹72,000 crore, the project is expected to boost economic activities and create job opportunities.

**Phased Development:** The project will be developed over 30 years, ensuring sustainable growth and development.

**Environmental and Social Considerations:**

**Consultations with Indigenous Tribes:** Ensures that the rights and habitats of the Shompen and Nicobarese tribes are protected.

**Environmental Safeguards:** Measures to mitigate the impact on the island's rich biodiversity and ecosystems.

## 24.ALL-INDIA INITIATIVE ON CREATIVE ECONOMY (AIICE)

**The All-India Initiative on Creative Economy (AIICE) was launched by the Indian Chamber of Commerce (ICC).**

This initiative aims to harness the potential of India's $30 billion creative economy.

**Focus:**

The AIICE aims to harness the potential of India's $30 billion creative economy by:

Defining and mapping the creative industries in India.

Providing funding to support these industries.

Addressing copyright issues.

Promoting MSMEs and local artisans.

Upscaling the value of India's creative economy.

**Benefits:**

**Economic Growth:** Boosting the creative sector, which has already seen a 20% surge in creative exports over the past year.

**Job Creation:** Supporting local artisans, handloom workers, and MSMEs, which employ a significant portion of India's workforce.

**Cultural Promotion**: Enhancing India's rich legacy of creativity across various mediums like cinema, art, literature, and more.

**Creative Economy:**

**The creative economy refers to economic activities that rely on individual creativity, skill, and talent to generate wealth and jobs.**

It **encompasses a wide range of industries where the primary value is derived from creative and intellectual properties** rather than traditional resources like land, labour, and capital.

Major Sectors include Film and Television, Music, Art and Crafts, Publishing, Performing Arts, Fashion, Architecture and Design, New Media (eg:digital content creation, gaming, animation), Yoga and Wellness.

**Key Characteristics:**

**Creativity and Innovation:** The core of the creative economy is the use of imagination and original ideas to create value.

**Intellectual Property:** This includes copyrights, patents, and trademarks that protect creative works.

**Cultural and Artistic Expression:** Industries such as film, music, art, literature, and design are central to the creative economy.

**Digital and Media Technologies:** The rise of digital platforms has significantly expanded the reach and impact of creative industries.

## 25.NATIONAL INDUSTRIAL DEVELOPMENT PROGRAMME

**The National Industrial Corridor Development Programme (NICDP) is a flagship initiative by the Indian government aimed at developing world-class industrial infrastructure.**

**National Industrial Corridor Development and Implementation Trust (NICDIT) is the implementing agency of the programme.**

It is India's most ambitious infrastructure programme **aiming to develop new industrial cities as "Smart Cities" and converging next generation technologies across infrastructure sectors.**

These are aimed at development of futuristic industrial cities in India which can compete with the best manufacturing and investment destinations in the world.

**Objectives:**

**Developing Greenfield Industrial Cities:** Establishing new industrial regions with state-of-the-art infrastructure.

**Boosting Manufacturing:** Enhancing India's manufacturing capabilities to position the country as a global manufacturing hub.

**Attracting Investments:** Drawing both domestic and foreign investments to boost economic growth.

**Creating Employment:** Generating millions of jobs through the development of industrial corridors.

**Sustainable Development:** Emphasizing sustainable practices, including green buildings and renewable energy.

**Benefits:**

**Economic Growth:** Significant contribution to India's GDP by enhancing industrial output.

**Job Creation:** Millions of new jobs in various sectors, improving the socio-economic status of the population.

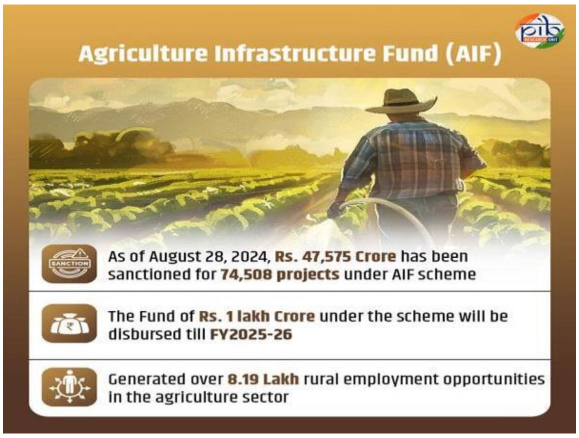
**Global Competitiveness:** Positioning India as a key player in global value chains with high-quality infrastructure.

**Infrastructure Development:** Modernizing infrastructure with efficient transport systems, energy solutions, and communication networks.

**Sustainable Practices:** Promoting environmentally friendly practices and sustainable development.

## 26.AGRICULTURAL INFRASTRUCTURE FUND (AIF)

**The Agricultural Infrastructure Fund (AIF) is a significant initiative by the Indian government aimed at enhancing agricultural infrastructure across the country.**




The AIF was launched by Prime Minister Narendra Modi on July 8, 2020.

**The scheme is managed by the Ministry of Agriculture and Farmers' Welfare.**

**Objectives:**

**Infrastructure Development:** To create post-harvest management infrastructure and community farming assets.

**Financial Support:** To provide medium to long-term debt financing for investment in viable projects for post-harvest management infrastructure and community farming assets.

**Enhancing Farmers' Income:** To improve the income of farmers by reducing post-harvest losses and increasing the value of their produce.

**Sustainability:** To promote sustainable agricultural practices and infrastructure.

**Benefits:**

**Financial Assistance:** The AIF provides financial support to Farmers' Producers Organisations (FPOs), Self Help Groups (SHGs), and other eligible entities to enhance their financial security and creditworthiness.

**Employment Generation:** The scheme has generated more than 8.19 lakh rural employment opportunities in the agriculture sector.

**Investment Mobilization:** So far, ₹47,575 crore has been sanctioned for 74,508 projects, mobilizing an investment of ₹78,596 crore in the agriculture sector.

**Infrastructure Projects:** The AIF has supported the creation of essential storage facilities, including warehouses, cold storage, and silos.

**Sustainability:** The scheme emphasizes sustainable practices, including the integration of clean energy solutions through the PM-KUSUM scheme.

**Viable Farming Assets :**The scheme now includes the creation of infrastructure for 'viable projects for building community farming assets'.

**Integrated Processing Projects :The list of eligible activities under AIF now includes integrated primary and secondary processing projects.**

However, standalone secondary projects remain ineligible and will continue to be covered under Ministry of Food Processing Industries (MoFPI) schemes.

**PM KUSUM Component-A Integration :The government has allowed convergence between Component-A of the PM-KUSUM scheme and AIF.** This integration is available for farmers, farmer groups, Farmer Producer Organizations (FPOs), cooperatives, and Panchayats.

**Enhanced Credit Guarantee Coverage :**In addition to the existing Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), the government proposes to extend AIF credit guarantee coverage for FPOs through the NABSanrakshan Trustee Company Pvt. Ltd.

## 27.NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH (NCAER)

The **National Council of Applied Economic Research (NCAER) is India's oldest and largest independent, non-profit economic policy research think tank.**

NCAER was established **in 1956 in New Delhi.**

Its mission is to provide research-based policy solutions that help understand India's rapid economic and social transformation as new and complex challenges emerge.

**Research Themes:**

**National Growth and Macroeconomic Center:** Analyzing growth trends and macro policies.

**Human Development and Data Innovation:** Focusing on education, health, and data-driven insights.

**Investor Education and Protection Fund Chair Unit:** Enhancing financial literacy and investor protection.

**Trade, Technology, and Skills:** Addressing trade dynamics and skill development.

**Agriculture and Rural Development:** Supporting sustainable rural growth.

**Centre for Health Policy and Systems:** Advancing health policy research.

**NCAER's contributions to Indian Economy:**

**Rich Data and Evidence:**

NCAER gathers evidence through scientific surveys, panel surveys, and data collection.

This rich data serves as a foundation for informed policy decisions, enabling evidence-based reforms and targeted interventions.

**Economic Analysis and Modelling:**

NCAER estimates demand, supply, income, investment, savings, and conducts macroeconomic modelling and forecasting.

These analyses provide insights into economic trends, growth drivers, and potential policy impacts.

**Policy Research and Forums:**

NCAER hosts unique platforms for discussions, bringing together policymakers, industry leaders, and experts.

These forums facilitate dialogue on critical economic issues, fostering evidence-based decision-making.

## 28.PERPETUAL BONDS

**Perpetual bonds, also known as perpetual notes or perps, are a type of bond that has no maturity date.**

**They are issued by companies or organizations to raise capital, and the issuer is not required to repay the principal amount.**

**Characteristics:**

**No maturity date:** Perpetual bonds do not have a fixed maturity date, and the issuer is not obligated to repay the principal.

**Interest payments:** Investors receive regular interest payments, usually semi-annually or annually, but the principal amount remains outstanding.

**High credit risk:** Perpetual bonds are considered high-risk investments since the issuer may not repay the principal, and the investor may face credit risk.

**Subordinated debt**: Perpetual bonds are often subordinated to other debt obligations, meaning they have a lower claim on assets and earnings.

**Callable:** Some perpetual bonds may be callable, allowing the issuer to redeem the bonds at a specified price.

**Types of perpetual bonds:**

**Fixed-Rate Perpetual Bonds:** Offer a fixed interest rate throughout their existence.

**Floating-Rate Perpetual Bonds:** Interest rates adjust periodically based on a reference rate (e.g., LIBOR).

**Convertible Perpetual Bonds:** Can be converted into equity shares after a specified period.

**Hybrid Perpetual Bonds:** Combine features of different bond types.

**Common Issuers:**

**Financial Institutions:** Banks and other financial entities use perps for capital management.

**Corporations:** Especially those seeking long-term financing.

**Governments:** To fund infrastructure projects or manage debt.

**Infrastructure Projects:** Funding large-scale developments.

**Investor Considerations:**

**Creditworthiness:** Assess the issuer's financial health and ability to meet interest payments.

**Risk Tolerance:** Perpetual bonds carry inherent risks; investors should evaluate their risk appetite.

**Complexity:** Understand the terms, including call options and interest calculations.

## 29.BONUS SHARE ISSUE

**A bonus share issue,** also known as a scrip issue or capitalization issue,occurs **when a company offers free additional shares to its existing shareholders.**

**Key Points:**

**Free Additional Shares:** Shareholders receive extra shares without any cost.

**Proportional Allocation:** The number of bonus shares received is proportional to the shares already held. For example, a 1:1 bonus issue means you get one additional share for every share you own.

**Increased Share Capital:** The total number of shares increases, which raises the company's share capital.

**No Change in Market Capitalization:** The market capitalization remains the same because the share price adjusts proportionally. If the number of shares doubles, the share price halves.

**Shareholders' Equity:** The relative equity of each shareholder remains unchanged, meaning their ownership percentage in the company stays the same.

**Funding:** Bonus shares are typically funded from the company's profits or reserves.

**Benefits of Issuing bonus shares for the Company:**

**Enhanced Liquidity:** By increasing the number of shares in the market, trading activity can rise, making the shares more liquid.

**Positive Market Perception:** Announcing a bonus issue can signal the company's strong financial health, boosting investor confidence.

**Rewarding Shareholders:** It serves as a reward to loyal shareholders without impacting the company's cash reserves.

**Improved Shareholder Base:** It can attract new investors who perceive the bonus issue as a sign of growth and stability.

**Utilization of Reserves:** It allows the company to utilize its accumulated reserves effectively.

**Benefits of Issuing bonus shares for Shareholders:**

**Increased Shareholding:** Shareholders receive additional shares without any cost, increasing their total shareholding.

**No Immediate Tax Liability:** Bonus shares are not taxed at the time of issuance, though capital gains tax applies upon sale.

**Improved Liquidity:** More shares in the market can make it easier for shareholders to buy or sell shares.

**Psychological Benefit:** Shareholders may feel more positive about their investment as they receive additional shares.

**Proportional Ownership Maintained:** The issuance of bonus shares does not dilute the ownership percentage of existing shareholders.

## 30.FINTER NET

**Finternet is a concept introduced to describe a network of interconnected financial ecosystems, similar to the internet.**

**It aims to unify various financial services and systems**, making transactions cheaper, more secure, and nearly instantaneous.

Central banks remain central to the system, ensuring trust in money, while collaborating closely with commercial banks.

Finternet aims to create a more inclusive and efficient financial ecosystem, enabling anyone to transfer any financial asset, in any amount, at any time, using any device, to anyone else, anywhere in the world.

**Key features:**

**Unified Ledgers:** Bringing together multiple financial markets (e.g., tokenized assets, shares, bonds, real estate) on a single programmable platform.

**Interoperability:** Ensuring seamless transfer of assets and funds across different platforms and services.

**Accessibility:** Making financial services more accessible, especially for people in remote or underserved areas.

**Cost Efficiency:** Reducing transaction costs to make financial services more affordable.

**Security:** Enhancing security measures to protect users from fraud and cyber threats.

## 31.UNIFIED PAYMENTS INTERFACE (UPI) BLOCK MECHANISM

The **UPI block mechanism** is a feature that allows users to reserve a specific amount of funds in their bank account for a transaction without transferring the money upfront.

**This mechanism is designed to enhance security and ensure the availability of funds for transactions, reducing the risk of failed payments.**

**This mechanism, similar to the ASBA (Application Supported by Blocked Amount) facility used in primary markets, allows investors to block funds in their bank accounts for trading, rather than transferring the funds upfront to the trading member.**

This aims to enhance the protection of client funds and provide better settlement visibility.

**How it works?**

**Blocking Funds:** When a transaction is initiated, the specified amount is blocked in the user's bank account. This ensures the funds are reserved for that transaction and cannot be used for anything else.

**Transaction Execution:** Once the transaction is confirmed, the blocked amount is debited from the account and transferred to the recipient.

**Unblocking Funds:** If the transaction is not completed or is cancelled, the blocked amount is released back into the user's account.

It is similar to the facility used in IPO applications, where funds are blocked in the investor's account until the shares are allotted.

**Benefits:**

**Enhanced Security**.

**Improved Fund Management**.

**Reduced Transaction Failures**.
**Increased Transparency**.
**Convenience**.
**Regulatory Compliance**.
**Cost Efficiency**.

**SEBI's Proposal:**

SEBI has proposed making the UPI block mechanism mandatory for secondary market trading, specifically for Qualified Stock Brokers (QSBs). This aims to enhance the protection of client funds and provide better settlement visibility.

SEBI is also exploring an alternative, a "3-in-1 trading account facility" that combines a savings bank account, a demat account (for holding securities), and a trading account. This could potentially replace the mandatory ASBA-like facility

# SEPTEMBER 2024

## 1. ANTI-DUMPING DUTY

- Anti-dumping duty is a protectionist tariff imposed by a government on foreign imports sold below fair market value.
- This practice, called "dumping," harms domestic industries by undercutting local businesses and distorting competition.
- In India, the Directorate General of Trade Remedies (DGTR) under the Ministry of Commerce and Industry investigates and recommends such duties.
- The DGTR has recommended an anti-dumping duty on Chinese aluminium foil imports following complaints from domestic producers about market harm. The proposed duty ranges from $619 to $873 per tonne.
- **Purpose**
  - **Protect Domestic Industries**: Prevent unfair competition from underpriced imports.
  - **Preserve Jobs**: Shield local businesses from losses due to dumping.
  - **Ensure Fair Competition**: Maintain market fairness by aligning import prices with fair market value.
  - **Support Fair Trade**: Discourage unethical practices like predatory pricing and dumping.
  - **Protect Intellectual Property**: Prevent counterfeit or infringing goods.
  - **Stimulate Domestic Production**: Reduce disadvantages for local manufacturers.
  - **Promote Economic Stability**: Safeguard industries and jobs for sustainable growth.

## 2. E- DISPUTE RESOLUTION SCHEME (E-DRS)

- The e-DRS, launched by the **CBDT** under Section 245 MA of the Income-tax Act, 1961, allows eligible taxpayers to file dispute resolution applications electronically with Dispute Resolution Committees (DRCs) across 18 regions, aiming to reduce tax-related litigation.
- The CBDT has launched the e-Dispute Resolution Scheme (e-DRS) 2022 to reduce litigation and streamline tax dispute resolution.
- **Eligibility:** e-DRS is available for variations under ₹10 lakh and income up to ₹50 lakh, excluding cases based on searches, surveys, or international agreements.
- **Application Process:** File Form No. 34BC on the e-filing portal within one month of receiving the order or by September 30, 2024, if an appeal is pending.
- **Dispute Resolution Committees (DRCs):** DRCs in 18 regions can modify orders and grant penalty waivers, with decisions made within six months.

## 3. THE WORLD GOLD COUNCIL (WGC)

- The World Gold Council (WGC), founded in **1987** by **leading gold mining companie**s, is a **market development organisation** focused on promoting gold use and providing industry leadership.
- The World Gold Council (WGC) has **raised its 2024 gold consumption forecast for India** to 850 tonnes, up from 750 tonnes, due to a strong monsoon and reduced gold duties.
- **WGC Key Functions:**
  - **Market Development**: Boosts demand in investment, jewellery, and tech.
  - **Research**: Provides insights for informed decisions.
  - **Advocacy**: Supports fair, transparent policies.
  - **Innovation**: Develops new products like gold-backed ETFs.
  - **Sustainability**: Promotes responsible mining and ethical supply chains.

- **Education**: Enhances understanding of gold's benefits

## 4. DIGITAL AGRICULTURE MISSION

- The Union Cabinet, chaired by the Prime Minister of India, approved the Digital Agriculture Mission with an outlay of Rs. 2817 Crore, including Rs. 1940 Crore from the central share, as part of the Viksit Bharat@2047 vision to transform agriculture through digital solutions.
- The Digital Agriculture Mission is led by the Ministry of Agriculture and Farmers' Welfare.
- It aims to build a strong Digital Public Infrastructure (DPI) for agriculture, including projects like the Digital General Crop Estimation Survey (DGCES).
- **Objectives:**
  - Enhance farmers' income through reliable information.
  - Provide digital Farmer IDs.
  - Conduct nationwide crop surveys for accurate data.
  - Create 2.5 lakh jobs.
  - Develop AgriStack with decision support and soil mapping.
- **Benefits:**
  - Improve service delivery using AI and analytics.
  - Enable better decision-making with accurate data.
  - Boost productivity and profitability.
  - Promote sustainable agriculture.
  - Drive economic growth through agriculture.

## 5. INDIA POST PAYMENTS BANK (IPPB)

- India Post Payments Bank recently marked its 7th Foundation Day, expanding banking services to remote areas and boosting financial literacy and inclusion through its vast post office network.
- India Post Payments Bank (IPPB), a government-owned public sector payments bank, operates under the Ministry of Communications' Department of Post.
- Launched as a pilot in January 2017, its goal is to offer accessible and affordable banking services nationwide.
- **Key Features of IPPB**:
  - **Wide Reach**: Leverages post offices to provide banking in remote areas.
  - **Digital Services**: Mobile banking, QR payments, and virtual debit cards.
  - **Financial Inclusion**: Aadhaar seeding, fund transfers, and bill payments.
  - **Partnerships**: Collaborates for insurance and loans.
- **Services**:
  - No minimum balance savings and current accounts.
  - **Remittances**: Domestic transfers.
  - Direct government subsidy disbursements through remittances.
  - Utility and recharge services.
  - **Aadhaar Services**: Enrolment and updates.
  - **Insurance & Pension**: Offered with partners.
- **Achievements**:
  - 9.88 crore+ customer accounts.
  - 12 lakh+ merchants onboarded.
  - ₹45,000 crore+ in DBT disbursed.

  - 7.10 crore Aadhaar mobile updates.
  - 20 lakh+ Digital Life Certificates for pensioners.

## 6. VERTICAL FISCAL IMBALANCE (VFI)

- The 16th Finance Commission aims to address Vertical Fiscal Imbalance (VFI) by ensuring fair revenue distribution between the Union and states.
- States currently bear 61% of revenue expenditure but generate only 38% of revenue, relying heavily on central transfers.
- Vertical Fiscal Imbalance (VFI) arises when revenue collection and spending responsibilities are misaligned across government levels.
- **Causes of VFI in India:**
  - **Revenue Centralization:** The central government controls major taxes, while states rely on limited sources.
  - **Expenditure Decentralization:** States handle significant spending but have limited revenue capacity.
- **Implications of VFI:**
  - **Dependence on Central Transfers:** States rely on central funding, limiting autonomy.
  - **Fiscal Stress:** Higher borrowing increases debt and instability.
  - **Inefficiency in Services:** Limited funds hinder effective service delivery.
- **Measures to Address VFI:**
  - **Finance Commissions:** Recommend fair tax distribution.
  - **GST Implementation:** Unifies taxes and improves revenue sharing.
  - **Grants and Transfers:** Help reduce fiscal gaps and support development.

## 7. THE NATIONAL FOOD SECURITY ACT (NFSA), 2013

- The National Food Security Act (NFSA), 2013, is a significant legislation in India aimed at ensuring food and nutritional security.
- **Objectives**
  - Food Security: Ensures access to quality food at affordable prices.
  - Life Cycle Approach: Covers children, pregnant women, and lactating mothers.
- **Coverage**
  - Population: Covers 75% of the rural and 50% of the urban population.
  - Priority Households & AAY: PHH receives 5 kg/person/month, while AAY households get 35 kg/month.
- **Entitlements**
  - Subsidized Food: Rice at ₹3/kg, wheat at ₹2/kg, and coarse grains at ₹1/kg.
  - Nutritional Support: Maternity benefits and nutritious meals for mothers and children.
- **Implementation**
  - PDS: Managed via the Targeted Public Distribution System (TPDS), with the Food Corporation of India (FCI) handling procurement, storage, and transportation.
  - Grievance Redressal: Mechanisms at the district and state levels.
- **Significance**
  - Legal Entitlement: Converts food security programs into legal rights.
  - Transparency: Digitization and online tracking improve accountability.
- **Related Schemes**
  - **Midday Meal Scheme (MDMS):** Provides meals to school children.

- **Integrated Child Development Services (ICDS):** Offers food, education, and healthcare for children and mothers.

## 8. GOODS AND SERVICES TAX (GST) COUNCIL

- The GST Council is a constitutional body established under Article 279A to recommend policies on Goods and Services Tax (GST) to the Union and State governments.
- **Composition:**
  - **Chairperson:** Union Finance Minister
  - **Members:** Union Minister of State (Finance) and State Finance Ministers
- **Decision-Making:**
  - The Council meets periodically to decide on tax rates, exemptions, and dispute resolution.
  - **Voting:** Union Government holds 1/3rd of votes; States collectively hold 2/3rd. Decisions require a three-fourths majority.
  - Most decisions are made by **consensus**, fostering cooperative federalism.
- **Role:**
  - **Tax Rates & Exemptions:** Determines GST slabs, exemptions, and registration thresholds.
  - **Dispute Resolution:** Recommends solutions for conflicts between the Centre and States.
  - The GST Council ensures uniform tax policies, preventing cascading taxes and enhancing the efficiency of the GST system.

## 9. MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)

- The **Multilateral Investment Guarantee Agency (MIGA)** and the **International Solar Alliance (ISA)** have launched the **MIGA-ISA Solar Facility**, a **multi-donor trust fund**.
- This initiative combines **ISA's technical expertise** with **MIGA's financing mobilization** to accelerate **global solar energy adoption**, including **advanced solar technologies**.
- The **Multilateral Investment Guarantee Agency (MIGA)**, a **World Bank Group** member established in **1988**, promotes **foreign direct investment (FDI)** in **developing countries** to drive **economic growth** and **poverty reduction**.
- **Mandate & Functions**
  - MIGA provides **political risk insurance** and **credit enhancement** to protect investors from risks such as **expropriation, breach of contract, currency restrictions, war, and civil unrest**.
  - It also improves access to financing through **enhanced credit terms**.
- **Products & Services**
  - **Political Risk Guarantees**: Safeguard investments against non-commercial risks.
  - **Credit Guarantees**: Improve loan conditions for public and private sectors.
  - **Trade Finance Guarantees**: Support transactions involving public entities.

## 10. MINIMUM SUPPORT PRICE (MSP)

- The Minimum Support Price (MSP) is a government intervention to protect farmers from falling crop prices by guaranteeing a purchase price, regardless of market trends.
- **Objective:**
- Protect farmers from distress sales and ensure fair prices for their produce.
- Promote investment in agriculture and ensure food security.
- **Implementation:**
- MSP is announced before the sowing season, based on the Commission for Agricultural Costs and Prices (CACP) recommendations.

- It is not legally binding and acts as a floor price for government procurement of select crops.
- Crops Covered: MSP is announced for 23 crops, including:
- 7 cereals (such as rice, wheat, maize)
- 5 pulses (like gram, arhar)
- 7 oilseeds (including groundnut, mustard)
- 4 commercial crops (cotton, sugarcane, jute, copra)
- **MSP Calculation Factors:**
- Production costs, supply-demand, price trends, and inter-crop price parity.
- Terms of trade between agriculture and other sectors.
- **Cost Types:**
- **A2 Costs:** Direct expenses like seeds, fertilizers, and labor.
- **A2+FL Costs:** A2 costs plus unpaid family labor.
- **C2 Costs:** A more comprehensive cost, adding rentals and interest forgone on land.
- **CACP's Recommendation:**
- MSP is recommended based on A2+FL costs, but farmers often demand MSP be set at 1.5 times the C2 cost, per the Swaminathan Commission.

## 11. WHOLESALE PRICE INDEX (WPI)

- The Wholesale **Price Index (WPI)** tracks changes in **wholesale goods prices** and serves as an **inflation indicator**.
- **WPI vs. CPI**
- **WPI** measures **wholesale-level inflation**, while **CPI** tracks **retail-level inflation** (consumer prices).
- **WPI excludes services**, whereas **CPI includes both goods and services**.
- They have different **base years** and **baskets of goods**.
- **WPI in India**
- Published **monthly** by the **Office of the Economic Adviser**, **Ministry of Commerce & Industry**.
- **Current base year: 2011-12**.
- **WPI Basket:**
  - **Primary Articles (22.62%)** – Food, non-food items.
  - **Fuel & Power (13.15%)** – Coal, electricity.
  - **Manufactured Products (64.23%)** – Textiles, chemicals (largest share).
  - **Limitations**
- **Excludes services**, a major part of the economy.
- **Less reflective of consumer costs** than CPI.
- **Does not capture final inflation burden** on consumers, as it tracks **producer-level prices**.

## 12. COMPETITION COMMISSION OF INDIA (CCI)

- The **Competition Commission of India (CCI)**, established in **2003** under the **Competition Act, 2002**, regulates competition in India.
- **Recent Update**
- The **2024 Regulations** allow **CCI to appoint agencies** to monitor its orders.
- **Objective & Structure**
- Ensures **fair competition**, prevents **monopolies**, and protects **consumers**.
- Comprises a **Chairperson** and **2 to 6 Members**, appointed by the **Central Government**.
- **Key Functions**

- **Prevents anti-competitive agreements** (cartels, price-fixing).
- **Investigates market dominance abuse**.
- **Regulates mergers & acquisitions**.
- **Provides competition-related opinions** to authorities.
- **Promotes advocacy, awareness, and training**

## 13. REAL ESTATE INVESTMENT TRUSTS (REITS)

- The Indian REITs Association (IRA) launched DBIs to provide insights into real estate investment trusts (REITs), allowing investment in income-generating real estate without ownership.
- **How REITs Work:** REITs pool funds to buy real estate, earning through rent and property value growth.
- **REIT Criteria:**
- Must be a trust under the Indian Trust Act and SEBI-registered.
- 80% investment in income-generating properties.
- Max 10% in under-construction properties.
- 90% of income paid as dividends.
- Minimum asset base of Rs. 500 crore.
- Must declare NAV twice a year and be stock market-listed.
- **Types of REITs:**
- **Equity REITs:** Invest in real estate, earning through rent and sales.
- **Mortgage REITs (mREITs):** Lend to real estate companies, earning from interest.
- **Hybrid REITs:** Combine equity and mortgage REITs, offering both rental and interest income.

## 14. CREDIT DEFAULT SWAPS (CDS)

- SEBI has allowed mutual funds to sell **Credit Default Swaps (CDS)** to boost liquidity in the corporate bond market.
- A **CDS** is a financial derivative that transfers credit risk from one party to another, acting like insurance for a debt instrument (e.g., bonds or loans).
- ***How It Works***
- **Buyer (Investor):** Pays regular premiums to the seller for protection.
- **Trigger Event:** If the bond defaults (e.g., bankruptcy, missed payments), the seller compensates the buyer.
- **Payout:** Covers the debt's face value and unpaid interest.
- ***Example***
- Company X issues a **₹100 crore** bond.
- Investor A, fearing default, buys a **CDS** from Bank B.
- Investor A pays premiums to Bank B.
- If **Company X defaults**, Bank B compensates Investor A; otherwise, the CDS expires.
- ***Key Uses***
- **Hedging:** Protects investors from default risks.
- **Speculation:** Traders bet on a company's or country's creditworthiness.
- ***Risks***
- **Counterparty Risk:** If the seller (e.g., Bank B) defaults, the buyer may not be compensated.
- **Market Instability:** CDS contracts contributed to the 2008 financial crisis due to widespread defaults.

## 15. PRIORITY SECTOR LENDING (PSL)

- An **RBI study** finds that banks with a strong **physical presence** are more effective in **priority sector lending (PSL)** at the grassroots level. PSL ensures **adequate credit flow** to crucial but underserved sectors.
- **Objectives of PSL**
- **Inclusive Growth & Financial Inclusion:** Credit access for socio-economic development.
- **Balanced Growth:** Funding agriculture, MSMEs, and weaker sections.
- **Reducing Regional Disparities:** Ensuring credit availability in underdeveloped areas.
- **PSL Categories & Targets**
- Banks must allocate a portion of their **Adjusted Net Bank Credit (ANBC)** to **priority sectors** like **Agriculture, MSMEs, Export Credit, Education, Housing, and Renewable Energy**, with set sub-targets.
- **Mechanisms to Meet PSL Targets**
- **Priority Sector Lending Certificates (PSLCs):** Buying/selling PSL obligations.
- **On-Lending:** Banks fund **NBFCs and MFIs** for further lending.
- **Monitoring & Compliance**
- Banks submit **quarterly and annual PSL reports**, with RBI oversight and penalties for non-compliance.
- **Recent Developments**
- RBI updates PSL guidelines, including **post-COVID support**.
- **FY 2024-25 Adjustments:**
  - **Higher Weight (125%)** for PSL in low-credit districts (PSL < ₹9,000 per capita).
  - **Lower Weight (90%)** for PSL in high-credit districts (PSL > ₹42,000 per capita).

## 16. ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

- **Finance Minister Nirmala Sitharaman** attended the **9th Annual Meeting** of the **Board of Governors** of the **Asian Infrastructure Investment Bank (AIIB)** in **Samarkand, Uzbekistan**.
- **Asian Infrastructure Investment Bank (AIIB)**
- **Established:** 2016
- **Headquarters:** Beijing, China
- **Objective:** Promote infrastructure investment for **sustainable development** and **economic growth** in Asia and globally.
- **Focus:** Sustainability, innovation, connectivity.
- **Membership:**
- **Total Members:** 106 (as of 2024)
- **Regional Members:** Asian countries (e.g., India, China).
- **Non-Regional Members:** Countries outside Asia (e.g., UK, Germany).
- **India and AIIB:**
- **Founding Member:** India holds the **second-largest voting share**.
- **Investments:** Funds for **renewable energy**, **water supply**, and **transportation** projects in India.
- **Governance Structure:**
- **Board of Governors:** Finance ministers from member countries.
- **Board of Directors:** Oversees operations and policies.
- **President:** Heads the institution and reports to the Board.
- **Significance:**

- **Alternative to Traditional Banks:** Competes with **World Bank** and **ADB**, focusing on emerging economies.
- **South-South Cooperation:** Encourages collaboration among developing countries.
- **Environmental Focus:** Emphasizes sustainable infrastructure.
- **Challenges:**
- **China's Influence:** Concerns over China's dominance due to its large voting share.
- **Debt Trap Diplomacy:** Critics argue AIIB may serve China's strategic interests under the **Belt and Road Initiative (BRI)**.

## 17. NATIONAL CAREER SERVICE (NCS)

- Amazon India has teamed up with the Labour Ministry to post job opportunities on the National Career Service (NCS) portal. Launched in 2015, NCS connects job seekers with employers and offers career guidance, job matching, and skill development.
- **Key Features:**
  - **Job Matching**: Connects job seekers with employers based on skills.
  - **Career Counseling**: Provides guidance on career planning and job search.
  - **Skill Development**: Offers programs to boost employability.
  - **Labor Market Info**: Provides insights on trends and in-demand skills.
  - **Services for Vulnerable Groups**: Targets marginalized communities for inclusive opportunities.
  - **Access**: Available online, via app, career centers, and a helpline.

## 18. VIZHINJAM INTERNATIONAL SEAPORT

- Recently, Vizhinjam International Seaport received MSC Claude Girardet, the biggest vessel to berth at an Indian port.
- The **Vizhinjam International Seaport**, near Thiruvananthapuram, Kerala, is a **deep-water multipurpose port** developed by the **Adani Group** and the **Government of Kerala** under a **Public-Private Partnership (PPP)** model.
- **Strategic Importance:**
- **Reduces reliance** on foreign transshipment hubs like Colombo and Singapore.
- **Boosts India's maritime trade** and security in the Indian Ocean Region (IOR).
- **Key Features:**
- **Prime Location**: Near major international shipping routes, lowering logistical costs.
- **Natural Depth**: 20m draft accommodates mega container vessels (18,000+ TEUs) without dredging.
- **Transshipment Hub**: Facilitates cargo distribution, reducing foreign port dependency.
- **Economic Impact**: Creates jobs and supports regional development.
- **Supports the Blue Economy**: Enhances trade, tourism, and fisheries.
- Under a **40-year agreement (2015)**, Adani Group operates the port, with an option to extend **20 more years** upon further investment.

## 19. INTERNATIONAL MONETARY FUND (IMF)

- The **International Monetary Fund (IMF)** has approved a **$7 billion Extended Fund Facility (EFF) for Pakistan**.
- **IMF Overview:**
- **Founded**: 1944 (Bretton Woods Conference); operational since 1945.
- **Members**: 190 countries.
- **Purpose**: Ensures global financial stability, promotes economic growth, and reduces poverty.

- **Key Functions:**
- **Surveillance**: Monitors global and national economies, advising on policies.
- **Financial Assistance**: Provides funding to countries facing balance of payments crises.
- **Technical Support**: Offers training and policy guidance to strengthen economies.
- **Governance & Funding:**
- **Board of Governors**: Finance ministers/central bank heads from each member.
- **Executive Board**: 24 directors managing daily operations.
- **Managing Director**: Leads the IMF.
- **Resources**: Funded through **member quotas** and **borrowings**.
- **Lending Programs:**
- **Stand-By Arrangements (SBA)**:
  - **Short-term (12-24 months)**; requires economic reforms for stability.
- **Extended Fund Facility (EFF)**:
  - **Longer-term (3-4 years)**; supports deeper structural reforms with repayment over **4.5-10 years**.

# OCTOBER 2024

## 1. INDEX OF INDUSTRIAL OUTPUT (IIP)

- **Overview:**
  - Measures industrial sector growth and performance in India.
  - Tracks production volume changes across sectors.
  - Published monthly by the Central Statistical Organisation (CSO), six weeks after the reference month.
- **Key Features:**
  - **Base Year:** 2011-12.
- **Major Sectors:**
  - **Manufacturing (77.6%)** – Largest contributor.
  - **Mining (14.37%)**
  - **Electricity (7.99%)**
  - **Use-Based Classification:**
  - **Primary Goods** – Basic inputs for production.
  - **Capital Goods** – Machinery and tools for further production.
  - **Intermediate Goods** – Inputs for other products.
  - **Infrastructure/Construction Goods** – Used in projects (e.g., steel, cement).
  - **Consumer Durables** – Long-term use goods (e.g., refrigerators, vehicles).
  - **Consumer Non-Durables** – Short-term use goods (e.g., food, textiles).

## 2.INDEX OF CORE INDUSTRIES (ICI)

- **Overview:**
  - Measures performance of **eight core industries** crucial to the economy.
  - These industries contribute **40.27%** to the IIP.
- **Industries & Weightage:**
  - **Coal (10.33%)**
  - **Crude Oil (8.98%)**
  - **Natural Gas (6.88%)**
  - **Refinery Products (28.04%)** – Largest share.
  - **Fertilizers (2.63%)**
  - **Steel (17.92%)**
  - **Cement (5.37%)**
  - **Electricity (19.85%)**
  - **Other Features:**
  - **Base Year:** 2011-12 (same as IIP).
  - **Release Schedule:**
  - Published by **DPIIT, Ministry of Commerce & Industry**.
  - Released **one month after the reference period**, about **12 days before IIP**.

## 3. CURRENT ACCOUNT DEFICIT (CAD)

- **Definition:**
  - Occurs when **imports exceed exports**, making the country a net borrower.
- **Key Components:**
  - **Trade Balance:** Goods exports - imports.

- **Services Balance:** IT, tourism, etc.
- **Income Account:** Investment earnings.
- **Net Transfers:** Remittances, foreign aid.

- **Causes:**
  - High imports, weak exports.
  - Foreign borrowing, interest payments.
  - Structural issues: Import dependence, weak manufacturing.
- **Impacts:**
  - **Currency Depreciation:** Increases foreign exchange demand.
  - **Inflation:** Costlier imports raise prices.
  - **Foreign Debt:** Higher reliance on external funds.
  - **Forex Reserves Risk:** Persistent CAD depletes reserves.
- **Key Influencers:**
  - **Oil & Gold Imports** widen CAD.
  - **Export Strength** in IT, pharma helps reduce it.
  - **Global Slowdowns** impact demand.
- **Control Measures:**
  - **Boost Exports:** Strengthen key sectors.
  - **Reduce Imports:** Promote local production.
  - **Increase FDI:** Attract foreign capital.
  - **Energy Shift:** Invest in renewables.

## 4. MINIMUM IMPORT PRICE (MIP)

- **Definition:**
  - **Minimum price per unit** at which a product can be imported.
  - A **trade policy tool** to regulate imports.
- **Purpose:**
  - **Protects domestic producers** from cheap imports.
  - **Prevents dumping** and unfair competition.
  - Ensures goods **aren't imported below a set price**.
- **Usage in India:**
  - Commonly applied in the **steel industry** to curb **cheap Chinese imports**.
- **WTO Rules:**
  - MIP is considered a **non-tariff barrier** and is **prohibited**.
  - Allowed only as an **anti-dumping measure**.

## 5. MONETARY POLICY COMMITTEE

- **Formation & Purpose:**
  - Established under the **RBI Act, 1934**, following **2016 amendments**.
  - Introduced as part of **inflation targeting** to enhance transparency and accountability.
- **Objective:**
  - Maintains **price stability** while supporting **economic growth**.
  - Sets the **repo rate** to control **inflation** within the prescribed target.
- **Composition:**
  - **6 members**:

- **RBI Governor** (Chairperson).
- **Deputy Governor** (Monetary Policy).
- **One RBI-nominated officer**.
- **3 external experts** appointed by the **Government of India** (4-year term, no reappointment).
- Decisions are made by **majority vote**, with the **Governor having the casting vote** in case of a tie.

- **Inflation Targeting & Meetings:**
  - Inflation target: **4% ± 2%** (range: **2% to 6%**).
  - Meets **bi-monthly** and at least **four times a year** to set interest rates.
- **Significance:**
  - Replaced the Governor's **sole discretion** with a **democratic decision-making process**.
  - Ensures a **rule-based approach**, reducing **subjective control**.
- **Role in Inflation Control:**
  - Uses the **repo rate** to regulate **liquidity and demand**, impacting **inflation and growth**.

## 6. NATIONAL STATISTICAL COMMISSION

- **SCoS Dissolution:**
  - The **Pranob Sen-led Standing Committee on Statistics (SCoS)** was dissolved by MoSPI.
  - Reason: **Overlap** with an NSC steering committee overseeing **National Sample Surveys**.
- **National Statistical Commission (NSC)**
- **Establishment:**
  - Formed in **2006** on **Rangarajan Commission's (2001) recommendation**.
  - Aim: **Reform Indian statistics system** for **reliable, credible, and timely data**.
  - **Lacks statutory status**.
- **Objective:**
  - **Reduce government influence** in data generation.
  - Ensure **unbiased, transparent, and standardized statistics**.
  - **Composition:**
  - **Chairman** (Minister of State rank).
  - **Four part-time members** (Secretary rank).
  - **One ex-officio member**.
- **Functions:**
  - **Advises on statistical policies & methods**.
  - **Coordinates** between **Central & State agencies**.
  - **Monitors & reviews data quality**.
  - **Strengthens statistical capacity** through **training & research**.
- **Importance:**
  - Ensures **integrity & independence** of official statistics.
  - Crucial for **economic planning & governance** (GDP, unemployment, inflation data).

## 7. DRY PORTS

- A **dry port** is an inland terminal linked to a seaport by road, rail, or waterways.
- It serves as a multimodal logistics hub for cargo handling, storage, and customs clearance, reducing delays and costs for exporters.
- Telangana will soon have dry port facilities to boost logistics services for its
- industries.

- **Purpose:**
  - **Reduces Seaport Congestion:** Handles container traffic away from seaports.
  - **Facilitates Trade:** Ensures faster customs clearance and cargo processing.
  - **Enhances Connectivity:** Integrates road, rail, and waterways for seamless transport.
- **Functions:**
  - **Cargo Handling:** Sorting, labeling, packing, and distribution.
  - **Customs Clearance:** Allows inland inspections, easing the load on seaports.
  - **Warehousing:** Provides storage for goods.
  - **Logistics Hub:** Supports regional and international cargo distribution.
- **Importance for India:**
  - **Trade Efficiency:** Speeds up cargo movement.
  - **Hinterland Connectivity:** Links remote areas to global trade.
  - **Supports 'Make in India':** Strengthens manufacturing supply chains.
  - **Cost Reduction:** Cuts transportation expenses by reducing delays.
- **Examples in India:**
  - **Concor's Inland Container Depots (ICDs):** Located in Tughlakabad (Delhi), Dadri (U.P.), and Whitefield (Bangalore).
  - **Jawaharlal Nehru Port Dry Port:** Near Jalna, Maharashtra, improving central India's industrial connectivity.

## 8. FOREX RESERVES

- India's **forex reserves** surpassed **$700 billion**, making it the **fourth country** after **China, Japan, and Switzerland** to reach this milestone.
- **What are Forex Reserves?**
  - **Assets held by RBI** in foreign currencies to stabilize the economy.
  - Includes **Foreign Currency Assets (FCA), Gold, Special Drawing Rights (SDRs), and Reserve Tranche Position (RTP) with the IMF**.
- **Key Components:**
  - **FCA:** Largest share, includes **USD, Euro, Pound Sterling**, etc.
  - **Gold Reserves:** RBI's gold holdings.
  - **SDRs:** IMF-created international reserves.
  - **RTP:** India's **IMF fund access**.
- **Why are Forex Reserves Important?**
  - **Stabilizes the rupee** and prevents currency volatility.
  - **Boosts investor confidence** and economic stability.
  - **Serves as a buffer** against external economic shocks.
  - **Ensures import payments** during downturns.
  - **Improves creditworthiness**, lowering borrowing costs.
- **Impact on Economy:**
  - **Controls inflation** by preventing rupee depreciation.
  - **Attracts FDI & FPI**, strengthening investment inflows.
  - **Ensures smooth foreign debt payments**, preventing defaults.
  -

## 9. SWIFT (SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION) SYSTEM


- **Founded:** 1973, **Headquarters:** Belgium.
- **Purpose:** Secure global messaging network for financial transactions.
- **Function:** Facilitates communication between banks but **does not transfer funds**.
- **Network: 11,000+ institutions** across **200+ countries**.
- **SWIFT Code (BIC):** Unique identifier for financial institutions in cross-border transactions.
- **How It Works**
  - **Message Initiation:** A bank sends a SWIFT message with transaction details.
  - **Transmission:** Message travels through the SWIFT network.
  - **Processing:** Recipient bank processes the transaction.
- **Key Features**
  - **Security & Standardization:** Ensures reliable global banking communication.
  - **Critical for International Trade:** Enables seamless cross-border transactions.
  - **Economic Sanctions Tool:** Removal from SWIFT isolates countries from the global financial system.
- **Governance**
  - **Owned by financial institutions**, governed by a **25-member board**.
  - **Overseen by G-10 central banks** and the **European Central Bank**.
- **India & SWIFT**
  - **Integral to India's trade and finance**.
  - **Disconnection from SWIFT** can severely impact a country's economy.

## 10. MULTIDIMENSIONAL POVERTY INDEX (MPI)

- **Findings**: **1.1 billion people** live in **acute poverty**, with **40%** in conflict-affected or fragile regions.
- **About MPI**
  - **Developed by**: **Oxford Poverty and Human Development Initiative (OPHI) & UNDP**.
  - **Measures poverty** beyond income, assessing **health, education, and living standards**.
- **Key Components**
  - **Health**: Nutrition & Child Mortality.
  - **Education**: Years of Schooling & School Attendance.
  - **Standard of Living**: Cooking Fuel, Sanitation, Water, Electricity, Housing, and Assets.
- **Methodology**
  - **12 indicators** are used to assess deprivation.
  - A person is **multidimensionally poor** if deprived in at least **one-third** of these indicators.
  - **MPI Formula**: **MPI = H × A**
    - **H (Incidence)**: % of people who are poor.
    - **A (Intensity)**: Avg. deprivations experienced.
  - Values range **0 to 1**, with **higher values indicating greater poverty**.
- **Global Impact**
  - Used to **track poverty**, **shape policies**, and monitor **SDG Goal 1 (No Poverty)**.

## 11. STATE CONTINGENT DEBT INSTRUMENTS

- State Contingent Debt Instruments (SCDIs) are financial instruments with repayment terms tied to economic variables like GDP growth, commodity prices, or revenue collection. Unlike sovereign bonds with fixed payments, SCDIs adjust repayments based on economic performance.
- **Purpose**
  - Provide fiscal flexibility by easing debt servicing during downturns.
  - Align repayment with state revenue to manage debt effectively.
- **Mechanism**
  - Repayments vary based on agreed economic indicators.
  - Lower repayments during downturns; higher payments in strong economic periods.
- **Benefits**
  - **Counter-Cyclical Support:** Reduces repayment pressure during economic stress.
  - **Debt Sustainability:** Lowers the risk of debt distress.
  - **Fiscal Stability:** Supports better financial planning.
- **Recent Example**
  - In August, Ukraine used SCDIs to swap defaulted bonds for new instruments, including a GDP-linked bond that pays more if the economy grows faster than expected.

# NOVEMBER 2024

## 1. FOREIGN PORTFOLIO INVESTMENT

- **Definition:** Foreign investors investing in **financial assets** like **stocks, bonds, and mutual funds** without controlling the companies.
- **Types:** Includes **mutual funds, hedge funds, pension funds, insurance companies, and individual investors**.
- **Key Characteristics:**
  - **Portfolio-based:** Invests in **securities**, not **physical assets**.
  - **Short-term Focus:** Seeks **quick returns**, unlike **FDI**, which is **long-term**.
  - **High Liquidity:** Easily **liquidated**, making them **market-sensitive**.
- **Regulations in India:**
  - **Governed by SEBI** under the **SEBI (FPI) Regulations, 2019**.
  - **Mandatory SEBI registration** for investing in Indian markets.

## 2. REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP) AND COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP (CPTPP)


- **Regional Comprehensive Economic Partnership (RCEP)**
- **Members:** 15 countries – **10 ASEAN nations** (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) and **5 partners** (China, Japan, South Korea, Australia, New Zealand).
  **Signed: November 15, 2020** | **Effective: January 1, 2022**
  **Economic Impact:** Covers **30% of the global population and GDP**, making it the **world's largest FTA by GDP**.
- **Key Features:**
  - **Tariff Reduction:** Aims to **eliminate 90% of tariffs** within 20 years.
  - **E-commerce & IP:** Sets rules for **digital trade and intellectual property**.
  - **Economic Growth:** Boosts **post-pandemic recovery** and strengthens Asia's economic influence.
- **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**
  - **Members:** 11 countries – **Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam**.
    **Evolved From:** The **Trans-Pacific Partnership (TPP)** after the **U.S. withdrawal**.
    **Signed: March 8, 2018** | **Effective: December 30, 2018**
    **Economic Impact:** Covers **13.4% of global GDP**.
- **Key Features:**
  - **Market Access:** Expands **trade and investment opportunities**.
  - **Intellectual Property:** Sets strong **IP protection standards**.
  - **State-Owned Enterprises:** Requires **transparency** to prevent market distortion.
- **RCEP vs. CPTPP: Key Differences**
  - **Membership:** RCEP has **15 members**, CPTPP has **11**.
  - **Economic Coverage:** RCEP covers a **larger global population and GDP**.
  - **Focus:** RCEP centers on **Asia-Pacific**, while CPTPP includes nations from **Asia-Pacific and the Americas**.

## 3. DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBS)


- D-SIBs are **banks whose failure could severely impact the financial system and economy** due to their **size, market importance, and interconnectedness**.
- **Key Features**
  - **Identification by RBI:** The **Reserve Bank of India (RBI)** classifies D-SIBs annually based on **size, complexity, substitutability, and interconnectedness**.
  - **Framework:** The **D-SIB framework** was introduced in **2014** and updated on **December 28, 2023**.
  - **Bucket System:** Banks are categorized into different **buckets based on their Systemic Importance Score (SIS)**, with higher **buckets requiring additional capital buffers**.
- **Additional Capital Requirements**
  - **State Bank of India (SBI)** – **Bucket 4** (Highest) → **Additional CET1: 0.80%**
  - **HDFC Bank** – **Bucket 2** → **Additional CET1: 0.40%**
  - **ICICI Bank** – **Bucket 1** → **Additional CET1: 0.20%**

## 4. HALLMARK

- **Definition:**
  Hallmarking is a **certification process** ensuring the **purity and authenticity** of **gold and silver**. It provides consumers **quality assurance** in their purchases.
- **Legal Framework:**
  - **Bureau of Indian Standards (BIS)** regulates hallmarking under the **BIS Act, 2016**.
  - BIS sets **quality standards** and certifies **authorized jewelers**.
- **Hallmarking Scheme:**
  - **Gold:** Certified in **22K, 18K, and 14K**.
  - **Silver:** Certified for **92.5% purity (925 silver)**.
- **Process:**
  - **Registration:** Jewelers must register with **BIS**.
  - **Assaying:** Jewelry is tested at **BIS-approved centers** for purity.
  - **Hallmarking:** Stamped with the **BIS logo, purity grade, and HUID number**.
  - **Verification:** Consumers can verify using the **BIS CARE app** via the **HUID number**.
- **Recent Update:**
  - From **March 31, 2023**, all hallmarked jewelry must have a **6-digit alphanumeric HUID**.

## 5. UNIFORM PROTECTION PROTOCOL

- **Purpose:** Ensures **stability, reliability, and security** of India's power grid.
- ***Objectives:***
  - **Grid Stability:** Coordinates **protection systems** for a stable grid.
  - **Reliability:** Safeguards equipment from **abnormal conditions**.
  - **Security:** Prevents **unintended operations** and isolates faults.
- ***Key Features:***
  - **Applicability:** Covers **regional/state entities, power stations, transmission utilities, and load dispatch centers** at **220 kV+ (132 kV for Northeast)**.
  - **Protection Schemes:** Addresses **thermal, hydro, renewables (REGs), BESS, substations, transmission lines, and HVDC terminals**.
  - **Monitoring & Audits:** Implements **disturbance monitoring, reporting, and compliance audits** under **CEA and IEGC regulations**.
  - **Performance Tracking:** Entities must submit **monthly protection performance indices**; non-compliance is escalated to authorities.
- ***Significance:***
  - **Renewable Energy Integration:** Aids India's **450 GW renewable target (2030) and 2100 GW goal (2047)**.
  - **Enhanced Coordination:** Improves **grid-wide protection system efficiency.**

## 6. DIGITAL BHARAT NIDHI

- **Initiative** – Government scheme to improve **telecom connectivity** in **rural and underserved areas**
- **Replaces** – **Universal Service Obligation Fund (USOF)**
- **Established Under** – **Telecommunications Act, 2023**, replacing the **Indian Telegraph Act**
- **Objectives**
  - **Enhanced Connectivity** – Provide **affordable, quality ICT services** in rural and remote areas
  - **Inclusive Access** – Ensure **telecom services** for **women, persons with disabilities, and weaker sections**
  - **Research & Development** – Support **innovation** in **telecom technologies and products**
- **Major Projects**
  - **BharatNet** – Connecting **Gram Panchayats** with fiber networks
  - **4G Saturation Project** – Expanding **4G coverage** to uncovered villages
  - **Aspirational Districts Mobile Services** – Extending mobile services in **unserved areas**
  - **Submarine Optical Fiber Cable (OFC) Connectivity** – Linking **Chennai to Andaman & Nicobar** and **Kochi to Lakshadweep**
- **Funding**
  - **Telecom companies contribute 5% of Adjusted Gross Revenue (AGR)** as a **Universal Service Levy**
  - DBN aims to **bridge the digital divide** by improving **connectivity, inclusivity, and telecom infrastructure** across India.

# DECEMBER 2024

## 1. GDP BASE YEAR

- **India will revise its GDP base year** from **2011-12 to 2022-23**, marking the first update in over a decade.
- **What is a GDP Base Year?**
  - A **reference year** used to **calculate GDP**, eliminating inflation effects for accurate **economic comparisons**.
- **Purpose of Updating the Base Year**
  - **Benchmarking** – Provides a **standard reference** to measure GDP changes.
  - **Inflation Adjustment** – Ensures GDP reflects **real growth**, not just **price increases**.
  - **Structural Changes** – Captures shifts in **consumption, new industries, and tech advancements**.
  - **Improved Data Accuracy** – Incorporates **high-frequency data** like **digital payments and e-commerce**.
  - **Post-Pandemic Adjustments** – Reflects economic **recovery after COVID-19**.
  - **Global Comparability** – Aligns GDP data with **international standards**.
- **Criteria for Choosing a Base Year**
  - It should be a **normal year**, free from **major economic shocks**.
  - **Comprehensive and reliable data** must be available for accuracy.

## 2. WINDFALL TAX

- **Announcement**: The Indian government has removed the **windfall tax** on ATF, crude oil, petrol, and diesel.
- **Context**: Introduced in **July 2022**, the tax aimed to capture **unexpected profits** from soaring global oil prices.
- **Impact**: Benefits major oil players like **Reliance Industries** and **ONGC**, boosting refining margins.
- **What is a Windfall Tax?**
  - An **extra levy** on industries making **unexpected high profits**.
  - India imposed it on **domestic crude oil** when prices surged.
- **Why Was It Removed?**
  - **Falling crude prices** reduced its effectiveness.
  - **Industry concerns** that it discouraged production.
  - Expected to **boost oil companies' profits** and encourage **higher output**.
  - Aligns with **government efforts** to grow the **energy sector** and **increase exports**.

## 3. CASH RESERVE RATIO (CRR)

- **RBI Governor Shaktikanta Das** announced a **50 basis point** reduction in the **Cash Reserve Ratio (CRR)** to **4%** on **December 6**.
- This is the **first CRR cut in over 4.5 years**.
- **Understanding CRR**
  - **CRR** is the portion of **total bank deposits** that banks must keep with **RBI as liquid reserves**.
  - Previously at **4.5% of Net Demand and Time Liabilities (NDTL)**, meaning banks kept **₹4.50 per ₹100 in deposits**.
  - It helps **manage liquidity**, ensuring banks meet depositor demands and maintain financial stability.
  - **CRR adjustments** influence lending capacity, helping **control inflation** or **boost economic growth**.
- **Impact of the CRR Cut**

- The **50 basis point cut** will release **₹1.16 trillion** into the **banking system**.
- More liquidity means **higher lending capacity**, potentially **spurring economic growth**.
- The move comes amid **tight liquidity conditions** and a **GDP slowdown** to **5.4%** in **Q2 2024**, a **seven-quarter low**.

## 4. KISAN PEHCHAAN PATRA OR FARMER ID

- The **Ministry of Agriculture & Farmers' Welfare (MoA&FW)** has urged states to organize **camps** for quicker **Farmer ID** creation.
- The **database**, called the **Farmers' Registry**, is part of the **Agri Stack** under the **Digital Agriculture Mission**, aimed at **building digital public infrastructure** in farming.
- **About Kisan Pehchan Patra (KPP)**
  - **KPP** is a **unique ID** for farmers, ensuring **a unified identity** across **government schemes**.
  - **State governments** will create and manage these IDs, linking them to **land records, livestock, crops, and benefits availed**.
- **Benefits of KPP**
  - **Digitizes key data**, including **land ownership, livestock, and crop patterns**.
  - Enables **better access** to **crop insurance, loans, and subsidies**.
  - Helps in **policy-making** by providing **a holistic farmer database**.

## 5. POTATO CRISIS

- **Global Rank**: India is the **second-largest potato producer**, after **China**.
- **Growth**: Between **1991-92 and 2020-21**, the **cultivated area doubled** (11 to 22 lakh hectares), while **production tripled** (181.95 to 561.72 lakh metric tonnes). **Productivity rose** by 50% (16 to 25 metric tonnes per hectare).
- **Potato Cultivation in India**
  - **Main Season**: **Rabi (winter-spring)** season in **Uttar Pradesh, West Bengal, Bihar, Gujarat, Madhya Pradesh, Punjab, Haryana, Assam, Jharkhand, and Chhattisgarh**.
  - **Kharif (monsoon) Cultivation**: **Uttarakhand, Karnataka, Himachal Pradesh, Tamil Nadu, and Maharashtra** produce a **small quantity**.
  - **Top Producers (2021-22)**: **Uttar Pradesh** (largest), followed by **West Bengal**, contributing **almost half of India's total production**.
- **Climate Suitability & Regional Dependency**
  - **Ideal Conditions**: **Potatoes thrive in temperate climates** (15°C to 25°C).
  - **Odisha's Limitation**: **Unsuitable agro-climatic conditions** prevent large-scale cultivation, making the state **dependent on West Bengal** for supply.

## 6. CESS AND SURCHARGE

- ***Cess***
  - A **tax for a specific purpose** (e.g., education, health, infrastructure).
  - **Temporary** and imposed until the purpose is met.
  - **Not shared with states**; retained entirely by the Union government.
  - **Governed by Article 270** of the Constitution.
  - **Examples**: Health & Education Cess, Infrastructure Cess.
- ***Surcharge***
  - An **extra tax on an existing tax**, usually for high-income groups or high-value transactions.

- **No specific purpose**; funds can be used freely by the government.
- **Not shared with states**, retained by the Union.
- **Governed by Article 271** of the Constitution.
- **Example**: Surcharge on Income Tax for individuals earning above ₹50 lakh.

## 7. REMITTANCES

- **India** was the **top recipient of remittances in 2024**, receiving **$129 billion**, followed by **Mexico, China, the Philippines, and Pakistan** (World Bank).
- **Context:** Remittances have surpassed other external financial flows to **low- and middle-income countries** and are expected to grow due to **migration pressures, income gaps, and climate change**.
- **Learning Corner:**
  - **Remittances** are **financial or in-kind transfers** sent by migrants to their home countries, mainly as **personal transfers** to families.
  - They are part of the **Current Account in the Balance of Payments (BOP)**.
- **Significance for India:**
  - **Forex Reserves:** Strengthens foreign exchange holdings.
  - **Economic Support:** Drives **household consumption and investment**.
  - **Regional Impact:** Key for states like **Kerala, Tamil Nadu, Punjab, and Uttar Pradesh**.
  - **Poverty Reduction:** Provides crucial financial aid to **rural families**.
- **Factors Driving Growth:**
  - **More Indian migrants in high-income nations**.
  - **Favorable exchange rates for the Rupee**.
  - **Digital platforms enabling faster, cost-effective transfers**.

## 8. BANKING REGULATION ACT 1949

- ***Overview:***
  - Enacted as the **Banking Companies Act, 1949**, renamed **Banking Regulation Act** in **1966**.
  - Governs **commercial, cooperative, and regional rural banks** in India.
- ***Key Provisions:***
  - **Definition of Banking (Section 5b):** Accepting **deposits** for **lending/investment**, repayable **on demand** or as per agreement.
  - **Bank Licensing (Section 22):** Banks need an **RBI license** to operate.
  - **RBI's Powers:**
  - **Inspect & audit** banks.
  - Issue **directions** for public interest & management.
  - **Regulate mergers, amalgamations, and leadership changes**.
  - **Management & Governance:**
  - **Section 10**: Defines **qualifications & restrictions** for bank directors.
  - Prohibits a **common director** between banking companies.
  - **Reserves & Capital:** Ensures **financial stability** through mandatory **reserves & capital requirements**.
  - **Applicability:**
  - Covers **scheduled & non-scheduled banks**.
  - Extends to **cooperative banks** but excludes **primary agricultural credit societies & NBFCs**.

## 9. GREEN DEPOSITS

- **Definition:** Green deposits are **interest-bearing fixed-period deposits**, specifically used for **green finance**.
- **Denomination:** Allowed **only in Indian rupees** as per **RBI norms**.
- ***Usage of Funds:***
  - Financing **solar, wind, biomass, and hydropower** projects with **energy storage**.
  - Supporting **energy efficiency, clean transportation, climate adaptation, and waste management**.
  - Funding **green buildings, marine conservation, and certified organic farming**.
- ***Compliance:***
  - **Independent third-party audit** is mandatory to **ensure proper fund allocation** each financial year.

## 10. REAL EFFECTIVE EXCHANGE RATE (REER)


- **REER Index:** The rupee's **REER** reached **108.14 in November**, strengthening **4.5% in 2023**, as per RBI data.
- **What is REER?**
- It measures the rupee's value against a **basket of 40 global currencies**, adjusting for **inflation differentials** with India's trade partners.
- **Trends:**
  - REER declined from **105.32 (Jan 2022) to 99.03 (April 2023)** but has since appreciated.
  - The rupee has weakened against the **dollar (74.30 → 85.19), euro (84.04 → 88.56), and pound (100.30 → 106.79)** but strengthened against the **yen (0.6454 → 0.5425)**.
- **Reason for Divergence:**
  - The rupee appears weaker mainly because the **dollar has strengthened globally**, driven by **U.S. policies** post-Trump's victory, including **tariff hikes, tax cuts, and immigration policies**.
- **Impact of Overvaluation:**
  - Since 2015-16 (base REER = 100), the rupee is now **overvalued**, making **imports cheaper** but **hurting export competitiveness** due to higher domestic inflation.

## JANUARY 2025

### 1. DI-AMMONIUM PHOSPHATE (DAP)

- The **Union Cabinet** extended the **one-time special subsidy** on **Diammonium Phosphate (DAP)** at **₹3,500 per metric tonne** from **January 1, 2025, until further notice**.
- The extension aims to **maintain price stability** and address challenges from **global market fluctuations** and **geopolitical tensions**.
- **About DAP Fertilizer**
  - **Second-most used fertilizer** in India after **urea**.
  - Provides **nitrogen (N) and phosphorus (P)**, essential for **plant growth**.
  - **Highly soluble**, ensuring **quick nutrient release** in soil.
  - **India produces ~4.3 million metric tons (FY 2023)** but still relies on **imports** to meet demand.
- **Other Uses of DAP**
  - **Fire retardant**: Prevents forest fires and later acts as a nutrient.
  - **Industrial applications**: Used in **metal finishing**.
  - **Winemaking**: Supports **yeast fermentation**.

### 2. WHOLESALE PRICE INDEX (WPI) AND PRODUCER PRICE INDEX (PPI)

- ***WPI: A Measure of Inflation***
  - Tracks **average price changes** of goods at the **wholesale level**, before retail.
  - **Released monthly** by the **Ministry of Commerce & Industry**.
  - **Base Year**: 2011–12.
- ***Components of WPI***
  - **Primary Articles (22.6%)**: Food, non-food items, and minerals.
  - **Fuel & Power (13.2%)**: Coal, electricity, and mineral oils.
  - **Manufactured Products (64.2%)**: Industrial goods like textiles, chemicals, and machinery.
- ***Limitations of WPI***
  - **Excludes Services**: Does not reflect price changes in the service sector.
  - **No Retail Prices**: Focuses on wholesale rates, not consumer costs.
  - **Outdated Composition**: Weights may not fully represent the modern economy.
  - **Volatile Primary Articles**: Seasonal fluctuations can distort inflation trends.
- ***PPI: A Better Alternative?***
  - **Tracks producer prices** for both goods and services.
  - **More Comprehensive**: Includes **services**, unlike WPI.
  - **Reflects Supply Chain Trends**: Covers raw materials to finished goods.
  - **Global Standard**: Used in **US, UK, EU** for inflation measurement.
  - **Better Policy Tool**: Helps address inflation at its source.

### 3. E-WAY BILLS

- **Electronic document** required for goods movement under **India's GST system** to ensure compliance and transparency.
- **Key Features**
  - **Mandatory** for transporting goods **over ₹50,000**, both **inter-state and intra-state**.
  - **Structure**:
    - **Part A**: Supplier & recipient GSTIN, dispatch & delivery details, document number, and goods value.

- **Part B**: Transport details, including **vehicle number**.

- **Generation**:
  - **GST-registered taxpayers** generate it via the **GST portal**.
  - **Unregistered transporters** can enroll using **PAN & Aadhaar**.
  - Can be generated by **supplier, recipient, or transporter**.
  - **Validity**: Based on **transport distance**, with an option to **extend online**.
  - **Exemptions**: Some **specified goods** are exempt, even if their value exceeds **₹50,000**.

## 4. INTEREST COVERAGE RATIO

- **Definition**: A key financial metric that measures a company's ability to pay interest on its debt.
- **Formula**: ICR = **Operating Income / Interest Expense**.
- **Interpretation**
- **Higher ICR** → Strong interest-paying capacity, lower financial risk.
- **ICR below 1** → Insufficient income to cover interest, raising solvency concerns.
- **Ideal Ratio**: Generally **2 or higher**, though it varies by industry.
- **Use Cases**
- **Assessing financial health** and debt management.
- **Evaluating debt capacity** before taking additional loans.
- **Comparing companies** within an industry to determine stability.

## 5. NATIONAL TURMERIC BOARD (NTB)

- **Launch & Leadership**: **Union Minister Piyush Goyal** inaugurated the **NTB**, with **Palle Ganga Reddy** as its first chairperson.
- **Headquarters**: Located in **Nizamabad, Telangana**, a key turmeric-producing region.
- **India's Role**: India grows **30+ turmeric varieties** across **20+ states**, contributing **70% of global production**. Major producers include **Maharashtra, Telangana, Karnataka, and Tamil Nadu**.
- **Key Objectives & Functions**
  - **Boosting Production**: Strengthen India's position as the **top producer, consumer, and exporter**.
  - **Value Addition & Marketing**: Promote **turmeric-based health and cosmetic products** for higher market value.
  - **Research & Development**: Enhance **yield and quality** through scientific advancements.
  - **Quality & Safety**: Ensure compliance with **global standards** for better exports.
  - **Farmer Support**: Provide **technical and financial aid** with modern farming techniques.
  - **Market Expansion**: Conduct **market research** for new opportunities.
  - **Medicinal Promotion**: Highlight turmeric's **anti-inflammatory and antioxidant** benefits.
  - The NTB aims to **strengthen India's turmeric industry** through research, quality control, and global market expansion.

## 6. RUPEE DEPRECIATION

- ***What is Rupee Depreciation?***
- It refers to a **decline in the value of the Indian Rupee (₹) against foreign currencies**, making imports costlier.
- ***Reasons for the Recent Fall***
  - **Strong US Dollar** and rising **US bond yields**, leading to **capital outflows** from emerging markets like India.

- **Surging crude oil prices**, increasing India's import burden.
- **Foreign investors selling off Indian equities**, reducing demand for the rupee.

- *Effects on the Economy*
  - **Higher Import Costs**: Oil, electronics, and other imports become expensive, pushing **inflation** up.
  - **Widening Trade Deficit**: Increased import bills **worsen India's trade balance**.
  - **Export Boost**: Sectors like **IT, textiles, and pharmaceuticals** benefit as exports become more competitive.
  - **Impact on Import-Dependent Industries**: Sectors relying on imports (energy, chemicals, and transportation) face **higher costs**.
  - **Rising Debt Burden**: Companies with **foreign loans** face higher repayment costs.
  - **Costlier Foreign Education**: Students studying abroad pay **more in rupee terms**.
  - **Challenges for RBI**: Higher inflation makes **interest rate cuts difficult**, affecting economic growth.
  - A falling rupee has **mixed effects**, benefiting exporters but raising inflation and economic uncertainty.

## 7. CONSUMER PRICE INDEX

- CPI tracks **changes in retail prices** of a basket of goods and services, reflecting **inflation and cost of living**.
- **Types of CPI**
- **CPI for Industrial Workers (CPI-IW)**
  - Tracks retail price changes for industrial workers.
  - Used for **dearness allowance** and wage revisions.
  - **Base Year**: 2016.
  - **Published by**: Labour Bureau, Ministry of Labour & Employment.
- **CPI for Agricultural Labourers (CPI-AL)**
  - Measures inflation for agricultural laborers.
  - **Base Year**: 1986-87.
  - **Published by**: Labour Bureau.
- **CPI for Rural Labourers (CPI-RL)**
  - Tracks price changes for rural laborers.
  - **Base Year**: 1986-87.
  - **Published by**: Labour Bureau.
- **CPI (Rural, Urban, and Combined)**
  - Covers rural & urban areas with a **common basket of goods & services**.
  - **Official inflation measure** for monetary policy.
  - **Base Year**: 2012.
  - **Published by**: NSO, MoSPI.
- **Key Features & Uses**
  - **Weightage**:
  - Reflects consumption patterns; **food items have higher weight in CPI-Rural** than CPI-Urban.
  - **Calculation**:
  - Monthly data collected from select centers.
  - *Applications*
  - **Monetary Policy**:

- RBI uses **CPI (Combined)** to set inflation targets (4% ±2%).
- **Wage Indexation**:
- CPI-IW determines **dearness allowance & wage revisions**.
- **Cost of Living Analysis**:
- Measures **changes in purchasing power**.
- **Policy Making**:
- Helps in **targeted government interventions**.

## 8. REVERSE FLIP

- **Reverse flipping** is the process where companies relocate their headquarters back to their country of origin after initially moving abroad, often for tax or regulatory benefits. This trend is gaining traction among Indian startups for several reasons:
- **Regulatory Improvements**
India has enhanced its startup ecosystem through better compliance, reduced taxation, and improved ease of doing business. These changes have made it less advantageous for companies to remain overseas.
- **Access to Domestic Capital**
There is a growing influx of investments from Indian venture capital firms and government funding initiatives. This financial support encourages startups to return to India, where they can tap into local capital markets more effectively.
- **Geopolitical Risks**
Increasing foreign regulations and restrictions on companies based abroad can pose risks. As a result, many startups are opting to return to India to mitigate these geopolitical uncertainties.
- **Taxation Benefits**
Some firms find that the long-term tax regime in India is more favorable compared to their previous jurisdictions. This shift can lead to significant cost savings over time.
- **Government Incentives**
Initiatives like Startup India and Production-Linked Incentives (PLI) provide substantial support for local businesses, making it attractive for companies to relocate their operations back home.
- **Rupee Listing Preference**
Many Indian startups prefer to list on domestic exchanges such as the National Stock Exchange (NSE) or Bombay Stock Exchange (BSE), rather than foreign markets. This preference aligns with their goal of attracting local investors.
- Overall, the reverse flip trend reflects a positive shift in India's business environment, highlighting its potential as a global business hub. Companies like PhonePe and Groww have already made this move, signaling growing confidence in India's economic landscape and startup ecosystem

## 9. SMALL FINANCE BANK

- The Reserve Bank of India (RBI) imposed penalties on **Equitas Small Finance Bank (₹65 lakh)** and **India Post Payments Bank** for non-compliance with regulatory guidelines.
- **Understanding Small Finance Banks (SFBs)**
  - Introduced by RBI in **2014** to promote **financial inclusion** for small businesses, MSMEs, and low-income groups.
  - First SFBs began operations in **2017**.

- **Key Features of SFBs**
  - **Objective:** Provide banking services to underserved communities, especially in rural areas.
  - **Branch Requirement:** At least **25% of branches** must be in **unbanked rural areas**.
- **Lending Norms:**
  - **75% of total credit** must be given to the **priority sector**.
  - **50% of loans** must be below **₹25 lakh**.
- **Deposit Services:**
  - Can accept **savings, current, and fixed deposits**.
  - Must maintain **CRR and SLR** like regular banks.
- **Capital Requirements:**
  - Minimum **₹200 crore paid-up capital**.
  - **Capital Adequacy Ratio (CAR):** 15% of risk-weighted assets.
  - **Conversion to Universal Bank:** SFBs can become **full-fledged banks** if they meet RBI's criteria.

# FEBRUARY 2025

## 1. PAYMENTS BANK

- Payments Banks are a **special category of banks** with a **restricted banking model**, introduced by the **RBI**.
- They aim to **promote financial inclusion** by offering **small savings accounts** and **remittance services** to **low-income groups**, **small businesses**, and **migrant workers**.
- **Airtel Payments Bank** was the **first** to launch in India.
- **Key Features**
- **Deposit Limit**: Can accept **savings and current deposits** up to **₹2 lakh per customer** (as per latest RBI rules).
- **No Lending**: Cannot provide **loans**, **credit cards**, or **fixed/recurring deposits**.
- **Investments**: Can invest in **government securities** and **Treasury Bills**.
- **Digital Focus**: Operate mainly via **mobile and online platforms**.
- **Remittance**: Offer transfers through **NEFT, RTGS, IMPS, and UPI**.
- **Third-Party Services**: Allowed to sell **mutual funds**, **insurance**, etc.
- **Regulation**: Licensed under **Section 22** of the **Banking Regulation Act, 1949** and regulated by the **RBI**.
- **Objectives**
- Reach the **unbanked and underbanked** population.
- Offer **low-cost banking**, especially in **rural areas**.
- Encourage **digital payments** and reduce cash usage.
- Improve **banking access** via mobile and internet platforms.

## 2. MAKHANA

- The **Union Finance Minister**, in the Union Budget, announced the setting up of a **"Makhana Board"** in Bihar to promote fox nut cultivation and marketing.
- **Decoding the Context:**
- Bihar produces about **90%** of India's makhana, mainly in northern and eastern regions.
- **Learning Corner:**
- **Makhana** (fox nut) is the dried edible seed of the **prickly water lily** or **gorgon plant** (*Euryale ferox*).
- Found in freshwater ponds across **South and East Asia**, it is known for its violet-white flowers and large prickly leaves (over 1 meter in diameter).
- The seeds have a black to brown outer layer, earning the nickname **'Black Diamond'**.
- After processing, seeds are consumed as **popped snacks** called **'lava'**.
- Makhana is rich in **carbohydrates, proteins, and minerals**, and has wide use in **medicine, healthcare, and nutrition**.
- In **2022**, **Mithila Makhana** received a **Geographical Indication (GI) tag**.
- Besides Bihar, makhana is also grown in **Assam, Manipur, West Bengal, Tripura, Odisha**, and neighboring countries like **Nepal, Bangladesh, China, Japan, and Korea**.
- **Climatic Conditions for Cultivation:**
- Makhana is an **aquatic crop**, typically grown in **stagnant water bodies** like ponds, lakes, ditches, and wetlands with **water depth of 4–6 feet**.
- It requires a **temperature** of **20–35°C**, **relative humidity** of **50–90%**, and **annual rainfall** between **100–250 cm** for optimal growth.

## 3. ELS COTTON

- The **Union Finance Minister**, while presenting the **Union Budget**, announced a **five-year mission** to boost **cotton farming productivity** and promote **extra-long staple (ELS) cotton** varieties.
- India's cotton yields are low compared to other countries.
- **Brazil** averages **20 quintals per acre**, and **China** averages **15 quintals**.

- Improvement through **better seeds**, **timely agronomic advice**, and **technology adoption** is needed to match global standards and expand **premium ELS cotton** production.
**What is Extra-long Staple (ELS) Cotton?**
- Cotton is classified by fibre length: **long**, **medium**, or **short staple**.
- **Gossypium hirsutum** (96% of Indian cotton) is **medium staple** with fibres between **25 to 28.6 mm**.
- **ELS cotton** has **fibres of 30 mm or more**, mainly from **Gossypium barbadense** (Egyptian or Pima cotton).
- Major ELS cotton producers are **China, Egypt, Australia, and Peru**.
- In India, ELS is grown in **rain-fed parts of Maharashtra** and near **Coimbatore, Tamil Nadu**.
- **Fabric made from ELS** is of **premium quality**. Brands often blend ELS with medium staple cotton to enhance fabric quality.
- **Why is ELS Cotton not Widely Grown in India?**
- For the 2024-25 season, the **MSP** was **Rs 7,121** for medium staple cotton and **Rs 7,521** for long staple cotton.
- Farmers are hesitant to grow ELS cotton due to **lower yields** — **7–8 quintals per acre** compared to **10–12 quintals** for medium staple.
- Additionally, **marketing issues** prevent farmers from getting **premium prices** for ELS cotton.

## 4. TONNAGE TAX SCHEME

- In the **Union Budget 2025-26**, Finance Minister **Nirmala Sitharaman** proposed **extending the Tonnage Tax Scheme** benefits to **inland vessels**.
- Currently, the scheme applies **only to seagoing ships**.
- The **Tonnage Tax Scheme** is a special regime under **Chapter XII-G of the Income Tax Act, 1961**.
- It simplifies tax liabilities for shipping companies by **basing taxes on the vessel's net tonnage** instead of regular corporate income.
- This system offers a **predictable and lower tax burden**, promoting the shipping industry.
- Tax is calculated based on the **net tonnage**, with a **fixed daily income assigned per 100 tons**.
- In Budget 2025-26, the government proposed **extending the scheme to inland vessels** registered under the **Inland Vessels Act, 2021**.
- The goal is to **boost inland water transportation** and **attract investment** into this capital-intensive sector.
- **Benefits of the Scheme:**
- **Predictability:** Ensures stable, predictable tax obligations, aiding financial planning.
- **Competitiveness:** Aligns India's maritime taxation with **global standards**, improving competitiveness.
- **Industry Growth:** Reduces the tax burden, encouraging **investment** and **fleet expansion**.

## 5. E-NAM PLATFORM

- The **National Agriculture Market (e-NAM)** is a nationwide electronic trading platform launched on **April 14, 2016**, by the **Ministry of Agriculture and Farmers' Welfare**.
- It is implemented by the **Small Farmers Agribusiness Consortium (SFAC)** to integrate **Agricultural Produce Market Committees (APMCs)** and create a unified market for agricultural commodities.
- **Objectives of e-NAM:**
- **Market Integration:** Connect markets at state and national levels through an online platform for pan-India trade.
- **Streamlined Procedures:** Standardize marketing and transaction processes to improve efficiency.
- **Enhanced Market Access:** Provide farmers with wider access to buyers, improving price discovery.
- **Quality Assurance:** Implement quality checks for informed bidding.
- **Stable Pricing:** Promote price stability and ensure the availability of quality produce.
- **Key Features:**

- **Unified Licensing:** Single license for traders valid across all markets in a state.
- **Transparent Pricing:** Real-time price discovery and transparent auction process.
- **Digital Transactions:** Online payments directly into farmers' accounts, promoting cashless transactions.
- **Commodity Coverage:** By **February 2025**, e-NAM includes **231 agricultural commodities**, benefiting farmers and traders.

## 6. INDIA: THE SECOND-LARGEST FISH PRODUCING COUNTRY IN THE WORLD

- India is the second-largest fish producer globally, contributing around 8% to global fish production. In 2023-24, India exported 17,81,602 metric tonnes (MT) of seafood worth ₹60,523.89 crore, a significant increase from ₹609.95 crore in 2003-04, as per the Marine Products Export Development Authority (MPEDA).
- **Fish Production Growth:**
- Fish production grew to 184.02 lakh tonnes in 2023-24 from 95.79 lakh tonnes in 2013-14 and 63.99 lakh tonnes in 2003-04. This marks an increase of 88.23 lakh tonnes in 10 years (2014-24) compared to 31.80 lakh tonnes in the previous decade (2004-14).
- **Government Initiatives:**
- **Blue Revolution Scheme (2015-16):** ₹3,000 crore for increasing inland and marine fisheries production.
- **Pradhan Mantri Matsya Sampada Yojana (PMMSY) (2020):** ₹20,050 crore investment to address value chain gaps and improve the welfare of fishers and fish farmers.
- **Union Budget 2025-26:** ₹2,703.67 crore allocated, the highest-ever support for the fisheries sector.
- **Economic Contribution:**
- The fisheries sector contributes 1.09% to India's Gross Value Added (GVA) and over 6.7% to agricultural GVA. It supports over 28 million livelihoods.
- **Top Fish-Producing States:**
- **Andhra Pradesh** is the largest producer, with over 4 million metric tonnes in 2024, followed by **West Bengal, Gujarat**, and **Kerala**. Other contributors include **Tamil Nadu, Odisha, Karnataka**, and **Maharashtra**.

## 7. INCOME TAX BILL

- **Tax Year**:
- The Bill introduces the concept of a **"tax year"**, defined as the 12-month period starting on **April 1**.
- For businesses or new professions, the tax year begins from their setup date and ends with the financial year.
- Income tax will be levied based on economic activity and income in the tax year.
- Currently, **income tax** uses an **"assessment year" (AY)**, which taxes income earned in the **previous financial year**. For example, income from FY 2024-25 (April 1, 2024 to March 31, 2025) is assessed in AY 2025-26.
- The **Income Tax Bill, 2025** replaces the terms "previous year" and "assessment year" with the concept of a **"tax year"**.
- **Crypto as Property**:
- **Virtual digital assets** like cryptocurrencies are now considered **property**.
- They will be treated as **capital assets**, along with other immovable properties like land, buildings, shares, bullion, jewellery, and artworks.

## 8. GLOBAL CAPABILITY CENTRE (GCC)

- Madhya Pradesh has become the first state in India to introduce a dedicated **Global Capability Centre (GCC) Policy**. The policy aims to position the state as a hub for **global innovation and collaboration**.
- **Key Features of the Policy:**
- It combines incentives for **capital expenditure, payroll, upskilling**, and **research and development**.

- A **designated nodal agency** will oversee its implementation.
- **About Global Capability Centers (GCCs):**
- GCCs, also known as **Global In-house Centers (GICs)** or **Captive Centers**, are fully owned entities by **multinational corporations (MNCs)**.
- They are established to leverage specialized talent, foster innovation, and improve efficiency in areas such as **IT**, **R&D**, **finance**, **HR**, and **customer support**.
- **Objectives of GCCs:**
- **Cost Optimization**: MNCs achieve cost savings by operating in regions with favorable economic conditions.
- **Access to Skilled Talent**: GCCs tap into local expertise, especially in **technology** and **engineering**.
- **Innovation & R&D**: They act as hubs for product and service development.
- **Operational Excellence**: They enhance efficiency and streamline business processes.
- **GCCs in India:**
- India is a leading destination for GCCs due to its skilled workforce, cost advantages, and business-friendly environment.
- As of 2024, **India hosts over 1,700 GCCs**, employing **1.9 million professionals**. This number is expected to rise to **2,100–2,200 centers** and **2.5–2.8 million employees** by **2030**.

## 9. SOVEREIGN GREEN BONDS


- **Sovereign Green Bonds (SGrBs)** are debt instruments issued by governments to fund environmentally sustainable projects.
- In **November 2022**, India approved the **Sovereign Green Bonds framework**, detailing the use of proceeds for public sector projects aimed at reducing the economy's emission intensity.
- **Green Project Criteria:**
- **Energy Efficiency**: Encourages efficient resource utilization.
- **Carbon Reduction**: Aims to lower emissions and greenhouse gases.
- **Climate Resilience**: Promotes adaptation to climate change.
- **Biodiversity**: Improves ecosystems, aligning with SDG principles.
- The **Indian government** will use proceeds from SGrBs to finance or refinance eligible green projects.
- **Excluded Projects:**
- Fossil fuel extraction, production, and distribution.
- Nuclear power generation.
- Direct waste incineration.

- Alcohol, weapons, tobacco, gaming, or palm oil industries.
- Biomass-based renewable energy from protected areas.
- Landfills.
- Hydropower plants over 25 MW.

## 10. FOREIGN EXCHANGE MANAGEMENT ACT (FEMA)

- The **Foreign Exchange Management Act (FEMA)** was enacted in **1999** and became effective on **June 1, 2000**, replacing the **Foreign Exchange Regulation Act (FERA)** of 1973.
- FEMA aims to facilitate external trade, promote the orderly development of the foreign exchange market, and manage the balance of payments.
- **Key Features of FEMA:**
- **Objectives**:
  - Facilitate external trade and payments.
  - Promote orderly development and maintenance of the foreign exchange market in India.
- **Regulation of Transactions**:
  - **Current account transactions** (e.g., trade, remittances) are mostly free, unless restricted by the government.
  - **Capital account transactions** (e.g., FDI, FPI, borrowing abroad) are regulated.
- **Control**:
  - The **RBI** regulates **capital account transactions**.
  - The **Central Government** regulates **current account transactions**.
- **Civil Nature**:
  - FEMA is civil in nature; violations are civil offenses, unlike FERA, which involved criminal offenses.
- **Authorized Dealers (ADs)**:
  - **Banks** and **financial institutions** are designated as **Authorized Dealers** to facilitate forex transactions.
- **Regulatory Authorities**:
  - The **Reserve Bank of India (RBI)** formulates rules for foreign exchange transactions.
  - The **Enforcement Directorate** monitors compliance and investigates violations.
- **Penalties for Non-Compliance**:
  - Violations are treated as civil offenses with fines up to **three times the amount involved** and possible asset confiscation.

## 11. DEPOSIT INSURANCE

- The government is considering raising the insurance cover for bank deposits beyond the current limit of ₹5 lakh.
- **Decoding the Context:**
- Deposit insurance in India started in 1962.
- Coverage has been enhanced six times, from ₹1,500 per depositor to ₹5 lakh now.
- **About DICGC:**
- The Deposit Insurance and Credit Guarantee Corporation (DICGC), a division of the RBI, provides deposit insurance.
- Its aim is to protect small depositors from losing their savings if a bank fails.
- The ₹5 lakh cover includes all accounts held by a depositor across all branches of the same bank.
- **Scope of Insurance:**
- All commercial banks, including foreign bank branches in India, local area banks, regional rural banks, and cooperative banks are insured.
- Primary cooperative societies are **not** covered.
- Savings, fixed, current, and recurring deposits are insured.

- Deposits by foreign, central, and state governments, and inter-bank deposits, are **not** insured.
- The premium is paid by the banks, not depositors, based on a flat or risk-based rate.
- **How DICGC Coverage Works:**
- In 2021, Section 18A was added to the DICGC Act, 1961.
- It allows depositors time-bound access to their insured deposits through interim payments within 90 days of RBI restrictions on a bank.
- Coverage includes both principal and interest:
  - Example 1: If a depositor has ₹4,90,000 principal and ₹9,800 interest (total ₹4,99,800), the full amount is insured.
  - Example 2: If a depositor has ₹5,00,000 principal and ₹10,000 interest, only ₹5 lakh is insured, and the excess is not covered.
  - **In Case of Bank Liquidation:**
- DICGC must pay up to ₹5 lakh per depositor within two months of receiving the claim list from the liquidator.
- The liquidator then distributes the insured amount to each depositor.

## 12. STAGFLATION

- **Stagflation** is an economic condition where **high inflation** exists alongside **stagnant economic growth** and **high unemployment**, contradicting traditional economic theories.
- **Understanding Stagflation:**
- The term "stagflation" combines **stagnation** (slow or no economic growth) and **inflation** (rising prices).
- Normally, inflation is linked to economic growth, but in stagflation, inflation occurs with weak demand and high unemployment.
- **Causes of Stagflation:**
- **Supply-side shocks**: An increase in the cost of essential goods, like oil, can drive inflation while slowing economic activity.
- **Monetary policy failures**: Excessive money supply without growth leads to inflation but not higher employment or output.
- **Structural rigidities**: Labor market inefficiencies, low productivity, and supply chain disruptions contribute to stagnation and rising inflation.
- **External factors**: Geopolitical tensions, trade restrictions, and commodity price changes can create stagflation.
- **Historical example**: The **1970s Oil Crisis** saw oil price hikes causing high inflation while economies faced recessionary pressures.
- **Impact of Stagflation:**
- **Economic decline**: Businesses struggle due to high costs, reducing production and investment.
- **Rising unemployment**: Job losses occur as companies cut back due to weak demand.
- **Declining purchasing power**: Higher prices reduce consumer savings and wages, lowering living standards.
- **Policy dilemma**: Central banks face challenges in addressing stagflation, as measures to reduce inflation (like high interest rates) can slow growth, while stimulus measures (like low interest rates) can worsen inflation.

## 13. CREDIT INFORMATION COMPANIES (CIC)

- In India, **Credit Information Companies (CICs)** are licensed by the **Reserve Bank of India (RBI)** and regulated by the **Credit Information Companies Regulation Act, 2005 (CICRA)**.

- Section 15 of the act requires every credit institution, such as banks, to be a member of at least one CIC. A CIC can only obtain information from its member institutions.
- **CICs** are authorized by the RBI to collect, maintain, and analyze credit data for individuals and businesses.
- They primarily provide **credit reports** and **scores**, helping lenders assess the **creditworthiness** of borrowers.
- **Legal Framework**:
- CICs operate under the **CICRA, 2005**, which sets regulations for their establishment, functioning, and supervision to ensure efficient credit distribution and protect stakeholders' interests.
- **Key Functions of CICs**:
- **Data Collection**: Gather credit information from member institutions like **banks** and **NBFCs**.
- **Data Maintenance**: Organize and update credit histories.
- **Credit Reporting**: Create credit reports and scores.
- **Data Sharing**: Provide information to lenders to aid credit decisions.
- Currently, the RBI has licensed four CICs:
- **TransUnion CIBIL Limited**
- **Equifax Credit Information Services Private Limited**
- **Experian Credit Information Company of India Private Limited**
- **CRIF High Mark Credit Information Services Private Limited**.

## 14. QUALIFIED INSTITUTIONS PLACEMENT (QIP)

- A **Qualified Institutional Placement (QIP)** is a capital-raising tool used by listed companies in India and Southeast Asia.
- It allows companies to raise funds by issuing equity shares, non-convertible debt instruments, or convertible securities to **Qualified Institutional Buyers (QIBs)** without the complex regulatory process of methods like **follow-on public offerings (FPOs)** or **rights issues**.
- **Key Features of QIP**:
- **Purpose**: Introduced by SEBI in **2006**, QIPs aim to reduce Indian companies' dependence on foreign capital and encourage domestic fundraising.
- **QIBs**: Only **QIBs** can participate. These include mutual funds, venture capital funds, foreign institutional investors, public financial institutions, banks, insurance companies, and pension funds.
- **Advantages**: QIPs provide a faster, cheaper way to raise capital compared to methods like **ADRs** or **GDRs**.
- **Pricing**: The issue price must be **at least** the average of the weekly high and low closing prices from the last two weeks to ensure shares are not sold below market value.
- **Lock-in Period**: Securities issued in a QIP have a **six-month lock-in period** to ensure QIBs take a medium to long-term view.