

RBI measures money supply through indicators M_0, M_1, M_2, M_3, M_4

Measure		Coins & Currency with Public	Commercial Banks		Post Office Savings Bank		Liquidity	Qty.
			Demand Deposits (CA, SA)	Time Deposits (FD, RD)	Demand Deposits (SA)	Time Deposits		
Narrow Money	M_1	✓	✓	X	X	X	****	*
	M_2	✓	✓	X	✓	X	***	**
Broad Money	M_3	✓	✓	✓	X	X	**	***
	M_4	✓	✓	✓	✓	✓	*	****

* $\{M_3 = M_1 + \text{Time Deposits}\}$

M_3 → Aggregate Monetary Resources / Aggregate Money Supply

M_0 → Reserve Money / High Powered Money
CRR + money with public

* $\text{MONEY MULTIPLIER} = \left(\frac{M_3}{M_0} = \frac{\text{stock of total money}}{\text{stock of High Powered Money}} \right)$

RBI's CRR (Cash Reserve Ratio) leads to Fractional Reserve Banking & Credit Creation by commercial banks which creates money multiplier effect

⇒ $MM \propto \frac{1}{CRR}$

- CRR → can't loan/invest anywhere
 → portion kept with RBI.
- SLR → invest in cash/gold/G-sec/T-bill & other RBI approved securities.

both calculated as % of Net Demand & Time Liabilities (NDTL)

CRR

- with RBI
- No profit
- RBI Act 1934

SLR - (Statutory Liquidity Ratio.)

- with bank itself.
- some profit
- Banking Regulation Act, 1949

* Velocity of Money Circulation

- Avg. no. of times money passes from one hand to another during given time period.
- money in the hands of poor = \uparrow velocity.
- Developed countries = \downarrow savings = \uparrow spending = \uparrow velocity.
- Boom period in economy = \uparrow velocity.

LIQUIDITY ADJUSTMENT FACILITY.

LAF - Repo Rate

Interest rate @ which RBI lends short term loans to its clients keeping their G-sec as collateral

Clients & RBI in an agreement to repurchase G-sec at later date at higher price.

LAF - Reverse Repo Rate

Interest rate which clients earn by parking surplus funds with RBI for short periods.

similar

* Banks can't pledge their SLR-quota-G-secs

Also called 'Ready Forward Transaction'

Policy rate to control inflation.

Reverse Repo Rate = Repo % - x%

* Market Repo \rightarrow when non-RBI entity (bank, NBFC) lends for shorter duration for G-secs.

G-sec means G-sec + T-Bill + RBI approved

Tools & Strategy	< 2% CPI = Fight Deflation	> 6% CPI = Fight Inflation.
<ul style="list-style-type: none"> • <u>DEFLATION</u>: ↑ money supply, inject liquidity ⇒ make loans cheaper, ↑ consumption. • <u>INFLATION</u>: DO reverse 	Easy, Cheap, Dovish, Expansionary policy.	Tight, Dear, Hawkish, Contradictory.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">QUANTITATIVE</p> <ul style="list-style-type: none"> Reserves: CRR, SLR Key Rates (Repo, MSF, Bank Rate) Reverse Repo, SDF Market Ops (OMO) 	<p>(↓)</p> <hr/> <p>(↓)</p> <hr/> <p>(↓) - so bank feels less motivated to park ₹ in RBI & give loans to people → ↑ demand</p> <hr/> <p>OMO: RBI buys G-sec from market</p>	<p>(↑)</p> <hr/> <p>(↑)</p> <hr/> <p>(↑) - so bank feels more motivated to park ₹ in RBI → ↓ loanable funds to people → ↑ loan interest rate → ↓ demand.</p> <hr/> <p>OMO: RBI sells G-sec</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">QUALITATIVE</p> <ul style="list-style-type: none"> Moral Suasion/ Direct Action Margin Requirement/ Loan to Value (LTV) Selective Credit Control/Priority Sector Lending (PSL) 	<p>Force banks to enforce Dovish Policy.</p> <hr/> <p>Increase. eg → Gold → LTV: 60% → 90%</p> <hr/> <p>(↑) loan flow given to sectors that can generate employment.</p>	<p>Enforce the Hawkish policy.</p> <hr/> <p>Decrease.</p> <hr/> <p>(↓) loan flow to sectors where speculative investment is leading to demand-side inflation.</p> <hr/> <p>(↑) loan flow to sectors where loans can (↑) supply.</p>

* Monetary Policy Committee

- RBI Act 1934 amended by Finance Act 2016 → MPC formed.
- Inflation targeting: 2% to 6%.
- meets at least 4 times a yr. (at least once a quarter)
- 6 members → 3 RBI → Gov (chairman), Dy. Gov of (MP), 1 more
3 Govt → 4 yrs, no reappointment.

* External Benchmark

$$\left[\text{External Benchmark} + \text{Spread (Profit)} + \text{Risk Premium} \right] = \text{Bank's Loan interest rate}$$

Banks must feed latest data of EB at least once every 3 months

Individual bank free to pick-up any on EB such as

- RBI repo rate
- 91-day T-bill yield
- 182-day T-bill yield
- any other benchmark benchmark by org. named Financial Benchmarks India Ltd.

* Bond Yield.

→ Bond Yield $\propto \frac{1}{\text{current selling price of bond in secondary market.}}$

→ Bond Demand $\uparrow \Rightarrow$ Selling Price $\uparrow \Rightarrow$ Bond Yield \downarrow .

Bond \Rightarrow If boom \Rightarrow ^{spending elsewhere} Selling Price $\downarrow \Rightarrow$ Yield \uparrow .

If recession \Rightarrow Bond Demand $\uparrow \Rightarrow$ Yield \downarrow .

\hookrightarrow saving \nearrow

* Bank Rate

- RBI Act 1934
- Since 2012 : $\text{Bank Rate \%} = \text{MSF \%}$ (where $\text{MSF \%} = \text{Repo \%} + x\%$)
- Only banks can borrow at bank rate
- Longer than Repo.
- Now-a-days, used to decide penalty rate.

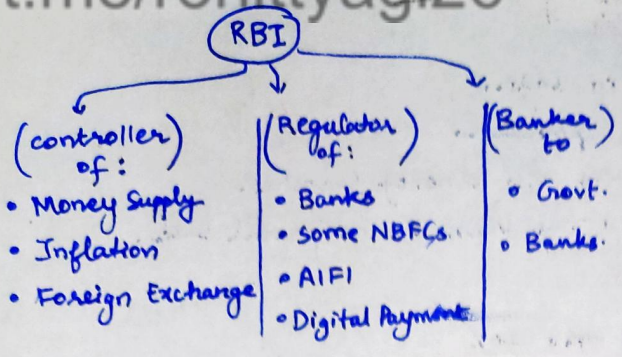
* MSF → Marginal Standing Facility

→ interest rate at which RBI lends short-term loans to SCBs & RRBs with their SLR-quota-G-sec as collateral

= $(\text{MSF \%} = \text{Repo \%} + x\%)$ ✓

- Short term usually (14 days).

	MSF	Repo	Rev-Repo	SDF
Lender	RBI	RBI	Banks + some NBFCs	Banks + some NBFCs
Borrower	Only SCBs	Banks + some NBFCs	RBI	RBI
Collateral	Yes	Yes	Yes	Not required
Facility at Discretion of:	Client (SCBs)	RBI	RBI	Client (Banks + some NBFCs)
Collateral type	SLR-quota - G-sec.	any RBI approved security.	any RBI approved security	-



- Committees for reforms in banking sector:
- M Narasimham - I (91)
 - M Narasimham - II (97)
 - Raghuraj Rajan (07)
 - P J Nayak (14)

RBI 2 simultaneous conditions for a Scheduled Bank:

- ① Paid up Capital + Reserves → min. ₹5L.
- ② Not conducting business in manner harmful to depositors

SCHEDULED BANK

- CRR to RBI
- Eligible for window operations eg. LAF-Repo, MSF etc

NON-SCHEDULED BANK

- CRR with themselves.
- Depends on RBI's discretion.

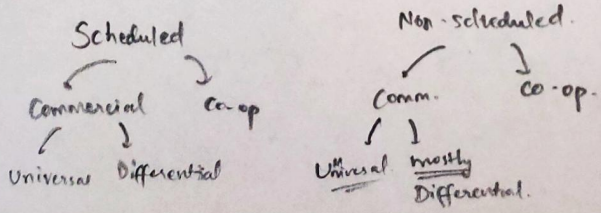
✓ Both have to protect depositors interest & follow RBI norms.

- Eligible to partner govt in financial inclusion schemes

- Usually not eligible.

* Public Sector Banks → more NPA than Pvt

* Consolidation of PSBs ⇒ ① Merger ② Pvtzn.

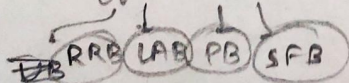


Foreign Bank in India.	<ul style="list-style-type: none"> • Subsidiary branch in India. • CRR, SLR norms applicable. • PSL norms vary acc. to no. of branches. • RBI gives them on-tap license on reciprocal basis.
<u>Indian PSB</u>	• Foreign investment <u>max 20%</u> .
<u>India Pvt. SB</u>	• Foreign investment upto <u>49%</u> \rightarrow upto <u>74%</u> <u>automatic</u> <u>by Govt. approval.</u>

* Commercial Banks ⇒ Differential Bank.

<u>Difference</u>	<u>UNIVERSAL BANK</u>	<u>DIFFERENTIAL BANK</u>
<u>Open Branches</u>	Anywhere	Geographical restrictions for Local Area Bank (LAB) + Regional Rural Bank (RRB)
<u>Accept</u>	Both Time & Demand Deposits of any amount	Payment bank → Accept max 1L deposit 2021 → limit ↑ to <u>2L</u> .
<u>Give Loans to</u>	Anyone (after 40% PSL).	SFB, RRB: 75% to PSL Payment Bank → No LOAN

Diff-banks



- ### REGIONAL RURAL BANK
- Based on M. Narasimham's Committee ✓ on Financial Inclusion (1970s)
 - Set up under RRB Act 1976 ✓
Voting power ⇒ (Union + State + Sponsoring Bank) = 51%.
 - Subjected to CRR, SLR norms (But RBI can prescribe diff. norms)
 - PSL → 75%.
 - RBI regulates → ultimately.
 - ✓ NABARD → immediately.
 - Restricted to few districts

- ### LOCAL AREA BANK
- Based on 1996 Budget by Dr. Manmohan.
 - Set up by priv. entities by applying for it to RBI under Banking Regulation Act. ✓
 - Non-Schedule Banks.
CRR, SLR, PSL → apply but with caveat
 - RBI regulates.
 - Can open in max 3 districts that too sharing district boundary with each other

⇒ Diff. Banks ⇒ Commercial Banks ⇒ Small Finance Banks & Payments Banks.

	SFB	PB
CRR, SLR, Repo, FDI	Same as priv. banks.	Same as priv. banks.
Targets	Unbanked - Underbanked Farmers, Micro & Small Industries.	Promoting small savings Remittance of migrant labors, low income households, unorganised sector, small business.
Deposits	Yes (No Restriction)	✓ <u>No NRI deposit</u> , <u>No Time Fixed Deposit</u> ✓ <u>only Demand Deposit</u> (max 2L).
Loan	Yes (<u>75% PSL</u>)	✓ <u>No loan</u> , <u>No PSL</u> → [invest in G-sec.] ✓
Future	After 5 yrs → Universal	After 5 yrs → SFB (if RBI satisfy)

	<u>Commercial Bank</u>	<u>Cooperative Bank</u>
Banking Regulation Act	Applicable since 1949	Applicable since 1966.
Regulator	RBI	Under <u>RBI</u> : <u>Multistate</u> Coop Banks <u>Urban</u> Coop Banks Under <u>Dual</u> Supervision: Others. {Dual means RBI + state's registrar}
CRR, SLR, SP BASEL-III	Yes	Yes {But RBI could keep diff. slabs}
Repo, MSF	Eligible to borrow	Yes, but only selected category of Coops allowed.
PSL	40-75%	only Urban co-ops.
Who can borrow	Anyone	First preference → members
Vote power	Shareholding	1 member = 1 vote.

<u>Bank</u>	<u>Regulator: Before</u>	<u>Regulator: After</u>
① <u>Commercial</u>	RBI RBI	RBI
② <u>Co-op (Single state: rural)</u>	RBI + State govt (Dual)	RBI + State govt (Dual)
③ <u>Co-op (Single state: urban)</u>	RBI + State govt (Dual)	RBI only
④ <u>Co-op (Multi-state)</u>	RBI + State Union (Dual)	RBI only
⑤ <u>Co-op (Primary Agricultural Credit Societies (PACS))</u>	State govt	State govt.

* All India Financial Institutions (AIFI).

{ set up by respective acts of Parliament → STATUTORY.

EXIM	NABARD	NHB	SIBBI
Export-Import Bank of India	National Bank for Agriculture & Rural Development	National Housing Bank	Small Industries Development Bank of India.
<u>GoI (100%)</u> ✓	prev. RBI 50% ↓ minority stakes 2018: <u>GoI (100%)</u> ✓	prev RBI (100%) 1920 2019: <u>GoI (100%)</u> ✓	prev: IDBI (100%) later: <u>shareholding</u> by <u>SBI, LIC etc</u>
<ul style="list-style-type: none"> • Promotes cross-border trade • Helps in <u>imp. exp with loans & foreign currency</u> 	<ul style="list-style-type: none"> • <u>Regulates: Co-op + RRB</u> • Indirect refinance to farmers, artisans • operates <u>Rural Infra. Dev. Fund (RIDF)</u> ✓ 	<ul style="list-style-type: none"> • Finance to banks & NBFCs for housing projects. • <u>RESIDEX</u> index to monitor residential real estate prices • Earlier → Regulated ↓ Housing Finance Co's (NBFCs) 	<ul style="list-style-type: none"> • <u>Operates:</u> • <u>Credit Guarantee Fund, Small Enterprises Dev. Fund (SEDF)</u> • Operates <u>udyamitra.in</u> for loans to small entrepreneur schemes like Mudra, stand-up-India. etc.

Parameters

COMMERCIAL BANKS

NON-BANKING FINANCIAL CO.

Parameters	COMMERCIAL BANKS	NON-BANKING FINANCIAL CO.
<u>Registration</u>	Banking Regulation Act	Companies Act
<u>Entry Capital</u>	500 Cr.	Differs { 5 Cr for MFC, 200 Cr for reinsurer etc).
<u>Can accept Deposits?</u>	<ul style="list-style-type: none"> - Can accept Time & Demand Deposits. - Payments Bank can't accept time deposits. - Deposits insured under DICGC Act 	<ul style="list-style-type: none"> - Only NBFC-Deposit Taking (NBFC-D) can accept <u>only</u> <u>Time Deposits</u>. - Deposits not insured under DICGC Act.
<u>Can issue Chequebook, Credit/Debit card?</u>	Yes	No.
<u>Prudential Norms</u>	CRR, SLR applicable	<ul style="list-style-type: none"> - SLR → only for NBFC-D - CRR X
<u>BASEL Capital Adequacy Norms, LCR-HQLA norms</u>	Yes applicable	<ul style="list-style-type: none"> - Applicable on NBFC-D - Also on NBFC-ND-SI (Non-Deposit taking systematically important with assets > 500 cr.
<u>Investments</u>	Can't invest in share market	<ul style="list-style-type: none"> Can invest in share market (eg) Mutual Funds, Insurance Companies.
<u>Loan Interest Rate</u>	Decided as per RBI methodology	Varies → Depends on business.
<u>Recovery</u>	Have SARFAESI power	SARFAESI power only with Housing Finance Companies.
<u>Consumer Complaint</u>	RBI's Ombudsman, RBI's internal Ombud.	RBI's separate Omb. for NBFC.

* NBFCs regulated by RBI;

@iasrohittyagi

- ① Investment & Credit Company
- ② Consumer Durable Loan Finance / BNPL
↳ Buy Now Pay Later
- ③ Core Investment Company.
- ④ Infrastructure Finance Company (IFC) Infrastructure Debt Fund (IDF)
- ⑤ Asset Reconstruction Company.
- ⑥ Factoring Companies.
- ⑦ Gold Loan Companies
- ⑧ Micro Finance Institutions.
- ⑨ MUDRA (from 2015).
- ⑩ Fintech cos: P2P lenders.
- ⑪ Fintech cos: Account Aggregators (AA)
- ⑫ Fintech cos: Loan Aggregators
- ⑬ Residuary

* NBFCs regulated by SEBI

- ① Stock Brokers.
- ② Mutual Funds (MF).
- ③ REITs / InvITs.
- ④ Investment Banks & Merchant Banking Cos.
- ⑤ Venture Capital Fund.

* NBFCs regulated by others,

I: IRDAI

- ① Life Insurance Cos.
- ② Non-Life Insurance
- ③ Policy aggregators web-platform

II: PFRDA

- ① All pension funds except EPFO & other statutory funds.

IV: NHB.

① Housing ~~Cos~~ Finance Cos.



After budget 2019

RBI regulates ★

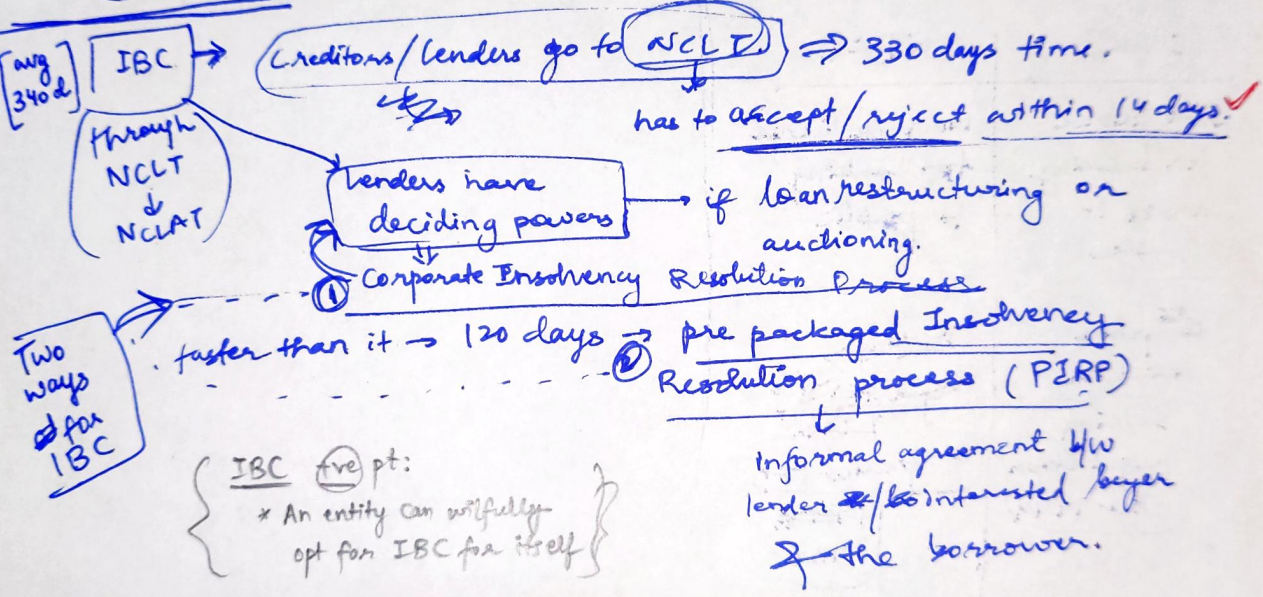
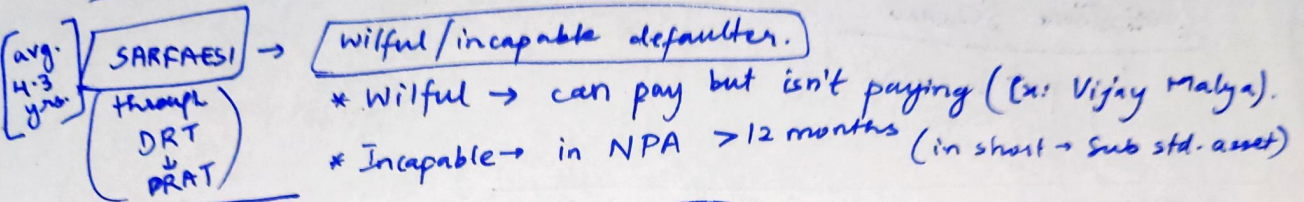
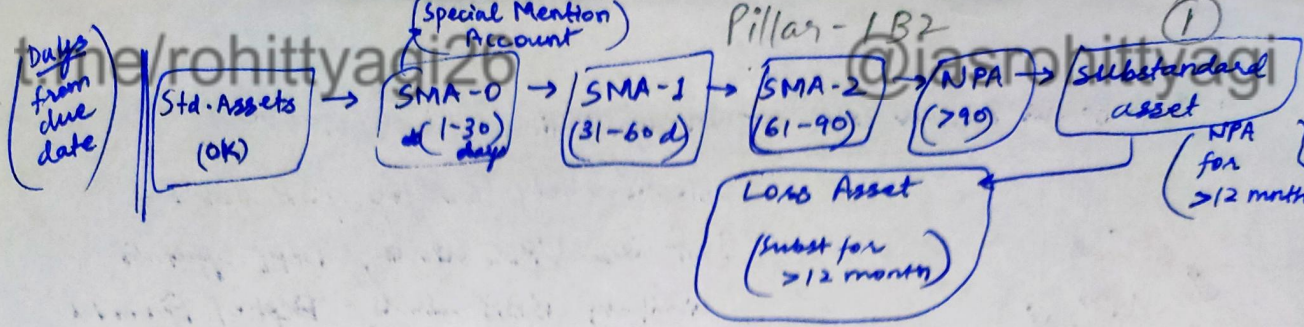
IV: Mo Corporate Affairs.

① NIDHI Cos.

② Micro Finance Cos.

V: State Registrar of Chit Funds.

① Chit Funds.



* IBBI → Insolvency & Bankruptcy Board of India under Mo Corporate affairs
 ↳ 1 chairman, 1 nominated member from RBI, 8 members from Govt. → Total 10

* LEI number → boss → Global Legal Entity Identifier Foundation (GLEIF) → Frankfurt, Germany.

↳ Indian agent → Clearing corporation of India.

* ARC → National Assets Reconstruction Company Limited (NARCL)
 AMC → India Debt Resolution Company Ltd (IDRCL)
 ↳ management.
 ↳ No govt role, bank funds → set up these 2 bad banks.

* Bank Board Bureau 2016 → non constitutional, non-statutory

↙ replaced with ↘

- ↳ Selection body for top PSB posts.
- ↳ Just like UPSC selects, DoPT appoints similarly BBB selects, Dept of Financial services appoints
- ↳ 1 chairman (retd. IAS) & some members

Financial Services Institutions Bureau
by govt in 2022

Bank	NBFC
Bank licence for banking service to public	No bank licence for banking to public
BE Companies Act 1956 Banking Regulation Act 1949	Banking Regulation Act 1949 Companies Act 1956
DD Demand Deposit ✓	X
Foreign investment 74% for private banks	100% ✓
RR Reserve Ratios ✓	X
Deposit insurance facility compulsory	X
Credit creation ✓	X
Transaction service ✓	X

I sold my product to party
Two options after taking money from bank.

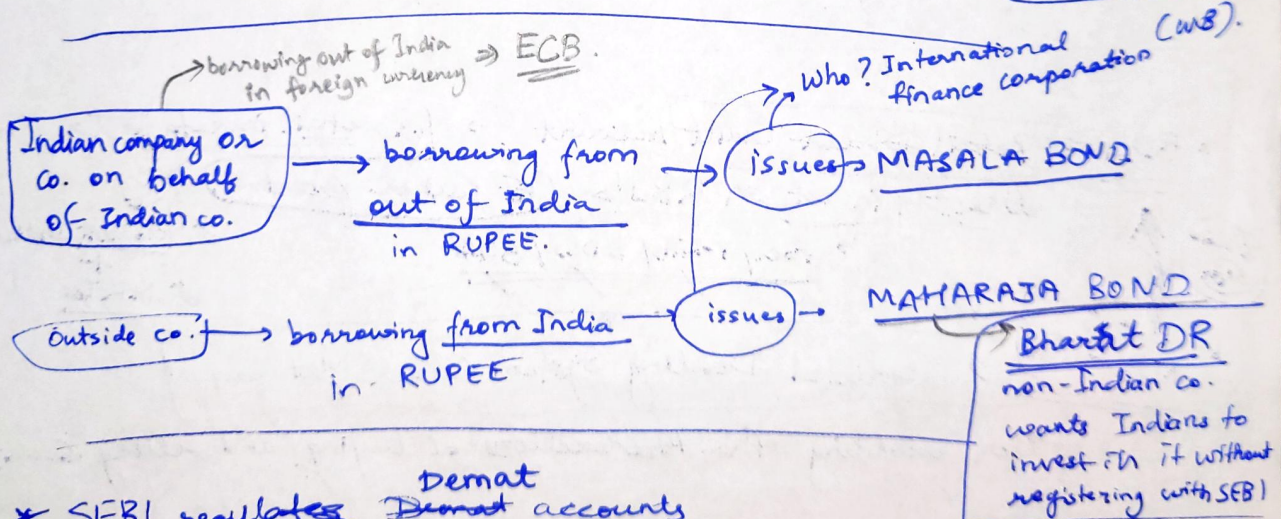
- ① Bill Discounting
Collect money from party & then pay to bank
- ② Factoring
Party directly pays to bank

Sovereign Gold Bond
By RBI
Non Taxable.

P-notes (participatory notes)
• Issued by FPI to foreign investor to invest in Indian stock market without registering

	Financial Institution	v/s	Non Financial Institution
Imp	① Accepts deposits		No deposits.
	② Deal with customers directly		Deal with banks & govt.
	③ all activities concerning finance.		concerned with loans/needs of large enterprises.
	④ Both internal & international customers		Finances of foreign companies.

* ADR/GDR
non-american co. wants American people to invest in it without registering



- * SEBI regulates Demat accounts
 - * ISIN no. → International Securities Identification Number (ISIN)
 - ✓ • RBI issues ISIN for G-sec/T-bill.
 - ✓ • National Securities Depository Limited (NSDL) issues ISIN for rest
- Central Depository Securities Ltd.
 CDSL } both owned by combinations of banks.
 N.SDL }
 National Securities Depository Ltd.

SEBI

Saarthi → investor awareness
'88 → executive order
'92 → statutory {SEBI} Act

by FSRASC
5 yrs / 65 yrs; Re ✓
Chairman + 1 (RBI) + 2 (Govt) + 5 (by Govt)

Side pocketing

SEBI's technical guidelines to help Mutual Funds to separate stressed assets from standard assets

* Securities Contracts Regulation Act 1956

* SEBI → SAT → SC. ^{Securities Appellate Tribunal}
↓
(also hears IRDAI PFRDA)

* **Backstop Entity**; buys corporate bonds from mutual funds whom anyone is not buying -

* **Bharat Bond ETF** → Invest into basket of bonds by CSE, CPFI & other govt org.

* SEBI → **Circuit Breaker System**

If $> x\%$ fluctuation in a share price than previous day → stop its trading for 'y' minutes.

* **T+1, T+2 system** security transaction ✓ ⇒ no. of days to complete settlements

* **RDG** → **Retail Direct Growth Account** → for retail investors to directly invest on RBI's **E-Kuber portal**

E-Kuber (NBS)

part component of E-Kuber

↳ g-sec / T-bills / SDLs / SGBs

✓ Resident Indians + ✓ NRIs

* **NDS-OM** ⇒ **Negotiated Dealing System-Order Matching**

↳ for recording the transactions of buying and selling securities

✓ * **SEBI** → regulator of Gold exchanges.

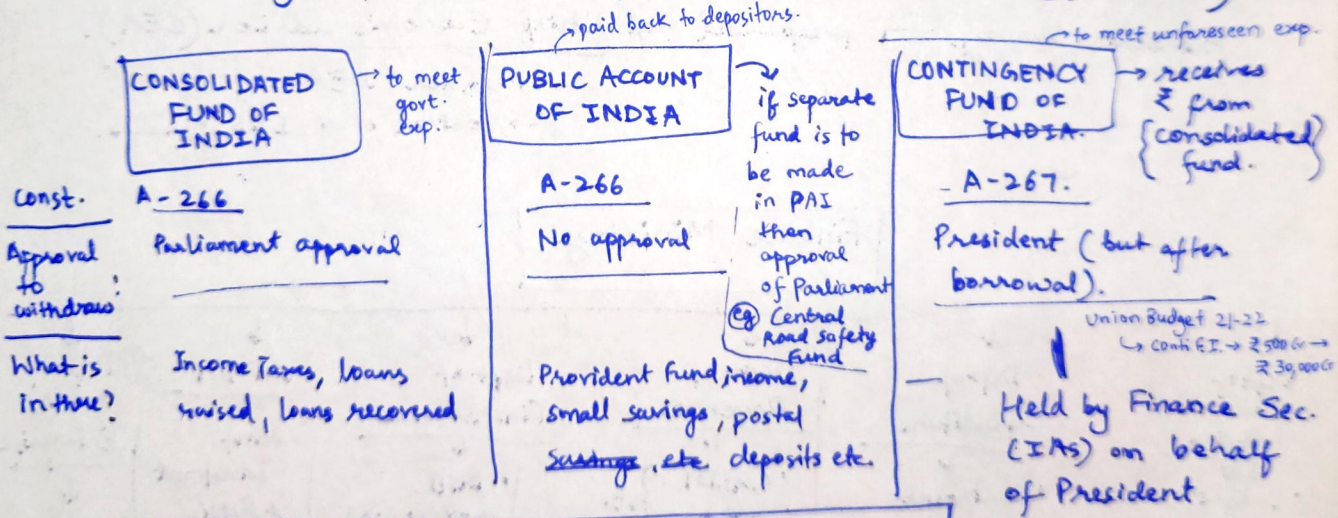
* **Warehousing Development & Regulatory Authority (WDRA)** → logistics & warehousing of gold.

* **FSDC** → **Financial Stability & Development Council** (Const. X Statute X)
Chairperson → FM, members → RBI govt, SEBI chief, IRDAI chief, PFRDA chief, IBI chief & govt-officials.

* Helps in

- Full employment. (through welfare schemes like MGNREGA).
- To fight Inflation (↑ Income tax = ↓ disposable income).
- Deflation (↓ income tax/indirect tax = ↑ income ⇒ ↑ demand)
- Boost economic growth (IT benefits on household savings in LIC/mutual fund ⇒ provides capital to industry for investment ⇒ factory expansion, jobs ↑ GDP↑).
- Regionally balanced growth (Tax benefits in LWE areas)
- Exchange rate stability (↓ tax on exports, ↑ tax on imports) {CAD ↓}.

* Fiscal Policy → primary tool of Govt → BUDGET (Annual Financial Statement).



* Budget components:

- ① A-112: Annual Financial Statement
 → receipt & expenditure of last yr. (estimates of next yr.)
 → rev. exp. data diff from cap. ex.
- ② A-265, 117: FINANCE BILL (to get Parliament permission to collect taxes) ⇒ Parliament can abolish/reduce tax but can't increase beyond what Finance Bill says.
- ③ A-114: APPROPRIATION BILL

→ (i) Exp. CHARGED from CFI → non-votable
 → (ii) Exp. MADE from CFI → votable

{ 60% with Dept of EA
 40% with Dept of Expenditure }

6 stages of Passing the Budget.

- ① Presentation
- ② General Discussion
- ③ Scrutiny by Dept. Committees.
- ④ Voting on demands for grants, cut motions, guillotine.
- ⑤ Passing of Appropriation Bill.
- ⑥ " " Finance Bill.

Note
Both Finance Bill & Appropriation Bill are MONEY BILLS
 ↳ No RS approval
 ↳ Speaker of LS decides.

Fin Min also creates budget for UTs without legislature

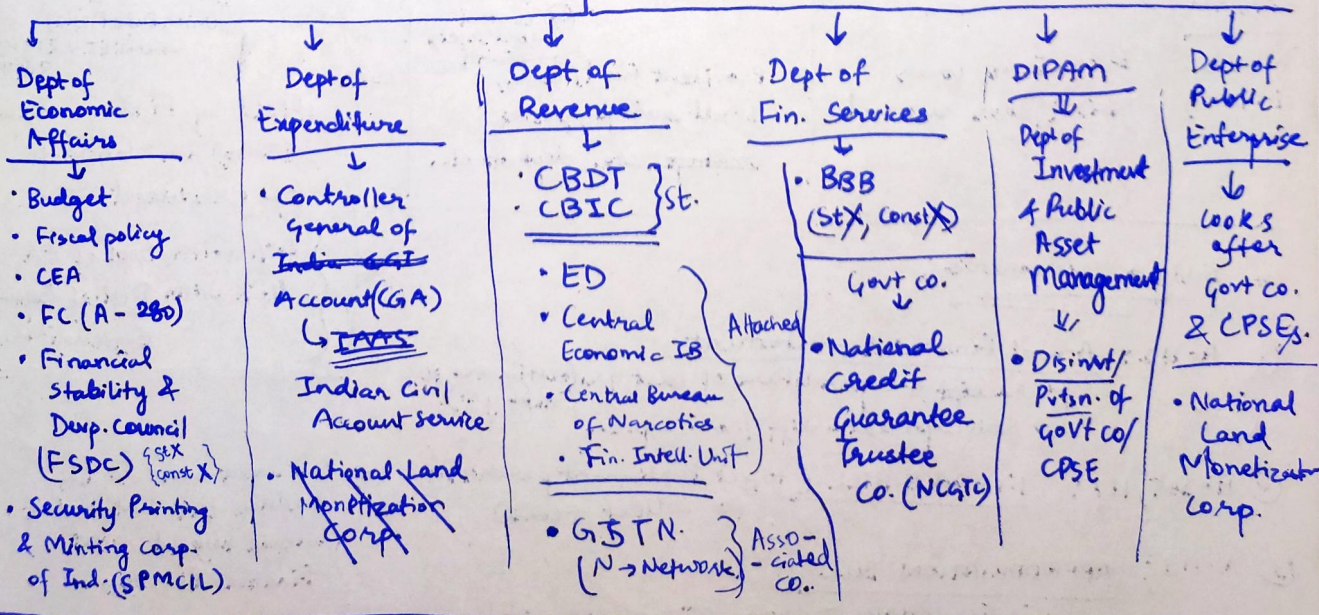
* Vote on account → How much ₹:
 ↳ $\frac{1}{6}$ th of Budget Estimate

↳ Why? → For temporary period before next Appropriation Bill is passed (used before 2017)

★ From 2017 onwards -18 → NO need for vote on account
 ↳ All appropriations completed before 31st March

Economic Survey → prepared by Chief Economic advisor (CEA).
 ↳ under DEA.
 ↳ control over IES officers.

Finance Ministry



FSDC → neither const nor statutory; FM is chairman; members → chiefs of RBI, IRDAI, SEBI, PFRDA, IJBI

- (Recruiting Body)
- ① Bank Board Bureau → PSBs / NBFCs / AIFIs
 - ② Public Enterprises Selection Board (MOPPEG) → Govt cos. other than PSBs / NBFCs / AIFIs
 - ③ RBI gov., SEBI chief, etc regulators } ^{selected by} → Committee headed by Cabinet Sec (IAS)

- * Proportional tax → same tax for all. (income).
- * Regressive tax → ex: (GST) ⇒ same for poor & Adani-Ambani.
- * Progressive tax → ↑ income ⇒ ↑ tax.
- * Degressive tax → Mix of proportional & progressive. (Saturation after ↑)

Indirect taxes are regressive; Income Tax is Progressive

collected by

CBIC

CBDT.

Income Tax shared among Union & states on recomm. of <u>FC</u> .	<u>GST</u> shared on rules of <u>GST council</u>
--	--

Surcharge & cess
 - only to Union
 - Not shared to states

* Equalization Levy / Google Tax.

- ↳ part of Finance Bill 2016.
- ↳ on foreign entities earning profit in India by digital commerce, ads, streaming subscriptions etc.

* Minimum Alternate Tax

↳ for companies showing 0% taxable income.

* Alternative Minimum Tax

↳ for Cooperative societies showing 0% taxable income.

* Dividend Distribution Tax (new part of Income Tax)

↳ now taxable when shareholder has share dividend in hand.

- * Buyback Tax → For combr. co. buying back its shares.
- * Capital Gains Tax → when any capital asset sold at profit.
- * Securities Transaction Tax → Selling of share, bond & other securities.
- * Stamp Duty → on value of share/bond/securities, immovable properties & certain legal agreements.

Indirect Taxes

→ paid by manufacturer.

- * Excise Duty → levied on goods produced/manufactured within the country.
- * Custom Duty → ~~go~~ applies to goods that are sold in India but were produced in a different country.
↓
paid by importer of goods.

<u>States' Indirect Taxes</u>	
<p><u>Outside GST</u></p> <ul style="list-style-type: none"> • State Direct Taxes • VAT on 5 Hydrocarbons • Liquor (State Excise & VAT) • Electricity Duty • Road Tax • Purchase tax on animals, vehicle, boats. 	<p><u>Subsumed in GST</u></p> <ul style="list-style-type: none"> • Entertainment Tax • Luxury Tax on hotel, spa • VAT on goods • Lottery & gambling • Entry tax / Octroi • Advertisement tax on hoarding, banners etc

* Quarterly Returns and Monthly Payment of Tax (QRMP)

↳ GST tax ₹ to govt. on monthly basis. if turnover > ₹ 5 cr. ^{compulsory}
quarterly basis if " < ₹ 5 cr.
Not compulsory but optional

* Reverse Charge Mechanism

↳ if seller not register with GSTN, & buyer is registered then buyer has to pay GST.

* E-way Bill system

↳ if goods worth ₹ 50000 > moves intra state or inter-state then carrier of goods should have e-way bill.

* GST compensation to states

↳ GST + compensation cess

* Authority for Advance Ruling (AAR): advance clarification to businesses for their ^{future} products tax slab

* National Anti-Profiteering Authority (NAA/NAPA)

* Appellate AAR

↳ Due to ITC, production cost ↓, so co. should also ↓ consumer price, if not → then NAPA ✓

* Zero Rated Exports

↳ Input Tax credit on raw material & 0% GST on exports.

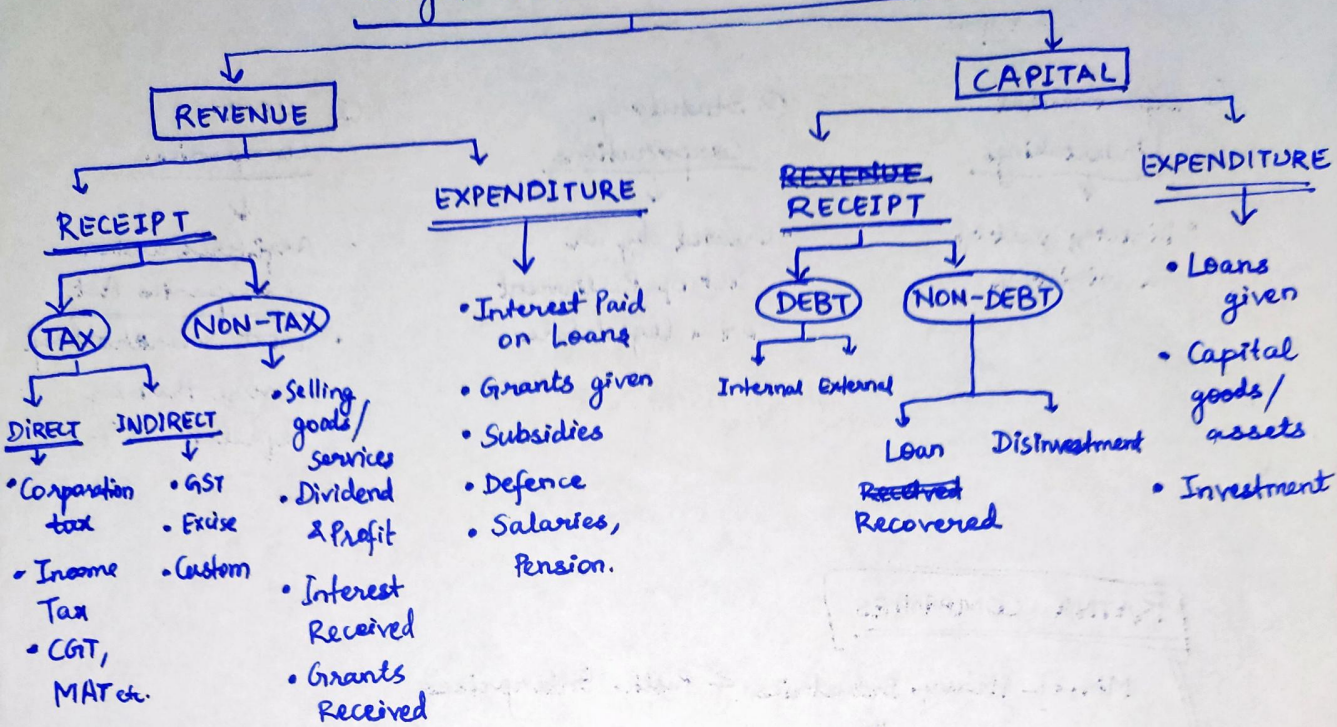
* Revenue Neutral Rate

↳ To compensate the loss from abolished indirect taxes,

↳ ↑ GST rates.

* Circular Trading

↳ Generating fake invoices through shell companies to claim ITC. (Input Tax credits).



Revenue Deficit = Revenue expenditure - Revenue Receipts

Effective RD = Revenue Deficit - Grants to various bodies which were spent for creation of Capital assets.

* Types of Subsidies:

- ① Direct cash (or bank transfer): PM KISAN (₹6000), LPG Pahal (₹200)
- ② Given in kind: free school bags, uniform & books, free medicines, insurance
- ③ Indirect subsidies: ↓ college fees, cheap kerosene, cheap urea etc.
- ④ Implicit subsidies: suppress supply to ↑ demand of a sector. (Eg) → Ban on US poultry.
- ⑤ Cross subsidization: Railway → Passenger ticket at loss; freight → huge profit.
- ⑥ Regulatory subsidies: electricity not beyond ₹x per unit
- ⑦ Procurement subsidies: MSP
- ⑧ Interest subsidies/subvention: govt paying loans on agri, MSME, housing etc

PSU's
3 types

① Departmental Undertakings

- Directly part of a ministry.

② Statutory Corporations

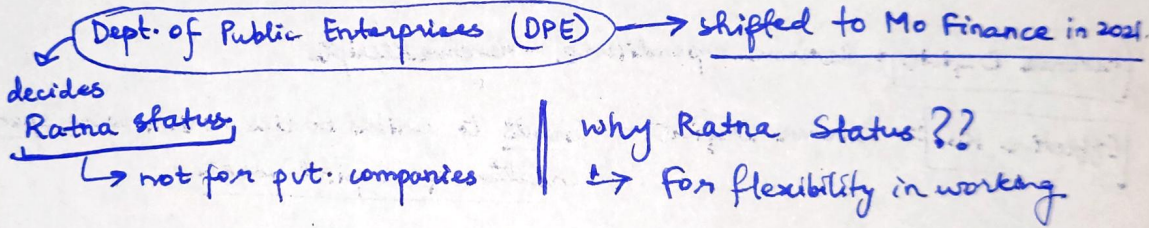
- Created by an act of Parliament or a legislature

③ Govt. Companies.

- Registered under Companies Act
- Govt shareholding more than or equal to 51%

RATNA COMPANIES

Min. of Heavy Industries & Public Enterprises



CATEGORY	CONDITION.
Miniratna Cat I & II.	made profits in last 3 years continuously
Navratna	Miniratna fulfilling 'x' conditions or non-miniratna fulfilling 'y' conditions.
Maharatna	Already a Navratna + fulfilling 'z' conditions like: * ₹ 500 cr profit each yr in past 3 yrs. * listed at stock exchange. * global presence.

Privatization →

pvt share ≥ 51% also called STRATEGIC DISINVESTMENT.

Disinvestment →

govt selling shares but maintains shares ≥ 51%

Strategic Sectors.

- ① Atomic energy, Space, Defence.
- ② Transport, Telecom
- ③ Power, Petroleum, Coal, other minerals
- ④ Banking, Insurance & financial services

Non-strategic sectors

Rest.

Strategic sectors → min-one govt company will be kept
 Remaining: merged / putzd / shutdown.

No govt. co.
 All putzd / shutdown.

* National Monetization Pipeline (NMP 2021)

↳ selling / renting / leasing land / building / machine / assets of CPSE / National Highways / Railways → ₹ 6 L Cr. by 2025.

* Dept of Economic Affairs → IDEAS { Indian Development & Economic Assistance Scheme }
 ↳ loans to foreign entities. (Line of Credit).

* Atmanirbhar 2.0 → State CAPEX Loans → 50 yrs interest-free loans for capital expenditure.

* Budget Deficit = Budget expenditure - Budget Receipt

* Fiscal Deficit = Budget Deficit + Borrowing

↳ This borrowing includes internal { RBI, Govt Sec, NBFC, Bonds } + external

* Primary Deficit = Fiscal Deficit - interest to be paid on ~~loans~~ prev. loans

↳ gives clear picture of how much govt is borrowing for new projects.

India's Debt to GDP ratio lowest among G20, DECD, BRICS.

Majority Debt	Minority Debt
<ul style="list-style-type: none">• Internal• ₹ dominated• ₹ denominated• Fixed• Long term	<ul style="list-style-type: none">• External• Foreign currency• Floating• Short-term

* Extra-Budgetary Resources / Off-budget resources

- ↳ loans taken by PSUs & govt. organisations
- * ↳ EBRs are not taken into account while calculating Fiscal Deficit but → counted while calculating Govt Debt / Public Debt

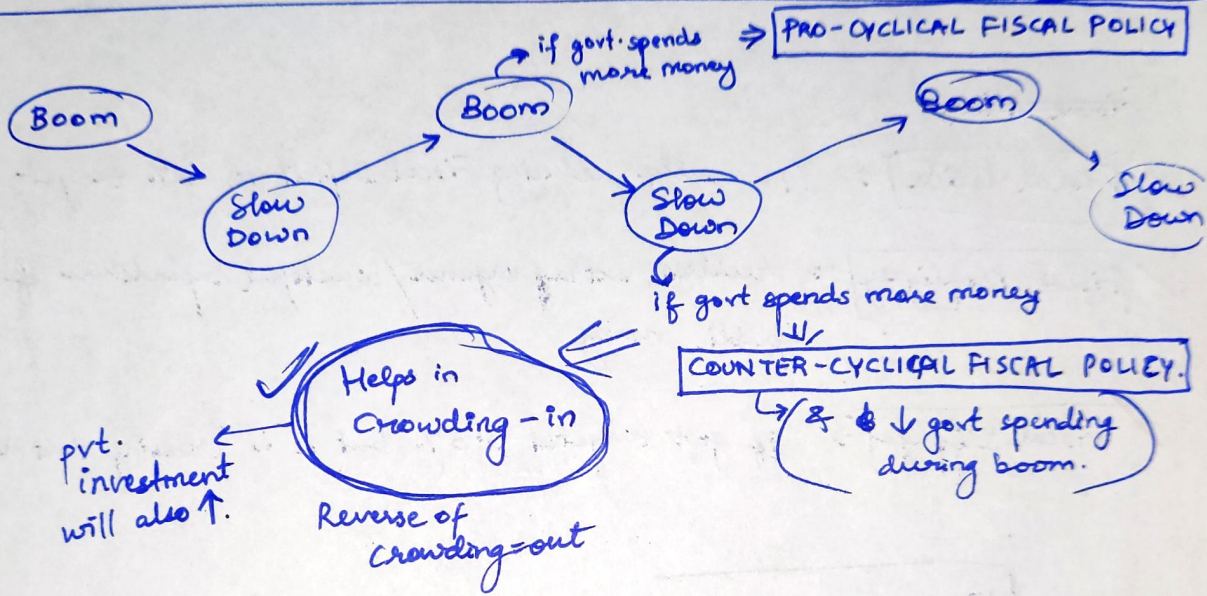
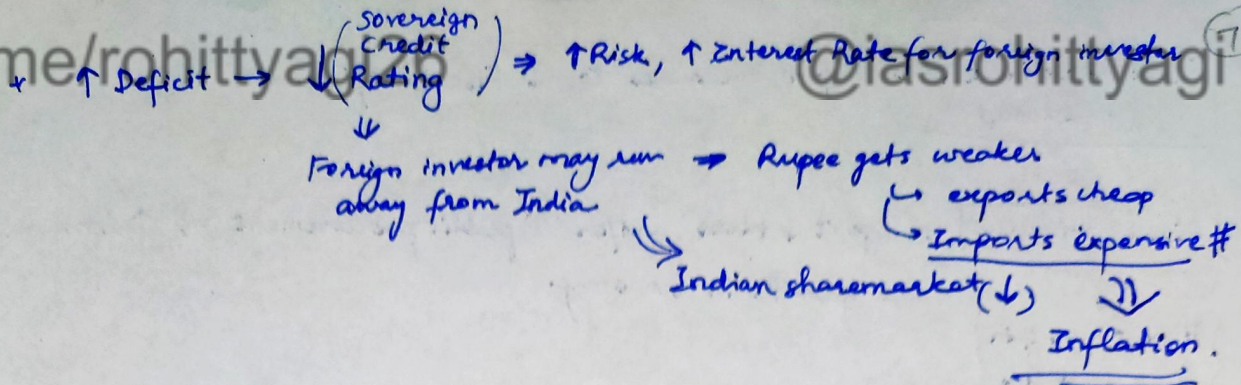
* Financing Deficit

- ① ↑ Tax rate % ⇒ beyond a pt. it may force people to evade taxes / discourage motivation to work (Laffer curve).
- ② Borrowing more money ⇒ ↑ govt. borrowing → ↓ public shopping = bad for economy (Not completely true in India)
- ③ Printing Money ⇒ Monetising the Deficit ⇒ HYPERINFLATION #

↳ CROWDING OUT EFFECT ⇒ If govt ↑ borrowing from households & financial intermediaries then very less ₹ left for priv. sector → it harms job creation.

* Sovereign credit rating : measure to identify govt. ability / risk to repay its loans.

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AUTOMATIC STABILIZERS

Mechanisms built into govt. budget to address economic slowdown automatically by automatically ↑ govt. spending and/or ↓ public's tax liability.

- Boom → • pay IT
- don't avail poor benefit scheme
- Bust → • don't pay IT
- avail poor benefit scheme.

Eq → IT, Corporation Tax, Unemployment allowance, food subsidy & other govt. schemes meant only for poor/lower middle class.

Countercyclical fiscal policy → new initiatives by govt → **DISCRETIONARY STABILIZERS**

PRO-CYCLICAL FISCAL POLICY → crowding out effect → ↑ interest rate due ↑ govt. spending

COUNTER-CYCLICAL FISCAL POLICY → crowding in effect → ↓ reverse

Fiscal Consolidation (Prudence)

→ govt measures to ↓ Fiscal Deficit

Fiscal Stimulus

→ govt ↓ taxes and/or ↑ public procurement ⇒ ↑ demand & growth in economy

↓
{ Short term gain
Long term loss
↳ Inflation

~~Fiscal Caliber~~

Fiscal Glide

→ Gradually reducing Fiscal Deficit to 3% target

Fiscal Profligacy

→ reckless extravagance/wasteful expenditure of public money.

Fiscal Slippage

→ If govt targeted 3.3% but it is crossing that limit

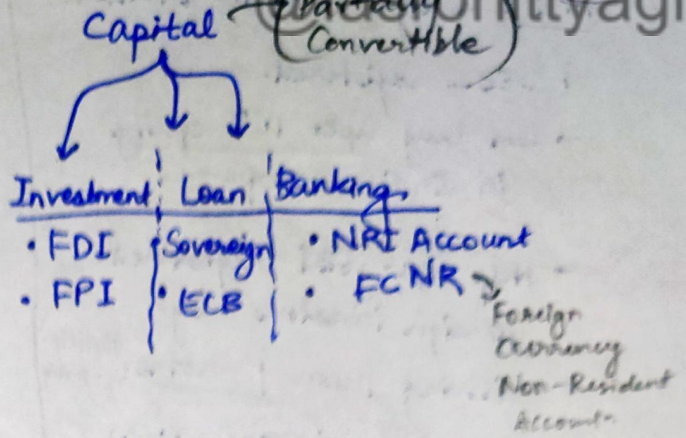
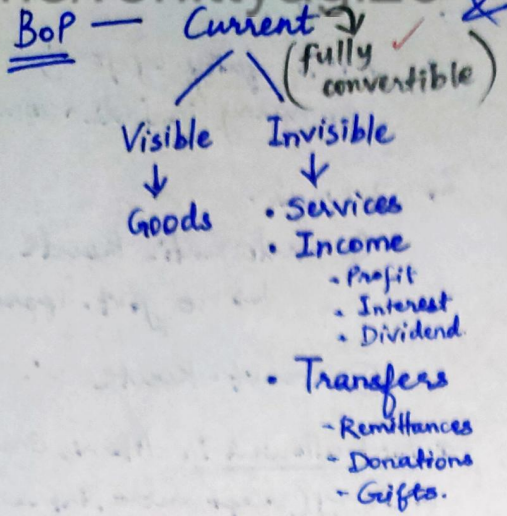
FRBM Act, 2003

- 3% of GDP : Fiscal Deficit Target
- (also for states & UTs with legislature (3% of sGDP))
- NO "monetizing deficit".

Documents

- ① Macroeconomic Framework Statement
- ② Medium Term Fiscal Policy Statement
- ③ Fiscal Policy Strategy Statement
- ④ Medium-term Expenditure Framework

presented together as "② cum ③".



~~CAD~~ BOT = Import - Export of Goods & Services.

✓ Net Terms of Trade (NTT) = $\frac{\text{Value of Export}}{\text{Value of import}} \times 100$.

✓ Gross Terms of Trade (GTT) = $\frac{\text{Volume of Export}}{\text{Volume of import}} \times 100 \times QIE$

↓
(quantum index of exports)

* Sovereign Gold Bonds → Tax-free.
 * Gold Monetization Scheme (2015) → Exempted from Capital Gains Tax.

* SEZ → no tax on mfg, imp. exp., profit (for some years).

✓ Baba Kalyani Committee for SEZs.

✓ NIIIP = overseas asset by Nation - Domestic asset by foreigners

✓ NIIIP → Net International Investment Position → value of overseas assets owned by a nation minus value of domestic assets owned by foreigners. [NIIIP → +ve → creditor Nation] -ve → debtor.

t.me/rohitagi26 FPI: Foreign Portfolio Investor.

- SEBI registered.
- can buy upto 10% equity in Indian Company.
- Help non-SEBI registered foreign investors by issuing them P-notes. (Participatory)
- 'hot money': (FPI outflow)
↓
results in weakening of ₹ & ↓ sensex.

✓ (FPI > 10% equity gets converted to FDI)

@iasrohitagi FDI: Foreign Direct Investment

- > 10% equity by foreign company in Indian company.
- 2 ways.
 - ① Automatic Route
↳ no govt. approval
 - ② Govt-Route ✓.
- Not allowed in Atomic Energy, Railway (except metro, infra dev), tobacco, gamble, chit fund, Casino, Nidhi cos, RE (Real estate) farm houses.

→ UNCTAD → India → 9th largest FDI recipient. in 2019-20.

GDR → Global Depository Receipt → Any instrument issued in the form of a depository receipt or certificate created by overseas depository bank outside India & issued to non-resident investors against underlying shares or foreign currency convertible bonds of issuing company.

✓ **NRE** → Non-Resident External Account makes it easier to transfer money generated overseas to India.

* ₹ denominated accounts Interest earned → tax free ✓

✓ Debt Overhang → because of too much debt, new income gone in repaying previous loan.

✓ VCC → variable capital company → deals with several collective investment schemes.

- * Weak rupee \rightarrow bad for imports
- * Strong rupee \rightarrow bad for exports

* To make rupee stronger \rightarrow
 \downarrow
 RBI sells \$
 * To make ₹ \downarrow \rightarrow RBI buys \$
~~on sell~~
 by selling ₹ .

* STERILIZATION \rightarrow when RBI sells ₹ to buy \$, \uparrow supply of ₹ causing inflation \rightarrow if not enough supply of goods for purchase \rightarrow Open Market Operation to sell securities & suck ₹ .

\rightarrow RBI \rightarrow sell dollars to keep India's BOP = 0.

* External Commercial Borrowing

* ECB \rightarrow domestic currency devaluation does not affect it, it is denominated in foreign currency.

{ domestic companies (firms borrowing from foreign) market directly in its currency (foreign). }

ECB max limit per company per year \$1.5 B.

* currency transaction service \rightarrow subjected to GST.

* ~~Open economy~~
~~rate~~
 \downarrow rate
 Depreciation
 Appreciation

Fixed rate
 by central bank
 \downarrow
 Devaluation
 Revaluation.

* RBI follows managed float \rightarrow buy/sell if too much volatility otherwise do nothing & let market decide.

* Full Capital Account Convertibility \rightarrow 100% currency exchange (\$ to ₹ (eg))
 \rightarrow Currently, NOT in India)
 ONLY PARTIAL.

✓ FEMA: ① ₹ abroad for current/capital account transaction.
 ② \$ incoming for export payment, FPI/FDI, ECB etc.

✓ FCRA: ① donation, remittance etc.

* Quantitative Easing → print \$ to buy toxic assets/bonds.
 * Fed Tapering → less quantity of \$ issued.

* NEER → Nominal Effective Exchange Rate: geometrical avg. of rupee's exchange rate against upto 36 currencies (foreign).

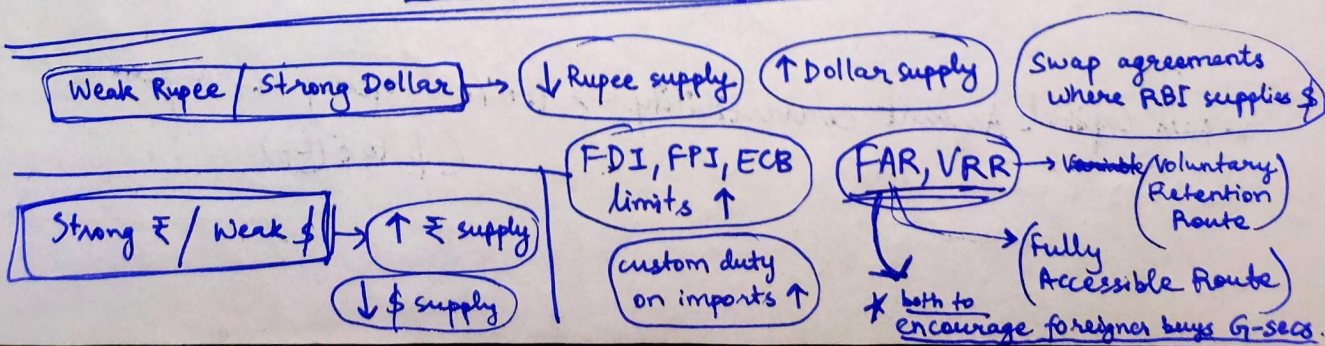
* when NEER mathematically adjusted as per CPI-inflation levels in India & respective foreign countries

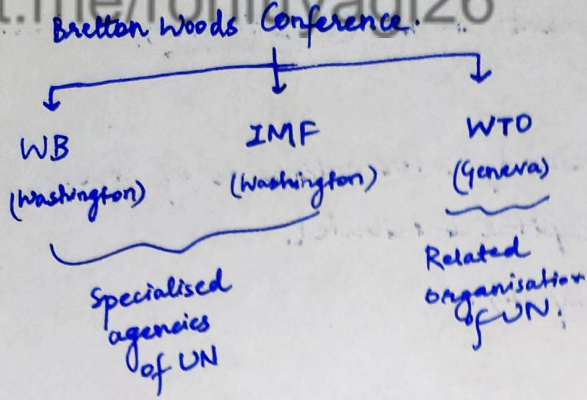
↳ REER: Real Effective Exchange Rate.

↳ quantity of domestic goods required to purchase one unit of a given basket of foreign goods.

NEER vs REER → This helps in finding out where whether ₹ weakening against foreign currencies.

* Twin Deficit → when both Current Account Deficit & Fiscal Deficit high.





- WB Reports:**
- ① World Development Report
 - ② Ease of Doing Business Index.
 - ③ Remittance & Migration Report.
 - ④ Global Economic Prospects Report.

World Bank = IBRD + IDA

WB group = 5 institutions

① International Bank for Reconstruction & Development (IBRD)	loans with interest
② International Development Association (IDA)	interest-free loans to poorest countries.
③ International Finance Corporation (IFC)	supports enterprise of developing countries. Eg → MASALA BOND.
④ Multilateral Investment Guarantee Agency (MIGA)	insurance to investors against non-commercial risk.
⑤ International Centre for the Settlement of Investment Disputes (ICSID)	Dispute resolution related to foreign investment. ★ India NOT a member

* BRICS bank: New Development Bank (NDB). @ SHANGHAI, China

↳ 6th BRICS summit at Fortaleza (Brazil) 2014

Founding members: BRICS countries.

Voting: BRICS → 19.42% each.

Bangladesh → 1.83%

UAE → 1.08%

Uruguay & Egypt → No voting, only member.

Note → BRICS combined voting can't be less than 55%

Any UN members can join NDB.

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* AIIB: Asian Infrastructure Investment Bank. @ BEIJING, China.

↳ since 2015-16.

China, India, UK, Switzerland, > 100 nations as of 2020.

Voting: Based on share capital contributed.

China → 27% (largest).

India → 7%.

Asian countries combined → 75%.

non-Asian → 25%.

* BIS: Bank for International Settlements

↳ 1930 @ BASEL, Switzerland.

60 countries' central banks.

* African Development Bank

↳ 1964 @ ABIDJAN, Ivory Coast.

* Asian Development Bank

↳ 1966 @ MANILA, Philippines.

* European Bank for Reconstruction & Development (EBRD).

↳ 1991 @ LONDON.

Indian can't avail loan but can jointly initiate loans for poor nations (Soft Diplomacy).

* IDEAS: Indian Development and Economic Assistance Scheme.

↳ FM's Dept. of Economic Affairs. ✓

condition → Developing nation taking the loan must use

✓ * 75% of it to import goods & services from India.

* IMF: International Monetary Fund.

- global currency exchange stability
- BoP crisis

USA → 16.52% voting power } USA has VETO.
 For majority → 85% vote (Indirectly)

→ Reports

- ① Global Financial Stability Report
- ② World Economic Outlook

- Rapid Financing Instrument (RFI)
- Rapid Financial Assistance
- Extended Fund Facility (EFF)

CONDITIONS to avail IMF support:

- ① Reduce fiscal deficit
 - cut down food-fuel subsidies of poor.
 - Freeze govt. recruitment, freeze military spending
- ② privatise loss-making PSEs.
- ③ open-up economy.

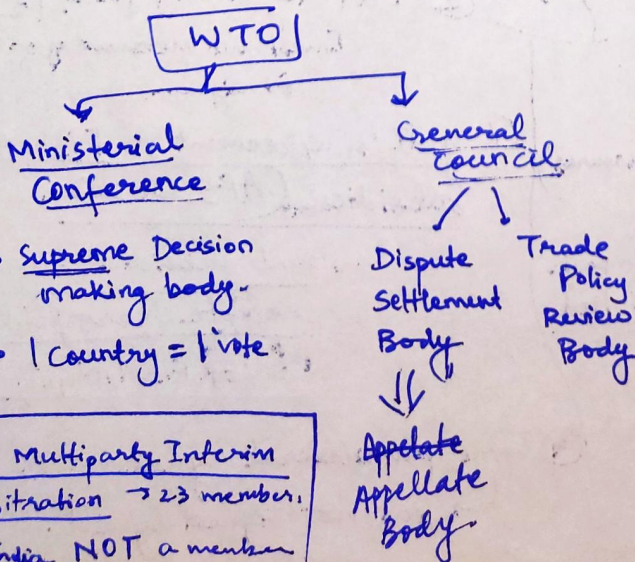
* GATT → WTO.

GATT → 1948.

Uruguay round of GATT negotiations (1986-93) → IPR.

1994 → Marrakesh Treaty → WTO @ GENEVA, Switzerland.

↳ India → a founding member



* WTO Multiparty Interim Arbitration → 23 members.
 India NOT a member

* Anti-Dumping Duty

if foreign country selling/exporting at price lower than a foreign domestic mkt.

* Counter Vailing Duty (CVD)

if govt. imposes higher tax on local product → foreign product will appear cheap OR Foreign country giving export subsidy.

so to make it costly by

WTO agreements: Attm: reduce barriers

① Tariff Barriers → ISSUE → HANDLED BY
 (Tariffs & Trade) (Trade in Services)
 GATT, GATS.

② Non Tariff Barriers → ① Non-Food → Agreement on Technical Barriers to Trade (TBT)
 ② Food → Agreement on Sanitary & Phytosanitary Measures (SPS)..

③ Subsidies → ① Non-Food → Subsidies & Countervailing Measures (SCM).
 ② Food → Agreement on Agriculture (AoA).
 ③ → ① Green & Blue box category → allowed.
 ② Amber box category.

Types of subsidies

Green & Blue box ↓ Cattle-vaccination Research. etc.	Amber box Fertilizer, Electricity, Diesel, MSP. etc.
---	--

↳ quantitative limits

④ Encourage Global Trade, }
 Protect Env. }

① TRIPS
 ② TRIMS → only goods, services
 Investment measures of on
 foreigners

* TRIMS (Trade Related Investment Measures)
 ↳ only goods ✓
 ↳ Quantitative restrictions on imports by foreign investor → prohibited
 ↳ Not concerned with regulation of foreign investment.

③ WTO's agreement on Fisheries Subsidies (AFS-2022)
 ↳ curb subsidies that promote harmful
OVERFISHING!

④ some plurilateral agreements
 ↳ But not signed by all.

Bali Package 2013

① Trade Facilitation Agreement (2013)
 ↓
India ratified in 2016 → effective from 2017.
 ↓
 Set up → National Committee on Trade Facilitation (NCTF)
 ↓
 headed by Cabinet Sec.
 ↓
 Rev. Sec. & Comm. Sec.

② Peace Clause on Subsidies

↳ 3rd world countries (like Ind.) can give any amt. of subsidy for their food programmes.
 ↓
 i. USA/others can't impose CVD.
 ii. " " " complain WTO.

Nairobi Package & SSM (2015)

Special Safeguard Mechanism

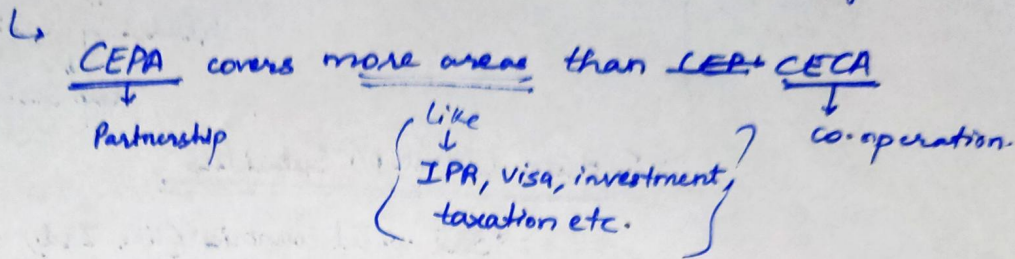
↓
 If 1st world exports ↑ to 3rd world then
 3rd world → right to temporarily ↑ tariffs on them.

GENEVA summit 2022

- ① Agreement on Fisheries Subsidies (AFS) → to curb overfishing.
- ② Covid vaccine/medicine → temporary IPR waiver for 5 years after permission from patent holder.
- ③ Judge vacancies / appointment → Appellate Body.

Trade Agreements

- ① Partial Scope Agreement → small list of goods at ↓ tariff.
- ② Preferential Trade Agreement → member → ↓ tariff, non-member → regular tariff.



③ Customs Union → FTA in which members apply a common external tariff (CET) for non-members.

eg → East African Community (EAC), Caribbean Community (CARICOM)

④ Common Market → factors of production (capital/FDI, labour) can move freely amongst members

⑤ Economic Union → common currency & tariff.

eg → European Union → Euro (European Central Bank)
European Parliament.

Ind - Mauritius : FTA / CERPA 2021

Ind - UAE : CEPA 2022.

Ind - Aus : ECTA 2022 (Economic & Techn Co-op Agreements)

Ind - UK : looking for Interim Trade Agreement (small list of goods & serv)
↓
then shift to full FTA.

* SAARC (1985) BBINS
PAK
 HQ: KATHMANDU, Nepal.
 8: Afg, Ban, Bhu, Ind, Pak, Nep, Mal, SriL,

* BIMSTEC (1997) BBINS
Th My
 HQ: DHAKA, Ban.
 7: Ban, Ind, My, SL, Thai, Nep, Bhu.

* ASEAN (1969)
 HQ: JAKARTA, Indonesia. CLMVT
PSMaBI
 10: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand & Vietnam.

2018: India-ASEAN 25th Anniversary.

↓
"Shared Values, Common Destiny"

Mekong-Ganga Cooperation (2000)
 India & 5 ASEAN (Cambodia, Laos, Thailand, Vietnam & Myanmar)

Ind-CLMVT

* Indian Ocean Rim Association (IORA) (1997)
 HQ: EBENE, Mauritius.

22 Indian Ocean Rim nations.
 India → member.

* RCEP (India exits)
 10 ASEAN + 6 FTA partners
 ↓
 China, NZ, Jap, S.Korea, Aus, Ind
 No more.

* SCO (2001) TuX
~~HQ: SHANGHAI, China~~
 HQ: BEIJING, China.
 Regional Anti-Terrorist Structure (RATS)
 6 founders: Russia, China, Kaz, Kyrgyz, Tajik, Uzb.
 2 new: Ind & Pak.

Afg 6+2+1 group.

6 neighbours: China, Pak, ~~Iran~~ Iran, Tajik, Uzb, Turk.

+ 2 global: USA & Rus.

+ 1 Afg. itself

* Asia-Pacific Economic Cooperation (APEC)
 21 Pacific Rim ocean economies.
 India → NOT a member.

1989. HQ: Singapore.

'Putrajaya Vision 2040'

* CPTPP or TPP-11 (2018)
 11: Aus, Brunei, Can, Chile, Jap, Malaysia, Mex, NZ, Peru, Singapore & Vietnam

* BRICS (2009)

{ SA in 2011 }

2014: NPB

2021 → in India

* OPEC (1961)

Organization of
Petroleum Exporting Countries

HQ: VIENNA, Austria.

14 members

Qatar withdrew

RUS → NOT a member

* OECD (1961)

Organisation for Economic
Cooperation & Development

HQ: PARIS, France.

Known for: Base erosion &
Profit sharing (BEPS)
norms.

India → NOT a member

* NAM (1961)

Cold war
non-alignment

members in
Asia, Africa,
Latin America,
Caribbean & Europe

* 2+2

Ind-Jap.

Foreign minister
& Defence minister.

* JAI Trilateral (2018)

Jap - America - Ind.

* QUAD

US, Ind, Jap, Aus.

* AUKUS

Aus, UK, US

↳ Help Aus. get
nuclear submarines

* Paris Club (1958)

- Informal group
- Help poor nation when facing loan repayment problem
- Aus, Can, Fra, Ger etc
- India → observer.

* G20 (1999)

19 countries + 1 EU.

Arg, Aus, Bra, Can,
Chi, Fra, Ger, Ind,
Indo, Ita, Jap, R. Korea,
Mex, Rus, Saudi, SA,
Turkey, UK, USA, EU.

G7
BRICS
EU

Aus
Kor
Indo
Ang
Saudi
Turkey
Mex

G20 Common
Framework (2020)

G20 + Paris Club

↓
help low-income countries
in loan repayment problems

✓ G20 Osaka Declaration (2019) → Ind refused to sign

↳ Data Free Flow with Trust (DFFT)

G7 (1975)

Russia joined in 1997
becomes G8

Russia → Crimea (2014) → removed.

Again → G7

7: UK, US, Fra, Ita, Jap, ^{Can.} ~~Aus~~, Ger.

D10 (proposed by UK)

G7 + Aus, S. Kor, Ind.

→ 5G equipment supply chain

Mineral Security Partnership (MSP)

Aus, Can, Fin, Fra, Ger, Jap, Ro Kor, Swe, UK, European Commission.

Ind → NOT.

Rare Earth Minerals Available in Ind.
↳ Co, Ni, Li etc
NOT Available in Ind → Dysprosium, Terbium & Europium

Gulf Cooperation Council (GCC) (1981)

HQ: RIYADH, Saudi Arabia

6: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia & UAE.

Organisation of Islamic Cooperation (OIC) (1969)

HQ: JEDDAH, Saudi Arabia

~50 Islamic countries globally; spread over 4 continents → Asia, Africa, Europe, S America.

Abraham Accords (2020)

UAE, Bahrain & Israel → peace agreement

USA → mediator.

* I2U2: Middle Eastern / West Asian QUAD (2021-22)

Indo-Pacific Quad = Ind, US, Aus, Jap.

Middle Eastern " = Ind, Israel, US, UAE.

* WEF (1971)

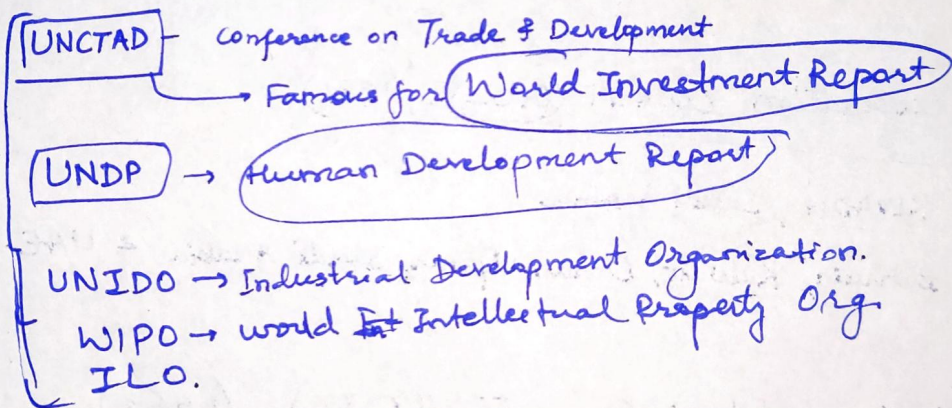
Not-for-profit Think Tank @ COLOGNY, Geneva, Switzerland.

Famous for: DAVOS Summit

Reports

- ① Global competitiveness Report
- ② Global Risks Report
- ③ Global IT Report
- ④ Global Gender Gap Report
- ⑤ Global Travel & Tourism Report
- ⑥ Financial Development Report
- ⑦ Global Enabling Trade Report etc.

UN Specialized agencies related to economy



2021
↓
Ind → 5th largest FDI ←

Org. of Turkic States → Azerbaijan, Kaz, Kyr, Turkey, Uzb.

Andean Community → Bolivia, Colombia, Ecuador, Peru

Mercosur → Arg, Bra, Para, Uru, + ANDEAN + others.
(Venezuela → suspended (2016)).

Visegrad → Czech, Hungary, Poland, Slovakia.

[known as V4 European Quadrangle]

- * NSG (1974): Nuclear Suppliers Group. → control export of nuke material, equipment & tech.
China ✓ Ind X.
- * Australia Group (1984): encourages not to export chemical or biological weapons/tech.
China X Ind ✓ (2018).
- * MTCR (1987): Missile Technology Control Regime (informal group) → not to export missile equipment, software, tech.
China X Ind ✓ (2016).
- * Wassenaar Arrangement (1996): strict & transparent in export of conventional arms.
Not fall in hands of terrorists.
China X India ✓ (2017).

Industrial Revolution 4.0 → automation of mfg. processes



GPAI

↳ Global Partnership on A.I.

Founding members: Ind., U.S., U.K., E.U., Aus, Can, Fra, Ger, Ita, Jap
Mex, NZ, Sing, Ro Korea.

HQ: PARIS, France ; Secretariat: OECD.

In India → Industry 4.0 → Samarth Udyog Bharat 4.0 *

by Min. of Heavy Industries & Public Enterprises → Dept. of Heavy Industries.

{ also responsible for National Capital Goods Policy, 2016 }

{ Don't confuse with Textile Ministry's SAMARTH scheme for skill dev. }

* Circular Economy resources kept in use for as long as possible, max. value extracted from them, ultimately → waste recovered & regenerated

In India → 2019 → proposed by NITI Aayog.

* Bio economy → deals with production of resources from biology
(eg) → Agriculture, Forestry, Fishery, Bio fuels etc.

{ Circular economy + Bio economy = combating CC & global warming }

* India Plastics Pact (IPP) 2021 → World-wide Fund for Nature - India & Confederation of Indian Industry
↳ (WWF & CII)

* National Manufacturing Policy 2011

by DPIIT, Mo C&I.

* National Investment & Manufacturing Zone (NIMZ)

Industrial township containing SEZs, Industrial Parks & Warehousing Zones, Exports Oriented ~~Zones~~ Units etc

* Industrial Corridors

Commerce Min. → National Industrial Corridor Development & Implementation Trust (NICDIT).

★ India's first DEFENCE PARK @ Pallakad, Kerala.

2 Defence industrial Corridors @ ① TN & ② UP.

* Make in India - 2014

by Commerce Min.

→ PLI scheme → Production linked Incentive

(13 sectors):

- ① e-vehicles (Do Heavy Ind.)
 - ② Auto components (")
 - ③ Advanced chemistry cell (ACC) Battery (~~Mo Civil Aviation~~) NITI & Do Heavy Ind.
 - ④ Drones & Drone components (Mo Civil Aviation)
 - ⑤ Pharmaceutical Drugs (Do Pharm.)
 - ⑥ Medical Devices (")
 - ⑦ Telecom & Networking (Do Telecom)
 - ⑧ Food Products - Veg, Non-veg, Dairy (Mo Food Processing)
 - ⑨ Textile Products (Mo Textiles)
- ⑩ Specialty steel (Mo Steel)

⑪ White goods - AC, LED. (DPIIT)

⑫ Electronic/Tech. products (Meity)

⑬ Solar Photovoltaic Modules (Mo New & Renewable Energy)

Startup India (2016)

3 yrs. exemption from Corporate Tax & Income Tax

No Commerce & Trade.

Conditions to be a startup.

- Not older than 10 yrs.
- Annual turnover < ₹100 cr.
- Must be working towards innovation & development of goods/services.

Fund of Funds for Startup (FFS)

No. of startups in India.	
State-wise	MH > KA > DL > UP > HR
Sector-wise	IT > Healthcare & Life sciences > Education > Professional Services > Food Beverages

DPIIT report → Startup Ecosystem for Budding Entrepreneurs in 2021

⇓
GJ, KA best performers.

* National Policy on Electronics 2019
by MeitY

* SAMRIDH scheme: MeitY scheme to help Software product related start-ups.

* Electronics Development Fund 2015 set up as a Fund of Funds by MeitY.

* Design Linked Incentive (DLI) for Semi-conductor chips.
by MeitY. → CDAC *

* National Digital Communications Policy (2018) → 50 mbps to all
10 gbps to PRIs
by Mo Communications → Do Telecom.

* DOT's Telecom Commission → Digital Communications Commission.

* DOT Proposed → National Fibre Authority.

• National Policy on Software Products (2019)

- by MeitY.

- Software Product Development Fund → Fund of Funds.

* IPR — Intellectual Property Rights

↳ Doha Development Agenda

• WTO's TRIPS cover → Copyright, Trademarks, GI, Industrial Designs, Patents, Integrated Circuits & Trade Secret.

• UN's World Intellectual Property Organisation (WIPO)

→ HQ: GENEVA, Switzerland

→ Global Innovation Index

→ Marrakesh Treaty 2013 →

↑ accessibility to copyright books to visually challenged



India's Ratification:

MoSJ

Saugamya Pustakalaya

* EVERGREENING of Patent

↳ Patent period of drug about to expire → company slightly modifies the drug → seeks patent again.

→ Indian Patents Act prohibits Evergreening.

NITI's → India Innovation Index. → Top 3: KA > TL > HR
 → Bottom 3: CH > OD > BH.

↓
 2 dimensions → 7 pillars.

① ENABLERS → Human capital, investment, knowledge workers, Business Environment → Safety & Legal Environment.

② PERFORMANCE → knowledge output & knowledge diffusion

IPR Indices.

① Global Talent Competitiveness Index	INSEAD Business School (Paris).
② World Competitiveness Index.	↗
③ World Digital Competitiveness Ranking	International Institute for Management & Devp. (Switz.)
④ Index of Economic Freedom	Heritage Foundation (US)
⑤ Technology & Innovation Report	UNCTAD (Geneva, Switz)

* GERD → Gross Economic Expenditure on R&D.

* EoDB by WB

* Corruption Preparedness Index → Transparency International (CSO) [HQ: BERLIN]

Labour Reforms 2017-18

Old Laws	Merged in.
<ul style="list-style-type: none"> • Payment of Wages Act 1936 • Minimum Wages Act 1948 • Payment of Bonus Act 1965 • Equal Remuneration Act 1976 	Code on Wages, 2019.
<ul style="list-style-type: none"> • Trade Union Act 1926 • Industrial Employment Act 1946 • Industrial Disputes Act 1947 	Code on Industrial Relations 2020
<p>09 Labour Acts like:</p> <ul style="list-style-type: none"> • Employees' Compensation Act 1923 • Maternity Benefit Act 1961 • Payment of Gratuity Act 1972 • Unorganised Worker's Social Security Act 2008 <u>etc</u> 	Code on Social Security & Welfare 2020.
<p>13 Labour Acts like:</p> <ul style="list-style-type: none"> Factories Act 1948 Plantation Labour Act 1951 Mines Act 1952 Building & other Construction Worker's Act 1946 <u>etc.</u> 	Code on Occupational Safety, Health & Working Conditions 2020.

* Ministry of Labour → Shram Suvidha Portal (2014)

↳ Samadhan portal (Software Application for Monitoring & Disposal, Handling of Industrial Disputes).

E-shram portal for Unorganised sector

↳ e-shram card → Universal Account No. (UAN)

- ₹ 1.0 L for partial disability.
- ₹ 2.0 L Accidental death.

* Textile Ministry.

CPSE → Cotton Corporation of India.
 Jute " " "
 National Textile Corporation Ltd. etc.

Attached offices → Development Commissioners for handloom/handicrafts.

Statutory Bodies → National Jute Board
 Central Silk Board
 National Institute of Fashion Technology

* MSME Ministry

Govt criteria	Micro	Small	Medium
↳ Invest ment	< 1 cr.	< 10 cr.	< 50 cr.
↳ Turnover	< 5 cr.	< 50 cr.	< 250 cr.

↓ (Khadi & Village Industries Commission (KVIC))

- ① ASPIRE (2015): A scheme for Promoting Innovation, Rural Industry & Entrepreneurship.
- ② Solar Charkha Mission (2018)
- ③ Gramodyog Vikas Yojana

One District One Product
 GeM portal
 Public Procurement Order ~~2017~~ 2012

Portals

- ① UAM → registration.
- ② CHAMPIONS → grievances redress.
- ③ MSME Samadhan → online complaint.

India Inclusive - Innovation Fund

- SFURTI - scheme for fund regeneration of Traditional Industries.
- CGTMSE → credit guarantee Fund Trust for MSE.
- RAMP by WB ✓

St → Statutory (X → Not St.) (R → Regulatory) @iasrohittyagi 5

St. → Competition Commission of India → Mo Corporate Affairs.

(X) ONDC (non-profit co.) → Mo Commerce - DPIIT.

St. → FSSAI → Mo H&FW.

St. → Bureau of Indian Standards → Mo Consumer Affairs.

{ One Nation, One Standard } → nodal for International Organisation on Standards, WTO's Technical Barriers to Trade (TBT) agreement.

St. → Bureau of Energy Efficiency → Mo Power
↳ under Energy Conservation Act 2001

(X) National Productivity Council of India → DPIIT (Mo Commerce)

PARAKH Laboratory Network → DPIIT.

↳ online portal → directory of govt. approved public sector & private sector laboratories.

~~St~~
(R) Central Consumer Protection Authority → Mo Consumer Affairs
↳ Consumer Protection Act 2019

* E-Daakhil portal for online complaint

↳ by National Consumer Dispute Redressal Commission (NCDRC).

↓
District → State HC → NCDRC → SC

UNEMPLOYMENT

Types

- ① Cyclical → boom-bust cycles ⇒ during bust/recession → workers laid off
- ② Frictional → out of one job, searching for another job.
- ③ Disguised → person is visibly employed but contribution = 0. (Farm families).
- ④ Seasonal → ✓
- ⑤ Unemployment/Educated overemployment → Graduate working @ Swiggy.
- ⑥ Technical → men replaced by machines.
- ⑦ Open/Structural → skills insufficient for jobs available
- ⑧ Natural rate of unemployment (NROU) = (Frictional + structural).

Unemployment Rate = $\left[\frac{\text{No. of (involuntarily) unemployed person in labour force}}{\text{Total Labour force}} \right] \times 100.$

↙ unemployed LF

(where → labour force ⇒ Those employed + Those seeking or available for work.)

• Worker Population Ratio (WPR) = $\left[\frac{\text{No. of employed persons}}{\text{Total population in country}} \right] \times 100.$

↙ employed population

• Labour Force Participation Rate (LFPR) =

$\left[\frac{\text{no. of employed + no. of involuntarily unemployed}}{\text{Total population of country}} \right] \times 100.$

↙ labour force population

As per 2011 Census → Types of workers →

- ① MAIN worker → 6 months or more
 - ② MARGINAL worker → less than 6 months
- } employed during an year.

[Faint handwritten notes and diagrams, possibly related to labor force statistics]

[Faint handwritten notes, possibly defining terms like 'Total Employment']

[Faint handwritten notes, possibly related to labor force components]

[Faint handwritten notes, possibly related to labor force statistics]

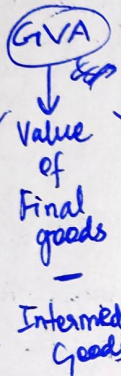
[Faint handwritten notes, possibly related to labor force statistics]

* Real sector of the economy → deals with production side. Eg: Agri, Mills etc.
Nominal sector → deals with financial side. Eg: Banks, Bonds etc.

*
$$GDP = \text{Consumption} + \text{Invest.} + \text{Govt. expenditure} + \text{Net Trade.}$$

$$= C + I + G + (E - Im).$$

① Expenditure method.



$$GDP = GVA + \text{Indirect Taxes} - \text{Subsidies}$$

$$= GVA + \text{Net Tax}$$

② Production method.
(most accurate)

GVA contri → Tertiary (50%) > Secondary (30%) > Primary (20%).

GVA → gives picture of economy from producers side / supply side.
 GDP → gives picture of economy from consumers side / demand side.

{ GVA is GDP at factor cost }

2018 onwards RBI uses GDP for economic analysis.

③ Income Method

$$GDP = \frac{\text{Wages}}{\text{to labourer}} + \frac{\text{Interest}}{\text{on capital to lenders}} + \frac{\text{Profits}}{\text{to enterpr/ owners}} + \frac{\text{Rent}}{\text{on land}}$$

$$GDP = W + I + P + R$$
 → GDP at current factor cost.

GVA @ factor cost + Taxes - Subsidies = GDP @ Market Price.

* RBI uses CPI (All India) to target inflation in its monetary policy.

t.me/rohitagi26 @iasrohitagi

* GDP Deflator = $\frac{\text{Nominal GDP @ current prices}}{\text{Real GDP @ constant prices (Base Year 2011)}} \times 100$

* GDP Deflator based year-on-year inflation = $\left(\frac{\text{GDP Deflator of Present Year}}{\text{GDP Deflator of previous year}} \right) \times 100$

	Present Base Year	Proposed BY
* GDP & IIP →	2011 2011	2017-18
CPI →	2012	2018-19.

$$\frac{\text{GDP Deflator of Present Year}}{\text{GDP Deflator of previous year}} \times 100$$

* HFI_s → High frequency indicators

used to show Post-covid economic recovery

⊗ → GST collection, Power consumption, WPI/ATM transactions, aeroplane/rail tickets, arrival of crops in Mandis etc

* GFCF → Gross Fixed Capital Formation = Investment — Disposal of asset.

* ICOR → Capital-output ratio. → additional capital needed to produce additional output.

↑ ICOR, ↓ production efficiency

- GNP (Market Prices) = GDP + "NET" factor income from abroad.

* Net National Product (@ Market Price) = GNP — Depreciation

* NNP (Factor cost) = NNP (MP) — Indirect Taxes + Subsidies

NNP also called National Income (NI)

NI/population → per capita income

* Inflation Indices.

① By **NSO**

↳ (i) Consumer Price Index

↳ (a) Rural

(b) Urban

(c) All India ← RBI needs to control at 2-6% (RBI Act 1934)

② By **Labour Ministry's Labour Bureau.**

↳ (a) CPI - Industrial workers

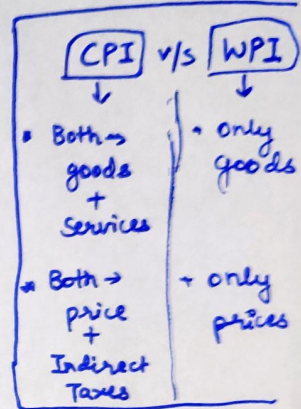
(b) CPI - Rural Labourers.

(c) CPI - Agri Labourers

(d) CPI - Wage Rate Index.

③ By **Economic Adviser to DPIIT (Mo Commerce)**

↳ **Whole Price Index (WPI).**



*
$$\text{CPI Inflation Rate} = \left(\frac{\text{Current Month} - \text{Same month last year}}{\text{Same month last year}} \right) \times 100$$

* **Headline Inflation** → Food + Fuel + others

* **Headline** → (Food + Fuel) → **Core Inflation.**

← RBI targets

Effect of Inflation on :

- Bond Holder ⇒ ↓ bond yield
- Pensioner → Less purchasing power.
- Depositor ⇒ Earlier Interest Rates < Present Interest Rates.
- Business/Barrowers → Profit due to ↑ price.
- Currency exchange ⇒ ₹ purchasing power ↓, exchange rate ↓.

National Income Accounting

NFIA	GNP	D	ID-Sub	UP + NIH +CT -T _H	PI	PTP + NP
GDP						

NFIA : Net Factor Income from Abroad.

D : Depreciation.

ID : Indirect Taxes.

Sub : Subsidies

UP : Undistributed Profits

NIH : Net Interest Payments by Households

CT : Corporate Taxes

T_H : Transfers received by Households

PTP : Personal Tax Payments.

NP : Non-Tax Payments.

PDI : Personal Disposable Income

National Disposable Income

$$= \text{Net National Product @MP} + \text{other current transfers from rest of the world.}$$

Private Income

$$= \text{Factor income from net domestic product accruing to the priv. sector} + \text{National debt interest} + \text{Net factor Income from abroad} + \text{Current transfers from govt.} + \text{Other net transfers from the rest of the world.}$$

BASIC NATIONAL INCOME AGGREGATES

{ MP: Market price }
 { FC: Factor cost }
 C: consumption
 I: investment
 G: govt. exp.
 X: exports
 M: imports

{ NIT: Net indirect taxes }

$$\textcircled{1} \text{ GDP}_{MP} = C + I + G + X - M$$

$$\textcircled{2} \text{ GDP}_{FC} = \text{GDP}_{MP} - \text{NIT}$$

$$\textcircled{3} \text{ NDP}_{MP} = \text{GDP}_{MP} - \text{Depreciation.}$$

$$\textcircled{4} \text{ NDP}_{FC} = \text{NDP}_{MP} - \text{Net Product Taxes} - \text{Net Production Taxes}$$

$$\textcircled{5} \text{ GNP}_{MP} = \text{GDP}_{MP} + \text{NFIA}$$

$$\textcircled{6} \text{ GNP}_{FC} = \text{GNP}_{MP} - \text{Net Product Taxes} - \text{Net Production Taxes}$$

$$\textcircled{7} \text{ NNP}_{MP} = \text{GNP}_{MP} - \text{Depreciation} = \text{NDP}_{MP} + \text{NFIA.}$$

$$\textcircled{8} \text{ NNP}_{FC} = \text{NNP}_{MP} - \text{Net Product Taxes} - \text{Net Production Taxes}$$

or

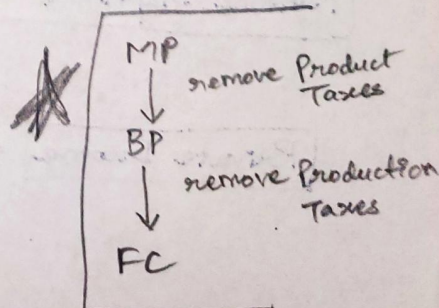
$$= \text{NDP}_{FC} + \text{NFIA}$$

National Income (NI)

$$\textcircled{9} \text{ GVA}_{MP} = \text{GDP}_{MP}$$

$$\textcircled{10} \text{ GVA}_{\text{Basic Price}} = \text{GVA}_{MP} - \text{Net Product Taxes.}$$

$$\textcircled{11} \text{ GVA}_{FC} = \text{GVA}_{BP} - \text{Net Production Taxes.}$$

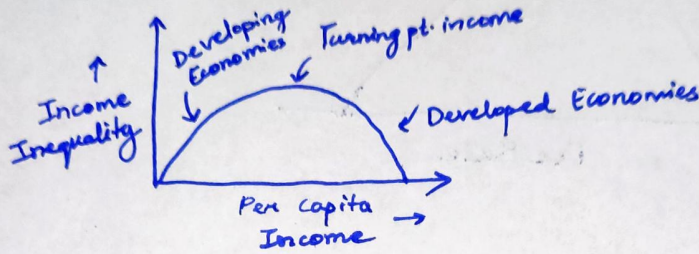


ECONOMIC CURVES.

① **Kuznets Curve**

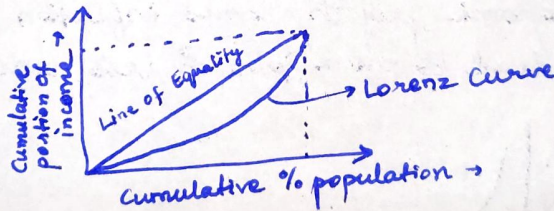
↳ Simon Kuznets

↳ Economic growth initially leads to greater inequality, followed later by the reduction of inequality



② **Lorenz Curve**

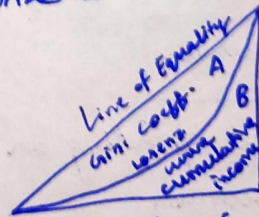
↳ showing distribution of income (wealth) within an economy
It shows cumulative share of income from different sections of the population.



③ **Gini Coefficient**

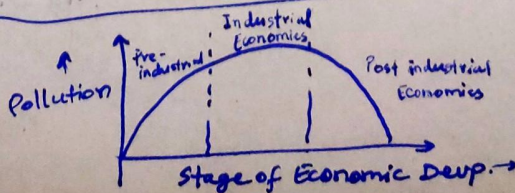
↳ how equal or unequal income or wealth is distributed among the population.

0 → 1
perfect equality perfect inequality



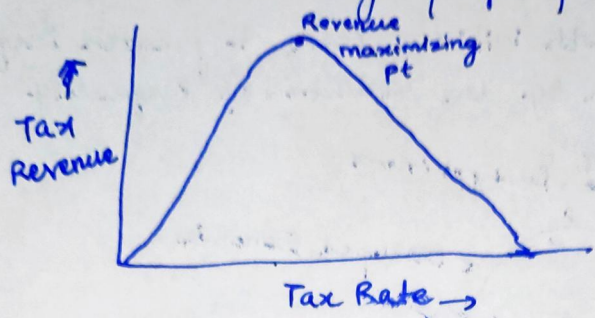
$$\text{Gini coeff} = \frac{A}{A+B}$$

④ **Environmental Kuznets Curve**



⑤ Laffer Curve

↳ If tax rates are increased above a certain level, then tax revenues can actually fall because higher tax rates discourage people from working.

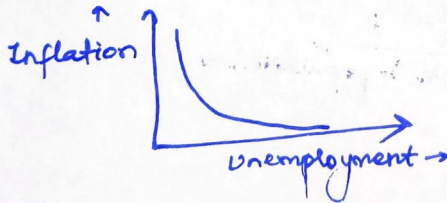


⑥ Phillips Curve

↳ Inflation and unemployment have a stable & inverse relationship

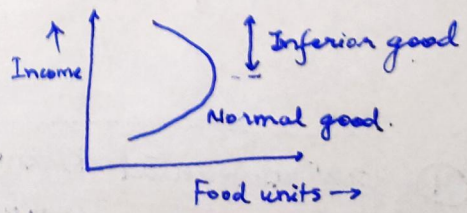
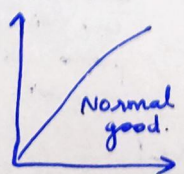
↳ ~~with inflation~~

↳ with economic growth comes inflation which in turn should lead to more jobs & less unemployment



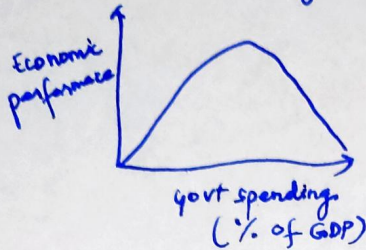
⑦ Engel curve

↳ how spending on a certain good varies with household income.



8) Rahn Curve

↳ optimal level of govt. spending which maximizes the rate of economic growth.



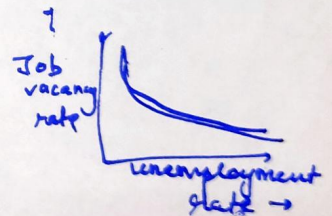
9) Wage Curve

↳ inverse relation b/w wages & unemployment



10) Beveridge Curve

↳ Job vacancy rate $\propto \frac{1}{\text{unemployment rate}}$

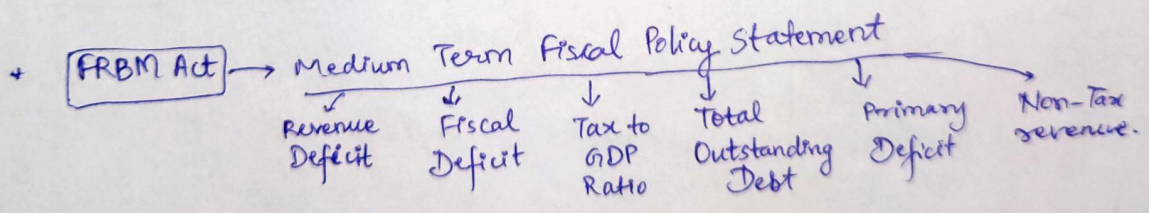


- 1st Plan (1951-56) → stressed on agriculture (due to large scale imports of food grains & inflation).
 - 2nd Plan (1956-61) → establishment of heavy industries
Nehru-Mahalanobis model: self-reliance and basic-industry driven growth.
 - 3rd Plan (1961-66) → balance industry & agriculture
establish a self-sustaining economy
borrowed from IMF 1st time.
 - 4th Plan (1969-74) → growth & stability
underprivileged & weaker sections
education & employment.
 - 5th Plan (1974-79) → Growth for social justice.
 - 6th Plan (1980-85) → Removal of poverty,
infrastructure (for both industry & agri.)
 - 7th Plan (1985-90) → Rapid growth in food grains production
Increasing employment opportunities.
 - 8th Plan (1992-97) → stabilize adverse balance of payment scenario
improve trade deficit & CAD.
Human Development → main focus.
- imperative & directive (hard) planning → to → imperative, indicative, planning (pri. sector role ↑)
- 9th Plan (1997-2002) → target avg. annual growth rate → 6.5%
 - 10th Plan (2002-2007) → GDP growth rate → 8% → target
 - 11th Plan (2007-12) → Faster & More Inclusive Growth
 - 12th Plan (2012-17) → 8% target.

high priced or low-priced but always undervalued.
* **Multi-bagger stock** → exponential returns on original investment.
↓
undervalued & often found in high-growth industries.
Return offered → atleast 100% & upto 1000%.

* **National Bank for Financing Infrastructure & Development (NaBFID)**
→ Dev. Financial Institution (DFI) to support dev. of long-term infra. financing in India.
→ All India Financial Institution regulated & supervised by RBI.

* **System Liquidity**
→ DEFICIT → if banking system net borrower from RBI under LAF.
→ SURPLUS → if banking system net lender to RBI.
↓
Increased demand for cash (ex. during festivals) & slow govt. expenditure, tax outflows ⇒ overall liquidity surplus drying up.
↓
Widening liquidity deficit → ↑ in short-term borrowing rates
→ pressure on banks to raise more deposits ⇒ ↑ interest rates.



* **Inflation Spiral** → when wages press prices up & prices pull wages up.

Inflationary gap → diff. b/w current real GDP & GDP at full employment.

* Money Market → short term financial assets that are close to substitutes for money.

Call/Notice Money Market → imp. segment of Indian money market

- Call Money → funds transacted overnight basis.
- Notice Money → period b/w 2 to 14 days.

- ✓ • Who are participants in Call/Notice Money Market ⇒ SCBs (excluding RRBs), Cooperative banks (other than Land Devp. Banks) & Primary Dealers. Non-Bank Institutions (other than PDs) ⇒ NOT PERMITTED.
- Eligible Participants ⇒ free to decide on interest rates in call/notice money mkt.

* RBI Act 1934

→ Section 45ZA ⇒ Centre in consultation with RBI determines inflation target in terms of CPI, once every 5 years.

Failure →

- avg. inflation more than upper tolerance for 3 consec. quarters
- avg. inflation less than lower tolerance level for 3 consec. qn.

↓
Then RBI report to GoI ⇒ reasons, remedies & time estimate to correct.

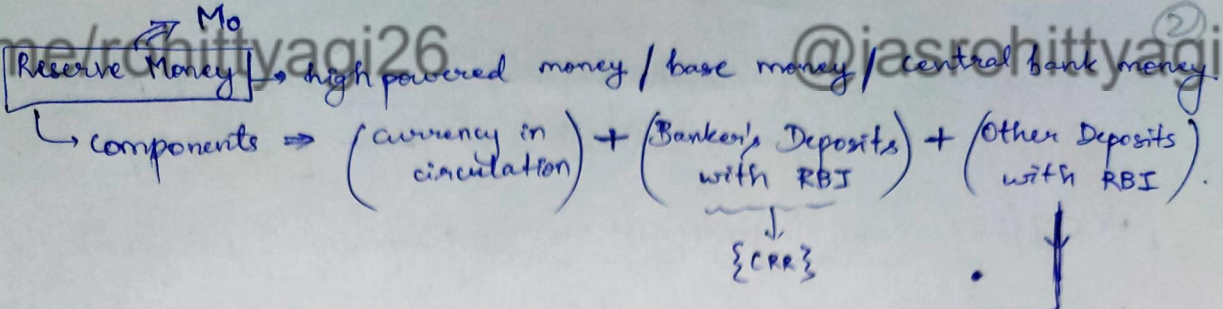
* GNP → GDP & income obtained by India's residents from investments made overseas.

↓

* Doesn't include income of foreign residents within the country.

↓

INDIA'S CASE → GNP < GDP → because "Income from Abroad" is -ve due heavy outflows on account of trade deficits → interest payments on foreign loan.



- deposits of quasi-govt & other financial institutions including primary dealers.
- balances in accounts of foreign central banks & govts.
- accounts of international agencies such as IMF etc
- Net RBI credit to govt & states

→ **Zero Coupon Bonds**

↓
 also called
 DISCOUNT BONDS
 ↓
 No re-investment risk involved.

→ do not give investors a regular interest payout.
 Instead → issued at a steep discount to the bond's face value at the time of issuance.
 At maturity → investors receive entire face value
Advantage → Returns are known in advance ✓

○ Re-investment risk → financial risk of reinvesting pay-out, like periodic interest amount you get on investment.
 There is a possibility that rate of payout return at the time of payout may be lower & you invest that amount at a lower interest rate.

→ **Disinflation** → temporary slowing of the pace of inflation marginally over the short term.

→ **Structural inflation** → due to operation of the structural weakness (supply bottleneck, lack of infra, etc.).

* **GDP deflator** → reflects the prices of all domestically produced goods & services → represent representing entire economy

v/s CPI/WPI → not all goods & services → not representing entire economy.

→ Also includes prices of investment goods, govt. sector (services & exports & excludes price of imports.

→ Down-side → Deflator comes with a lag (quarterly or yearly) after GDP data is released.

* **Factors influencing saving levels**

→ Higher interest rates ⇒ savings more attractive than consumption.

→ High inflation ⇒ less savings as household spend or buy assets.

→ Period of economic uncertainty (recessions, shocks etc) ⇒ increased saving rates.

→ Income rise → more saving

→ Reduction in inequality → increase in saving levels.

* **Repo Rates' relation with stock market** → inverse relation.

↳ ↑ interest rates = ↑ in savings = ↓ in flow of capital to the economy = ~~also~~ ↓ stock market

* **Relationship b/w interest rates & bond prices** → ~~inverse~~.

↳ cost of borrowing money ↑ = ↓ bond price = ↑ bond yield.

• Rise in yield = govt. pays more to investors = ↑ cost of borrowings.
= upward pressure on general interest rates in banking system.

✓ Rising bond yields not good for equity investors

↳ leads to outflow of funds from equities towards a less risky debt instrument.

Bond yields → inverse relationship with equities as a rise in bond yields means that the risk premium on equities will have to go up.

→ Domestic Territory (Economic territory)

territorial waters, ships aircrafts of normal residents; fishing vessels, oil & NG & floating platforms in international waters

Excluded → ✓ all embassies, consulates & military establishments of other countries & offices of international orgs located in India.

✓ Haircut

→ diff. b/w loan amount & actual value of asset used as collateral.

→ done because lender gets some amount back instead of not getting any money at all.

Gross Capital Formation (GCF)

2 categories

Gross Fixed Capital Formation

- ✓ Construction, land improvement, plantation etc.
- ✓ machinery & Equipment
- ✓ Additions to all kinds of livestocks.

Increase in stocks

- ✓ inc. in supplies
- ✓ work in progress (i.e. semi-mfg. goods)
- ✓ finished goods
- ✓ stocks of strategic materials & imp. commodities
- ✓ young livestock.

✓ Military purposes Construction (other than family dwellings of personnel) } ⇒ NOT INCLUDED IN GCF.

Payment and Settlement Systems Act 2007 @iasrohittyagi

↳ No person other than RBI can commence or operate payment system in India unless authorised by RBI.

Bharat Bill Payment System (BBPS) → integrated bill payment system. → repetitive utility payments.

participants → Bharat Bill Payment Central Unit (BBPCU), Bharat Bill Payment Operating Units (BBPOUs), Payment gateways, banks, billers etc.

✓ NPCI → only entity authorized by RBI as BBPCU.

Trade Receivables Discounting System → scheme for setting up & operating institutional mechanism for facilitating financing of trade receivables of MSMEs from corporates & other buyers including PSUs.
→ facilitates the discounting of both invoices as well as bills of exchange.

Derivatives → instruments of capital market that derive their values from underlying assets.

Stocks
Bonds

Exchange Traded Funds (collection of investor's financial resources used to purchase a variety of capital mkt. instruments including shares, debt securities like bonds & derivatives.)
Currency

ETF → highly flexible fund → used as a tool for gaining instant exposure to equity markets

→ No tenure, held for as long as investor wants.

Gold ETF → tracks domestic physical gold price (paper or demat).

* **IPO** → prt. owned co. transformed into a public enterprise & shares are traded on bourses.
 → referred to as 'GOING PUBLIC'.
 → Co's share price at the time of IPO → determined by valuation of company divided by total no. of shares at listings.

* **Mutual Fund** → pooling resources by issuing units to investors & investing funds in securities in accordance with objectives as disclosed in offer doc.
 ↓ must be registered with SEBI.
 → set up in form of a trust
 → investors are known as 'UNITHOLDERS'.
 → Unit Trust of India (1963) → first MF in India
 → MFs promoted by foreign entities are allowed in India.

* **Dearness Allowance** → component of salary → compensates for inc. in cost of living due to inflation.
 ↓ increased twice a year (Jan, Jul) } ⇒ inc is determined by CPI. (base yr. 2016)

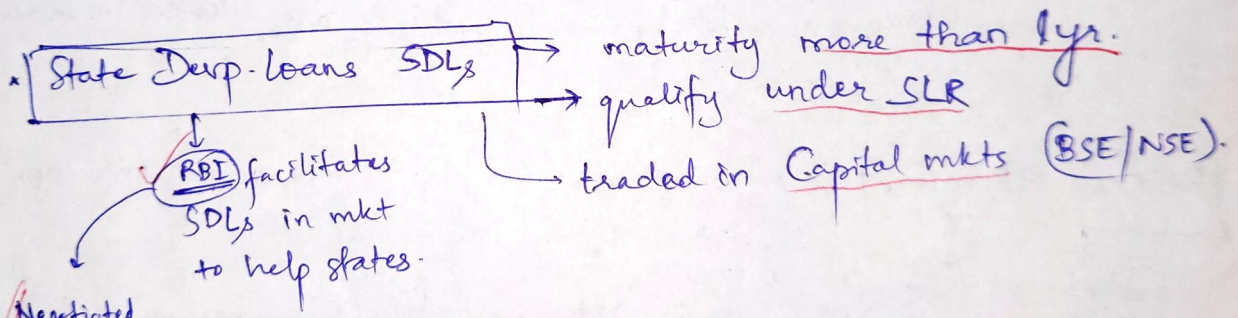
* **Digital Banking Units DBUs** → introduced by RBI
 → 75 DBUs across 75 districts.

↓ completely Digital
 ↓ No physical cash acceptance/dispersal.

↓ cash withdrawal only through ATMs & Cash Deposit machine

• Who can open?
 ↓
 ✓ SCBs (other than RRBs, PBs & LABs) {with past digital experience in banking} in Tier 1 to 6 ⇒ No permission from RBI req.

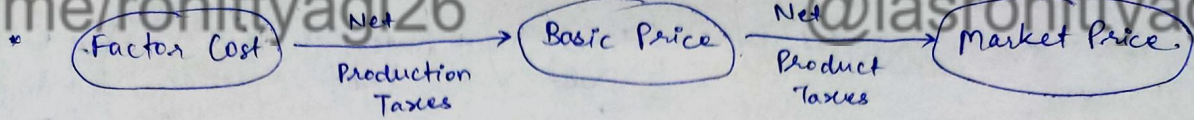
- ✓ Dept of Expenditure → public financial management system
- DIPAM → Strategic disinvestment.
- ✓ Dept of Financial Services → reforms of govt concerning Banking sector, Asset Monetization, Insurance sector, Pension sector, International Banking Relations
- Dept of Eco. Affairs → IES, Annual Financial Statement, multilateral/bilateral engagements with intl. fin. orgs.



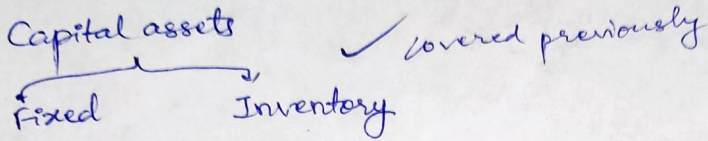
✓ Negotiated Dealing System
Order Matching (NDS-OM)

• Financial Stability Report (FSR) → RBI, biannually
 ↳ assessment of health of financial system.

Global FSR by IMF → semi-annual



* **Investment** → Any addition to capital assets during a year



* **Headline Inflation** = Core Inflation + Food & Fuel inflation

less volatile.

↓

very volatile.

* **NABARD** (Act → 1982 ✓) owned by GoI

→ financial assistance to RRBs.

- ✓ Rural Infra. Devp. Fund (RIDF)
- ✓ Dairy Processing & Infra. Devp. Fund (DIDF)
- ✓ Rural Innovation Fund (RIF)

* **Potential GDP** = level of output that any economy can produce at a constant inflation rate.

↓ assumes

↳ full employment & aggregate demand doesn't exceed aggregate supply.

✓ **OUTPUT GAP** → diff. b/w Potential GDP & Real GDP.

If Output gap **+ve** → economy above sustainable limit

⇓

inflation likely to follow.

* $\boxed{\text{Total Debt Liabilities}} = (\text{Internal Debt}) + (\text{External Debt}) + (\text{Public Acc. Liability}) + (\text{Off-budget Liability})$

T-bills, G-secs: "Domestic Mkt. Borrowings"
 ↓
 ✓ bilateral, multilateral debt.
 ↓
 ✓ National Small Savings scheme
 ↓
 ✓ PSU borrow off-budget

* $\boxed{\text{Public Debt (of GoI)}} = \text{Internal Debt} + \text{External Debt}$

↳ contracted against CFI ✓

* $\boxed{\text{Flow Variables}}$ → measured with reference to a prd. of time

Ex: GDP, investment, expenditure, savings, depreciation, interest, exports, imports, change in inventories, change in money supply, lending, borrowing, rent, profit etc.

$\boxed{\text{Stock Variables}}$ → measured at a particular point of time

Ex: Capital, wealth, external debts, loan, inventories, opening stock, money supply, population etc.

* $\boxed{\text{GDP}}$ → counted: products (new) made within domestic borders

Not counted: Taxes, sale of illegal goods, transfer payments, intermediate goods, bond & share transactions, unpaid services (cooking dinner for family etc)

✓ Imputed rent of self-occupied houses is included in the estimation of National Income.

* Countercyclical fiscal policy → BOOM → ↑ tax, ↓ govt-exp. } Brings stability
 → BUST → ↓ tax, ↑ govt-exp. }

* Pro-cyclical fiscal policy → BOOM → ↓ tax, ↑ govt-exp. } ⇒ Dangerous.
 → BUST → ↑ tax, ↓ govt-exp. }

* RBI - Integrated Ombudsman Scheme (2021)

↳ integrates 3 existing Ombudsman schemes of RBI

- ① Banking Ombudsman Scheme, 2006.
- ② Ombudsman Scheme for NBFCs, 2018.
- ③ Ombudsman scheme for Digital Transactions, 2019.

powers conferred upon RBI from ⇒ Banking Regulation Act 1949, RBI Act 1934, Payment & Settlement Systems Act, 2007.

→ provides cost free redress to customer complaints involving deficiency in services rendered by entities regulated by RBI if not resolved within 90 days.

- Non-scheduled Primary Co-operative Banks with deposit size of ₹ 50 Cr & above also included in the scheme
- Centralised Receipt & Processing Centre set up at RBI, Chandigarh
 → for receipt & initial processing of physical ⇒ email complaints in any language.

* Qualified Institutional Placement (QIP) → FPI = FIJ + QIP

→ a way for listed companies to raise capital, without having to submit legal paperwork to market regulators.

→ saves time, quicker than FPO, much more cost efficient, fewer legal fees, no cost of listing overseas.

Alternative Investment Fund (AIF) → privately pooled investment vehicle that collects funds from sophisticated investors (whether Indian or foreign) for investing it in accordance with a defined investment policy for the benefit of its investors.

→ doesn't include funds covered under SEBI (Mutual Funds) Regulations, 1996, & SEBI (Collective Investment Schemes) Regulations, 1999 or any other regulations of the Board to regulate fund management activities.

→ AIFs → not permitted to make an invitation to the public to subscribe to its securities.

- ✓ Venture Capital Funds
- ✓ Hedge Funds
- ✓ Debt Funds

✓ CSR → Companies Act, 2013.
(Section 135)

①
→ ✓ 2% avg. net profit (preceeding 3 yrs)

- net worth \geq 500 Cr. ✓
- Turnover \geq 1000 Cr. ✓
- Net profit \geq 5 Cr. ✓

cos. required to set up ✓ CSR Committee.

* Domestic Systematically Important Insurers (D-SII_s)

→ insurers of such size, market importance & domestic & global interconnectedness, whose distress/failure would cause a significant dislocation in the domestic financial system.

→ Identified on annual basis by IRDAI

{ currently (2021-22) → LIC, GIC, New India Assurance Co. Ltd. } → ③

* Swiss Challenge Method → without an invitation from govt., a put.

player can submit govt. a proposal to govt. for dep. of an infra project with exclusive IPR. → Put = player initiates the process (not govt).

→ If any proposal is better than proposal of original proponent → org. proponent is asked to match with other proposal. If he fails → then it would be awarded to best bidder

→ KELKAR PANEL (on PPP) → criticised swiss challenge.

✓ Reserve Tranche → portion of required quota of currency each member country must provide to the IMF → emergency → IMF can access without agreeing to conditions or paying a service fee.

✓ Insurance Penetration → contribution of insurance premiums to GDP of country in % terms.

✓ Insurance Density → ratio of total insurance premiums to total population.

✓ Expense Ratio → ratio of total profits of an insurance co. to the amt. of revenue it generates from underwriting insurance

✓ Return on surplus

Expense Ratio → % of premium used to pay all the costs of acquiring, writing and servicing insurance & reinsurance.

* MSME classification.

- Micro: Investment ≤ 1 Cr., Annual Turnover ≤ 5 Cr. } × 10 ✓
- Small: Investment ≤ 10 Cr., Ann. Turnover ≤ 50 Cr. } × 5 ✓
- Medium: Investment ≤ 50 Cr., Ann. Tu ≤ 250 Cr. } × 5 ✓

* Fair & Remunerative Price (FRP) → price declared by govt. which sugar mills are legally bounded to pay to farmers for the cane procured from them.

based on RANGARAJAN COMMITTEE REPORT.

Commission for ^{Prices} Agri Cost & Procurement CACP (advisory) → Not Binding
 ↓ advice to
 Cabinet Committee on Economic Affairs (PM → chair)
 ↓
 declares FRP & MSP.

* PARIS CONVENTION → Protection of Industrial Property (1883).
(includes → patents, GI, trademarks, industrial designs, trade names, service marks, utility models).

* BERNE CONVENTION → Protection of Literary & Artistic Works (1886)

* NICE AGREEMENT → International Classification of Goods and Services for the Purposes of the Registration of Marks

↓
IND. joined in 2019

↓
trademarks
→ service marks.

- ✓ Patent → 20 yrs
- ✓ Artistic work → 50 yrs.

→ Recession → decline in country's real GDP for 2 consec quarters.

Depression → decline in real GDP > 10%.

→ MSP formula →

A2: costs directly incurred by farmer in cash & kind.

A2+FL: A2 plus an imputed value of unpaid family labour

C2: Rentals & interest forgone on owned land & fixed capital assets.

CACP considers both A2+FL and C2 costs while recommending MSP.

→ Swaminathan Commission's formula → C2+50% formula.

↳ raise the MSP to atleast 50% more than the weighted avg. cost of production.

→ Unemployment trap → situation when 'unemployment benefits' discourage the unemployed to go to work ⇒ opportunity cost of going to work too high when one can simply enjoy the benefits by doing nothing
also known as → Poverty Trap.

→ Reflation → situation often deliberately brought by govt. to reduce unemployment & inc demand ⇒ high exp., tax cuts, interest rate cuts etc

→ Market-Based Economic Dispatch (MBED) ⇒ ensure → cheapest electricity generating resources across country are supplied to meet the overall demand ⇒ win-win for both DISCOMs & generators ⇒ savings for consumers
↓
makes DISCOMs (state-owned) dependent on centralised mechanism.

★ Adjusted Gross Revenue (AGR) → fee-sharing mechanism b/w govt & telecoms that shifted to 'revenue-sharing fee' model in 1999 from fixed license fee model.

- ✓ 100% FDI permitted under automatic route in Telecom sector.
- ✓ Spectrum Tenure → 20-30 yrs.
- ✓ Non-Telecom Revenue excluded from AGR.

★ Build-Operate-Transfer PPP BOT.

↳ risk → govt → pvt.

↳ pvt player → 20-30 yrs. concession to finance, build & operate a project.

★ WASHINGTON CONSENSUS → policy reform packages suggested by IMF, WB, USA to developing country facing economic crisis.

↓

- ✓ Liberalization
- ✓ Deregulation
- ✓ Privatization
- ✓ Competition
- ✓ Property rights.

★ BEIJING CONSENSUS → mid 1980s → by China → as alternative to Washington.

↳ experiment & innovation; distributive growth; self-determination & inclusion of selective foreign ideas.

★ SANTIAGO CONSENSUS → for developing countries

↳ socio-economic development model.

FDI in civil aviation →

49% (automatic route), 100% (NRI's automatic route), 100% (auto. route → helicopter services/seaplane services), 100% (auto. routes for Greenfield airport projects).

* Harrod-Domar Model → 1st FYP → inc. investment by increasing savings

Feldman-Mahalanobis model → capital goods sector → Nehru-Mahalanobis model → 2nd FYP.

Leverage Investment Model → higher investment by using borrowed money

* DIPAM takes decisions on Strategic disinvestment based on recommendations from Administrative Ministry, NITI etc

* Greenfield Pvtzn → barriers to entry removed, prt sector encouraged to enter public sectors.

* Gold/Proxy Pvtzn → financial autonomy to seek financial assistance directly from bank/capital market.

* Rapid Credit Facility (RCF) by IMF

↳ provides rapid concessional financial assistance to low-income countries facing an urgent balance of payments need with no ex-post conditionality where a full-fledged economic program is neither necessary nor feasible
↳ created under POVERTY REDUCTION & GROWTH TRUST (PRGT)

* Rapid Financing Instrument by IMF

↳ rapid financial assistance available to any IMF member countries facing an urgent balance of payments need.

BIS Act 2016 → BIS → National Standards Body under Mo Consumer Affairs
Food & PD.

- ISI → industrial products.
- BIS hallmark → gold & silver jewelry.
- Ecomark → env.-friendly products.

◦ IMF → Board of ^{Governors} ~~Directors~~ (highest ^{making} governing body) BOG.

Two ministerial bodies → IM & Financial Committee IMFC } ⇒ advice BOG
Dep. Committee

Weighted vote → USA 16%
India 2.5% } ⇒ resolution req. 85% vote
 ↳ means USA (16% vote) ⇒ VETO.

◦ India → General Insurance cos > Life Insurance cos. ✓
General Ins. Penetration < Life Ins. penetration. ✓