50 Important Topics - 2024	
Scheduled Date	**Subject**
01/04/24	Economy
02/04/24	Science & Technology
03/04/24	Environment & D.M.
04/04/24	Science & Technology
05/04/24	Environment & D.M.
06/04/24	------------
07/04/24	------------
08/04/24	Economy
09/04/24	Science & Technology
10/04/24	Economy
11/04/24	English
12/04/24	International Relations
13/04/24	------------
14/04/24	------------
15/04/24	Geography
16/04/24	Polity & Governance
17/04/24	Polity & Governance
18/04/24	Geography
19/04/24	Polity & Governance
20/04/24	Maths
21/04/24	------------
22/04/24	Reasoning
23/04/24	Environment & D.M.
24/04/24	Social Schemes


PRELIMS PYQ's (2011-2023)
LIVE
MARATHON SESSIONS
ECONOMY
ARVIND SIR
7:12:30
Economy Last 13 Years UPSC Prelims PYQs Solved | Crack UPSC Prelims 2024 with Marathon Session
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Dive into the intricacies of Economy with our comprehensive discussion on UPSC Prelims questions from the last 13 years.

Foreign Portfolio Investment (FPI)

Context

SEBI has recently **extended the deadline for Foreign Portfolio Investors (FPIs) to disclose granular details** of entities holding ownership, economic interest, or control in the FPI.

Foreign Portfolio Investment (FPI)

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Detailed Information

- Earlier, SEBI observed that **some FPIs hold a concentrated portion of their equity portfolio in a single investee company**/ corporate group.
- Such concentrated investments raise the **concern regarding the promoters and FPIs acting in concert to circumvent regulatory requirements** such as need of maintaining Minimum Public Shareholding (MPS) in the listed company, etc.

Foreign Portfolio Investment (FPI)

Detailed Information

- There were **concerns regarding round tripping also**: Round tripping refers to money that leaves a country through various channels and **makes its way back into the country**, through complex financial transactions, **often as foreign investment**.
- This is done mostly to **take advantage of tax loopholes**, or to **circumvent regulatory restrictions** and it mostly involves black money and is **often used for stock price manipulation.**

Foreign Portfolio Investment (FPI)

Detailed Information

- So, in August 2023, SEBI **asked certain FPIs to disclose granular details of all entities** holding any ownership, economic interest, or exercising control in the FPI.
- It applied to those FPIs which were **holding more than 50 per cent of their equity AUM (Assets Under Management) in a single corporate group** or with an overall holding in Indian equity markets of over Rs 25,000 crore.
- Now SEBI has **given more time to FPIs** based on their holdings in such companies.

Foreign Portfolio Investment (FPI)

Background Information on FPIs and FDI

- Foreign portfolio investors are those that **invest funds in markets outside of their home country.**
- FPIs include **stocks, bonds, mutual funds, exchange traded funds, American Depositary Receipts (ADRs), and Global Depositary Receipts (GDRs).**
- They are generally **not active shareholders** and do not exert any control over the companies whose shares they hold.

Foreign Portfolio Investment (FPI)

Background Information on FPIs and FDI

- The passive nature of their investment also allows them to **enter or exit a stock at will and with ease.**
- FPI is often **referred to as "hot money"** because of its tendency to flee at the first signs of trouble in an economy.
- FPI is more liquid, volatile and therefore **riskier than FDI.**
- **Foreign Direct Investment (FDI)** is defined as an investment in which a **company takes controlling ownership of a business entity** in another country.

Foreign Portfolio Investment (FPI)

Background Information on FPIs and FDI

- Therefore, foreign companies get directly **involved with day-to-day operations** in other countries.
- It is **different from foreign portfolio investment (FPI)** where the foreign entity merely buys equity shares of a company.
- **FPI** is more liquid, volatile and therefore **riskier than FDI**.

Evergreening Of Loans

Context

RBI has tightened norms to **prevent evergreening of loans** via investments in AIFs.

Evergreening Of Loans

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Detailed Information

- In a recent order, RBI has **tightened norms for Regulated Entities (RE)** like all banks, all India Financial Institutions and Non-Banking Financial Companies (including Housing Finance Companies) to **prevent evergreening of loans** via investments in Alternative Investment Funds (AIFs).
- However, **still REs can continue investments in units of AIFs** as part of their regular investment operations.

Evergreening Of Loans

Detailed Information

- It has directed that REs shall **not make investments in any scheme of AIFs** which has **downstream investments either directly or indirectly in a debtor company** of the RE.
- In case lenders have aforementioned kind of investments, they have **30 days to liquidate them.**

Evergreening Of Loans

Detailed Information

- If the RE is unable to liquidate its investment in such AIF scheme within thirty (30) days, it must make a 100% provision on such investment in its books of accounts.
- In a circular issued recently in March 2024, the RBI said that its regulated entities (REs) will now be required to make provisioning only to the extent of the amount invested by the AIF scheme in the debtor company and not the entire investment.

Evergreening Of Loans

Background Information on evergreening of loans

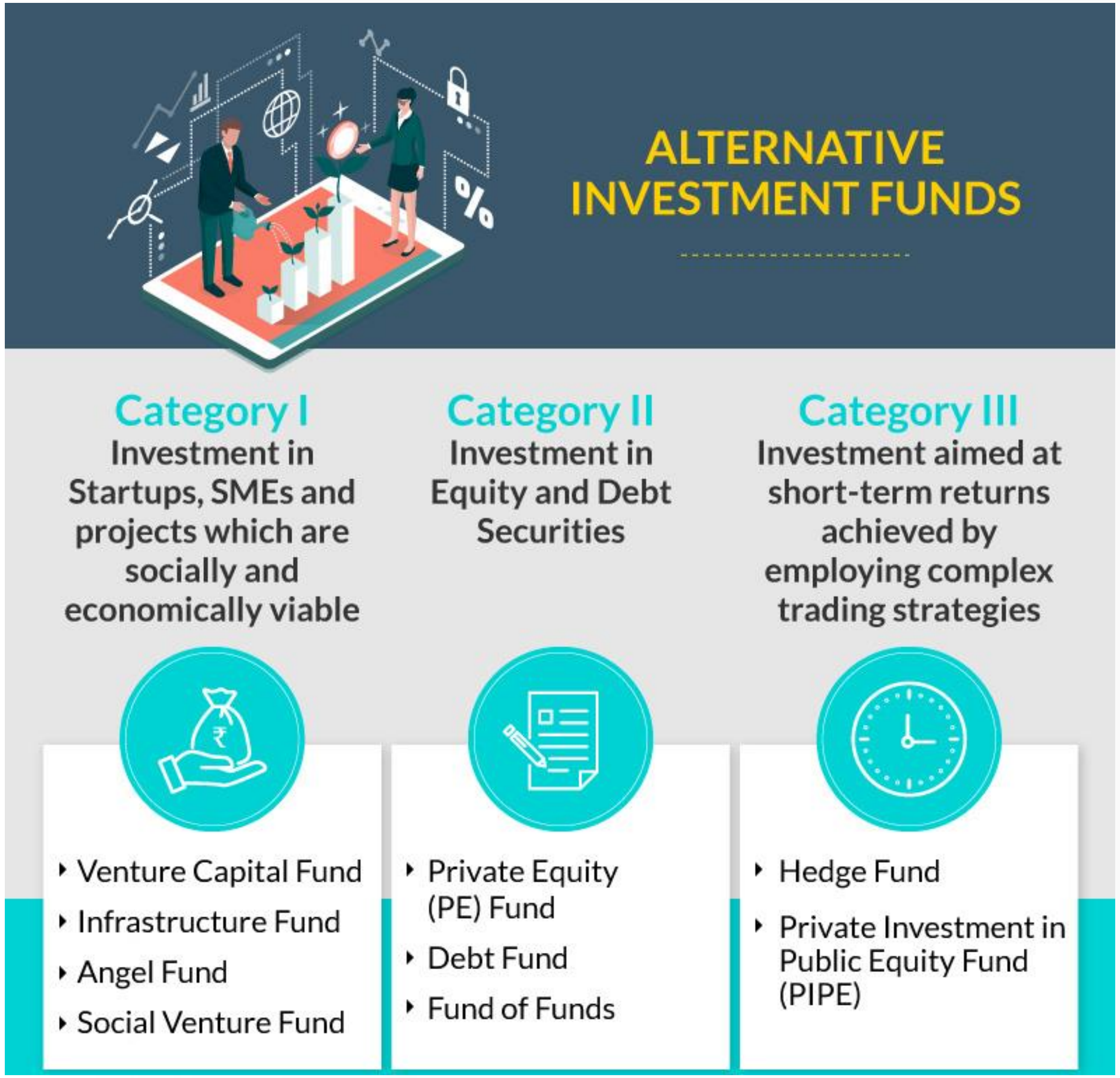
- The evergreening of loans is a term in which banks or similar entities try to **revive a loan that is on the verge of default** by granting **further loans** to the same borrower.
- It involves **granting additional funds** or **rolling over the outstanding debt**, often with modified terms or conditions.

Evergreening Of Loans

Background Information on evergreening of loans

- This is primarily done to **create impression that the borrower is making timely repayments** and maintaining a healthy credit profile.
- It ultimately leads to **undermine the credit discipline** and moral hazard among borrowers.

Evergreening Of Loans



JP Morgan Global Bond Index

Context

JP Morgan Chase & Co announced that it will **include Indian government bonds to its emerging markets bond index** from June 2024.

JP Morgan Global Bond Index

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Detailed Information

- The **JPMorgan Government Bond Index-Emerging Markets (GBI-EM)** indices are comprehensive emerging market debt benchmarks that **track local currency bonds** issued by Emerging market governments.
- The **index was launched in June 2005** and is the first comprehensive global local Emerging Markets index.
- Currently, **23 Indian government bonds with a combined notional value of $330 billion are index eligible.**
- India is expected to reach the maximum weight of 10 per cent in the index.

JP Morgan Global Bond Index

Potential Benefits to India

- **Improved visibility**: India would emerge as a coveted investment destination.
- **Global investments**: The move can potentially attract about $25 billion into the country, as per analyst estimates.
- **More economic stability**: Opening of more investment avenues would lead to a more stable economy.
- **Sectoral growth**: There will be a boost to sectors such as banking, infrastructure, fintech etc.

JP Morgan Global Bond Index

Risks with the inclusion in Index

- **Risk of capital flight**: As passive investors follow various indices, so there is risk of capital flight if index falls in a short period.
- **Dependency on foreign funds**: This may make Indian market more volatile.
- **Rupee depreciation**: Capital inflow may also lead to **increased current account deficit** and rupee depreciation.

What is DTAA?

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DTAA is an agreement which has been signed between India and other countries, by which, an individual earning an income in another country while being a resident of another country does not have to pay two (double) taxes on the same income.

The rates and rules of DTAA vary from country to country depending upon the particular memorandum signed between both parties.

Section 90 and 90A of the Act are two such provisions that allow taxpayers to claim relief in cases where their income is taxed in both India and another country.

DTAA (Recent Issue)

India's bilateral DTAAs with the Netherlands, France, and Switzerland

Imposing a 10% withholding tax

Later: Treaties with Slovenia, Lithuania and Colombia

Imposing a 5% withholding tax

MFN Clause invoked by Dutch, French and Swiss businesses

Delhi HC: Agreed with Businesses

Overturned by Supreme Court

No "automatic" application of a lower tax rate under the MFN

What did Supreme Court Say?

Apex court said, a notification under Section 90(1))of the Income tax Act) is necessary and a mandatory condition for a court, authority, or tribunal to give effect to a (Double Taxation Avoidance Agreement).

Since the ruling has been delivered while setting the tone of interpretation of MFN clauses, it is likely that the tax department may open past years through issuing notices for TDS assessment.

Companies such as Nestle SA (the parent company of Nestle India) may have to face demand for higher taxes on dividend.

Most Favoured Nation

- Under the World Trade Organisation (WTO) agreements, **countries cannot normally discriminate between their trading partners**.
- If any country grants one country a special favour such as a lower customs duty rate for one of their products the **same would need to be extended to all other WTO members**.
- This principle is known as **most-favoured-nation** (MFN) treatment.

MFN is so important a principle that it is –

- The first article of the General Agreement on Tariffs and Trade (GATT), which governs trade in goods.
- MFN is also a priority in the General Agreement on Trade in Services (GATS) (Article 2)

Most Favoured Nation

- MFN is also a priority in Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (Article 4).

Together, those three agreements cover all three main areas of trade handled by the WTO.

However, there may be some cases of exceptions:

- Regional Economic Integrations: **Lower or eliminated tariffs among the group members** may be set, thereby discriminating against outside the group WTO members. For example, ASEAN, NAFTA, etc.
- **Special access to developing countries** in the trade market (say, through lowered or zero tariffs).
- A **country can raise barriers** against the products that are considered to be traded unfairly from specific countries.
- Under **security exception** clause.

Urban Co-Operative Banks

Context

RBI has recently **notified four key measures** with the aim to strengthen Urban Co-operative Banks.

Urban Co-Operative Banks

Detailed Information

The Ministry of Cooperation said that **four important initiatives have been taken** to strengthen 1,514 Urban Co-operative Banks (UCBs) in the country.

These steps include:

- **New Branches: UCBs can now open new branches up to 10 per cent** (maximum 5 branches) of the number of branches in the previous financial year without prior approval of RBI in their approved area of operation.

Urban Co-Operative Banks

Detailed Information

- **One-Time Settlement: UCBs can also do One-Time Settlements** at par with commercial banks.
- **Priority Sector Lending (PSL): Extension of timeline by two years** (until March 31, 2026) to achieve PSL targets. Deadline of March 31, 2023 to achieve PSL target of 60% has now also been extended to March 31,2024.
- **Designating Nodal Officer in RBI**: Appointment of a Nodal Officer in RBI for closer coordination and focused interaction.

Infrastructure Debt Fund-NBFCS (IDF-NBFCS)

Infrastructure Debt Fund-NBFCs (IDF-NBFCs)

- An **IDF-NBFC is a company registered as NBFC** to facilitate the flow of long- term debt into infrastructure projects.
- These entities play a crucial role in **financing large-scale infrastructure projects** in sectors like transportation, energy, and telecommunications.
- They are **permitted to refinance infrastructure projects** that have completed at least one year of commercial operations.
- They can **also take up financing the Toll-Operate-Transfer (TOT) projects** as a direct lender.

Infrastructure Debt Fund-NBFCS (IDF-NBFCS)

New Guidelines

- Infrastructure Debt Fund-NBFCs (IDF-NBFCs) will now be **required to have a net owned fund (NOF) of at least Rs 300 crore.**
- Also, they need to have a capital-to-risk weighted assets ratio **(CRAR) of minimum 15 per cent (with minimum Tier 1 capital of 10 per cent).**
- **Capital Adequacy Ratio**, also known as **capital-to-risk weighted assets ratio (CRAR)** is a measure of a bank's available capital expressed as a percentage of a bank's risk-weighted credit exposures.

Infrastructure Debt Fund-NBFCS (IDF-NBFCS)

New Guidelines

- IDF-NBFC shall raise resources through **issue of rupee or dollar-denominated bonds of minimum 5-year maturity.**
- They can raise **funds up to 10 per cent of their total outstanding borrowings** through shorter tenor bonds and commercial papers (CPs) from the domestic market.
- Under the **earlier** guidelines, an **IDF-NBFC was required to be sponsored by a bank** or an NBFC-Infrastructure Finance Company (NBFC-IFC).

Infrastructure Debt Fund-NBFCS (IDF-NBFCS)

New Guidelines

- The requirement of a sponsor for an IDF-NBFC has **now been withdrawn** and shareholders of IDF-NBFCs would be subjected to scrutiny as applicable to other NBFCs.
- Now, **all NBFCs would be eligible to sponsor IDF-MFs** with prior approval of RBI subject to certain conditions.

Infrastructure Debt Fund-NBFCS (IDF-NBFCS)

Need of such revision in guidelines

- Revision has been undertaken in order to **enable IDF-NBFCs play a greater role in financing of the infrastructure** sector.
- To **harmonise the regulations** governing financing of infrastructure sector by NBFCs.

Greenwashing and GFIN

Context

The Reserve Bank of India (RBI) will be participating in **the Global Financial Innovation Network's (GFIN) Greenwashing TechSprint**.

Greenwashing and GFIN

Analysis for Prelims

Detailed Information

- The Greenwashing TechSprint of GFIN aims at **addressing concerns over exaggerated, misleading, or unsubstantiated claims** related to environmental, social, and governance (ESG) credentials.
- GFIN comprises **over 80 international organisations** that support financial innovation in the interest of consumers.
- The **RBI will be one of the 13 foreign regulators** participating in the Greenwashing TechSprint hosted by GFIN.
- The RBI has **invited Indian firms** to participate in the TechSprint.

Greenwashing and GFIN

Analysis for Prelims

Background Information on Greenwashing and GFIN

- **Global Financial Innovation Network (GFIN)** was formally launched in January 2019 by an international group of **financial regulators and related organisations**.
- The GFIN is a network of over 80 organisations committed to **supporting financial innovation in the interests of consumers.**

Greenwashing and GFIN

Analysis for Prelims

- It seeks to provide a **more efficient way for innovative firms** to interact with regulators, helping them navigate between countries as they look to scale new ideas.
- This includes the ability to apply to join a pilot for **firms wishing to test innovative products, services or business models** across more than one jurisdiction.
- The GFIN also aims to create a **new framework for co-operation between financial services regulators on innovation** related topics, sharing different experiences and approaches.

Greenwashing and GFIN

Analysis for Prelims

- It **also works to prevent Greenwashing** which is the process of **conveying a false impression or misleading information** about how a company's products are environmentally sound.
- Greenwashing **involves making an unsubstantiated claim** to deceive consumers into believing that a company's products are environmentally friendly or have a greater positive environmental impact than they actually do.

FMS Economy Playlist

Premix Economy Playlist

Banking System Liquidity Deficit

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Detailed Information

The **liquidity**, as reflected by the amount of money injected by the RBI into the system, **stood at Rs 23,644.43 crore** on August 21.

Banking System Liquidity Deficit

Reasons of the deficit in liquidity

- The recent decision of the RBI to **increase CRR requirement** has taken out Rs 1.1 lakh crore of liquidity.
- Earlier this month, the RBI mandated banks to **maintain an incremental cash reserve ratio (I-CRR) of 10 per cent** on the increase in their net demand and time liabilities (NDTL) between May 19, 2023, and July 28, 2023, effective August 12.
- The temporary move was aimed at managing the liquidity overhang generated due to the return of Rs 2,000 banknotes to the banking system.

Banking System Liquidity Deficit

Reasons of the deficit in liquidity

- **Recent selling of dollars by the central bank**: RBI has been selling dollars to defend the rupee which has come under pressure due to the rise in the US bond yields and decline in the Chinese Yuan.
- There are **tax payments which are due**.
- **Recent pick up in government spending**.
- RBI's **surplus transfer to the government**: Reserve Bank of India had approved the transfer of **Rs 87,416 crore as surplus, or dividend**, to the Union Government for the accounting year 2022-23.

Banking System Liquidity Deficit

Impacts of limited liquidity in near future

- It led to **increase in the overnight call money market rates**, which hardened, going beyond the marginal standing facility (MSF) rate of 6.75 per cent.
- However, **overall the liquidity will remain under stress as in second half of the year**, there will be an **increase in currency in circulation** and a **pick-up in industrial activity**.
- Banks may **increase short-term deposit rates** in case shortage of funds continues.

Banking System Liquidity Deficit

Background Information on banking system liquidity

- **Liquidity** in the banking system refers to **readily available cash** that banks need to meet short-term business and financial needs.
- On a given day, if the **banking system is a net borrower from the RBI** under Liquidity Adjustment Facility (LAF), the system **liquidity can be said to be in deficit**.
- On the other hand, if the **banking system is a net lender** to the RBI, the system liquidity can be **said to be in surplus**.
- The LAF refers to the RBI's operations through which it injects or absorbs liquidity into or from the banking system.

Self-Reliant India Fund

Context

Minister of State for Micro Small and Medium Enterprises said that under the **Self Reliant India (SRI) Fund more than Rs. 4800 crore has been released to the MSMEs** in the country.

Self-Reliant India Fund

Detailed Information

- During the covid crisis, as part of the Aatmanirbhar Bharat package, **Rs 50,000 crore Equity infusion for MSMEs through Fund of Funds was announced**.

- In pursuance of the above, a **self Reliant India (SRI) Fund** was set up to infuse **Rs. 50,000 crore as equity funding in those MSMEs** which have the **potential and viability to grow and become large units**.

Self-Reliant India Fund

Detailed Information

- Under this Fund of Rs. 50,000 crore, there is a provision of **Rs.10,000 Crore from the Government of India** and **Rs.40,000 Crore through Private Equity / Venture Capital** funds.
- Since inception in 2021, **total equity infusion under the SRI Fund for MSME reached to Rs. 4,885 crore,** including the Government of India contribution of Rs. 530 crore.
- SRI fund operates through a mother-fund and daughter-fund structure for equity or quasi-equity investments.

Self-Reliant India Fund

Detailed Information

- NSIC Venture Capital Fund Limited (NVCFL) which operates as Mother Fund in SRI Fund implementation, was registered as a Category-II Alternative Investment Fund (AIF) with SEBI, on 1st September, 2021.

‘Leniency Plus’ Norms By CCI

Context

The **Competition Commission of India (CCI)** has released the **draft of revised lesser penalty regulations** that provides for **introduction of a “leniency plus” programme**, a new cartel detecting tool.

‘Leniency Plus’ Norms By CCI

Detailed Information

- The CCI has released the draft of **'revised lesser penalty regulations'** with the aim of countering the **practice of cartelization**.
  - **Cartelization** is when enterprises **come together illegally to fix prices**, indulge in bid rigging, or share customers, etc.

‘Leniency Plus’ Norms By CCI

Detailed Information

- It includes the **“Leniency Plus” regime** which allows the commission to give an **additional** waiver of penalties to an applicant who discloses the existence of **another cartel** in an **unrelated** market, provided the information enables the Commission to form a prima facie opinion about the existence of the cartel.
- The regime is expected to **further incentivise applicants to come forward** with disclosures regarding multiple cartels.

'Leniency Plus' Norms By CCI

Detailed Information

- It would enable the CCI to **save time and resources** on cartels investigation.
- The current **Competition Act 2002 already has a leniency programme**, which allows companies that provide sufficient information **about a cartel in which they have participated** to receive partial immunity from penalty.
- Under the existing framework, CCI may impose a **lesser penalty on a person involved** in a cartel if such person has made a full and true disclosure in respect of alleged violations.

'Leniency Plus' Norms By CCI

Detailed Information

- Under **'Leniency Plus', a cartelist who is cooperating with CCI for leniency**, can disclose the existence of **another** cartel in an **unrelated** market in the course of original leniency proceedings in exchange for an **additional reduction** in penalty.
- This could allow an enterprise to secure a **significant additional reduction** in penalty and enable the CCI to bust cartels in multiple markets.

Amendments In Electricity Rules

Introduction of Time of Day (ToD) Tariff

- Rather than being charged for electricity at the same rate at all times of the day, the **price for electricity will vary according to the time of day.**
- **Tariff during solar hours** (duration of eight hours in a day as specified by the State Electricity Regulatory Commission) of the day **shall be 10%-20% less than the normal tariff.**
- While the tariff **during peak hours will be 10 to 20 percent higher**.

Amendments In Electricity Rules

Introduction of Time of Day (ToD) Tariff

- These will be applicable **all consumers except agricultural** consumers.
- Since solar power is cheaper, the tariff during the solar hours will be less.
- During **non solar hours thermal and hydro power as well as gas based capacity is used** – their costs are higher than that of solar power – this will be reflected in Time of Day Tariff.
- Most of the **State Electricity Regulatory Commissions (SERCs) have already implemented ToD tariffs**, for large Commercial and Industrial (C&I) category of consumers in the country.

Amendments In Electricity Rules

Rationalization Of Smart Metering Provisions

- To avoid inconvenience / harassment of the consumers, government has decided that **post installation of a smart meter, no penal charges will be imposed** on a consumer based on maximum demand recorded by the smart meter for the period before installation date.
- **Load revision procedure has also been rationalized** in a way that maximum demand shall be revised upwards only if sanctioned load has been exceeded at least three times in a financial year.

Electricity (Amendment) Rules, 2024

Detailed Information

- Government has **notified the Electricity (Amendment) Rules**, under the aegis of the Electricity Act, 2003.
- **Relaxation of licence requirement**: The rules now allow consumers which have specified energy load and Energy Storage Systems (ESS) to establish, operate and maintain their dedicated transmission lines themselves without the requirement of licence.

Electricity (Amendment) Rules, 2024

Detailed Information

- This rule covers those **companies/person who have load more than 25 megawatt and 10 megawatt** on inter-state and intra-state transmission network.
- This would enable **emergence of a new category of bulk consumers**, benefiting from more affordable electricity and enhanced grid reliability.

Electricity (Amendment) Rules, 2024

Detailed Information

- **Rationalisation of Open Access (OA) charges**: It provide for **new methodologies for determining various OA charges** like wheeling charges, state transmission charges and additional surcharge.
  - Rationalisation of OA charges will **lead to faster adoption of renewable energy** by industry, thus reducing emissions.

Electricity (Amendment) Rules, 2024

Detailed Information

- **Open access charges:** These are levied by power distribution companies (discoms) on those consumers which **buy electricity from any other source**.
- **Issues faced regarding the OA charges**: These charges were capped by the union ministry of power but the discoms started levying variety of other charges such as additional surcharge.

Electricity (Amendment) Rules, 2024

Detailed Information

- **New rules also state that the electricity tariff shall be cost reflective** and there shall not be any gap between **approved Annual Revenue Requirement** and **estimated annual revenue** from approved tariff except under natural calamity conditions.
  - Such **gap, created if any, shall not be more than three percent** of the approved Annual Revenue Requirement.

Electricity (Amendment) Rules, 2024

Background Information on Central Electricity Regulatory Commission (CERC)

- It is a **statutory body** functioning with quasi-judicial status under the **Electricity Act 2003**.
- It **was setup in 1998** primarily to regulate the tariff of Power Generating companies in the country.
- It aims to **promote competition, efficiency and economy in bulk power markets**, improve the quality of supply, promote investments and advise government on reforms needed in the power sector.