Reserve Bank of India

- The Reserve Bank of India (RBI) is the central bank and supreme monetary authority of India.
- RBI was established in April 1935 with its central officeat Calcutta under the RBI Act, 1934.
- Now it has its headquarters at Mumbai and four local boards at Kolkata, Delhi, Chennai and Mumbai.
- RBI was established, with `5 crore as its capital, as a private shareholders' bank.
- RBI was nationalised on January 1, 1949.

Functions of RBI

- It acts as a central bank of India.
- It acts as a banker to the central and state governments.
- It announces the annual policy statement (earlier known as monetary and credit policy) to take care of monetary, credit, and other policy aspects of the economy.
- It acts as an advisor to the government.
- It acts as a banker’s bank and supervisor.

- It acts as the controller of money supply and credit.
- It manages foreign exchanges.
- It collects and publishes all monetary and banking data.
- It promotes commercial banking, rural (agricultural) credit, industrial finance and export finance.
- It issues currency.
- It acts as *Central Clearing House for inter-bank* transactions.

Printing of Securities in India

- 1. Indian Security Press, Nasik Postal & Judicial Stamps, Bonds, NSC, Kisan Vikas Patra etc.
- 2. Security Paper Mill, Hoshangabad Paper for currency and other securities
- 3. Bank Note Press, Devas (M.P.) Bank Notes
- 4. Currency Note Press, Nasik Bank Notes
- 5. Security Printing Press, Hyderabad Postal and Excise Duty Stamps
- 6. Modernised Currency Notes Press Mysore (Karnataka) and Salboni (West Bengal)

Scheduled Banks

- Scheduled Banks are those banks which are included in the second schedule of the RBI Act, 1934.

- These banks shall fulfil the following conditions:
- (a) At least `5 lakh (now revised to `1000 crore as per Damodaran committee) as paid-up capital
- (b) Any activity of the bank shall not be derogatory to the interest of the depositors.

Non Scheduled Banks

Coastal Local Area Bank Ltd (Vijayawada, AP), Capital Local Area Bank Ltd (Phagwara, Punjab), Krishna Bhima Samruddhi Local Area Bank Ltd (Mahbubnagar, Telangana), Subhadra Local Area Bank Ltd (Kolhapur, Maharashtra) are the only Non-Scheduled Banks in India.

Nationalised Banks

The first nationalisation of banks took place on 19th July 1969. It included 14 large commercial banks which had reserves of more than `50 crore.

- The second nationalisation took place on April 15, 1980 of those banks which were having reserves of more than 200 crores.

19 Nationalised Banks:

1. Allahabad Bank 2. Andhra Bank
3. Bank of Baroda 4. Bank of India
5. Bank of Maharashtra 6. Canara Bank
7. Central Bank of India 8. Corporation Bank
9. Dena Bank 10. Indian Bank
11. Indian Overseas Bank 12. Oriental Bank of Commerce
13. Punjab & Sind Bank 14. Punjab National Bank
15. Syndicate Bank 16. UCO Bank
17. Union Bank of India 18. United Bank of India
19. Vijaya Bank

Demand

- The demand for a commodity is the amount of it that a consumer will purchase or will be ready to take off from the market at various given prices during a specified time period.

The Law of Demand

- According to the law of demand, other things being constant, if the price of a commodity falls, its quantity demanded will rise, and if the price of the commodity rises, its quantity demanded will decline.
- Thus, there is an inverse relationship between the price and the quantity demanded, other things remaining the same.

Assumptions of Law of Demand

- 1. There should be no change in the price of related goods (substitutes and complements).
- 2. There should be no change in the income of the consumer.
- 3. There should be no change in the taste, preferences and habits of the consumer.
- 4. There should be no change in the number of family members, weather, etc.

Determinants of Demand

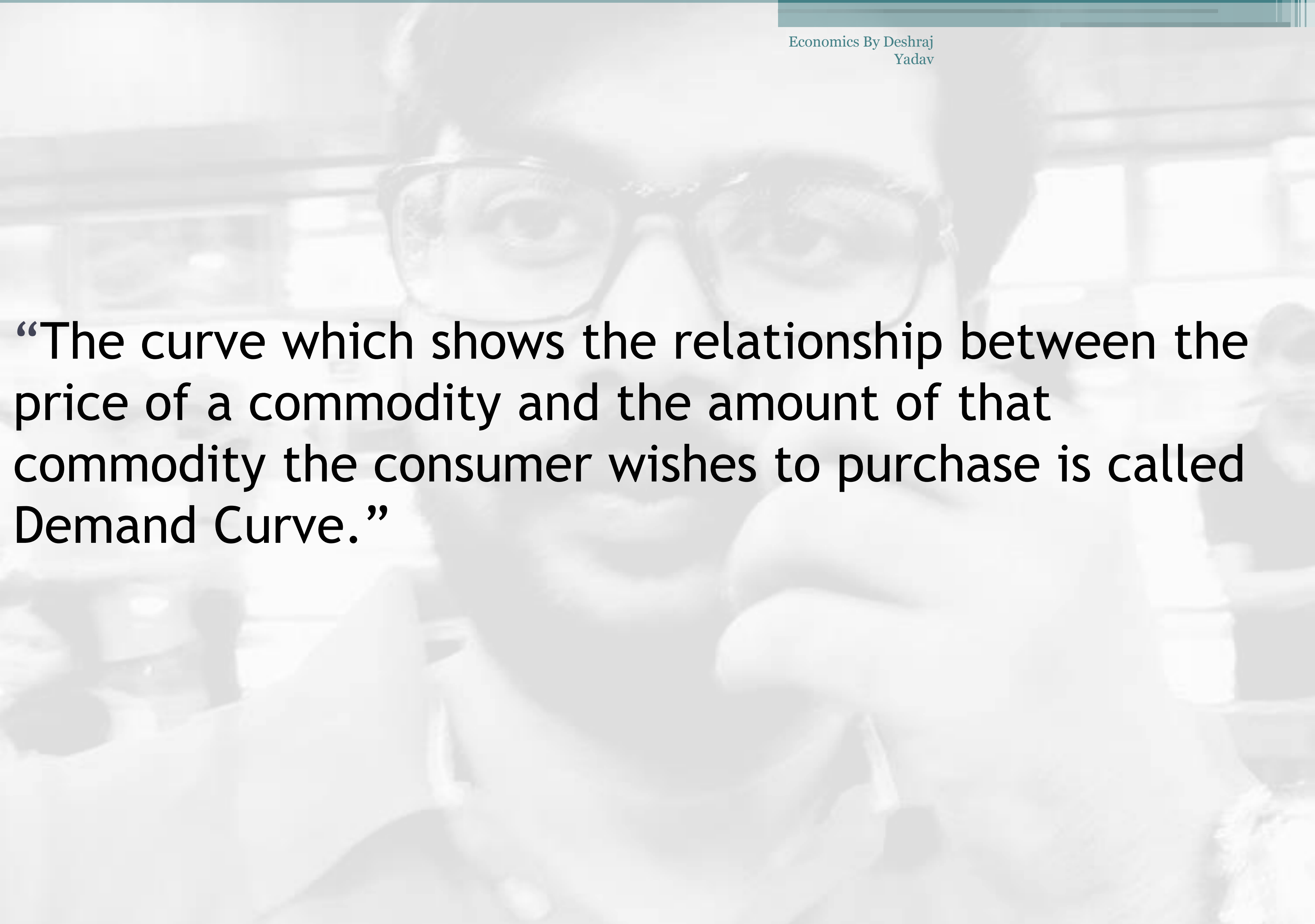
- 1. Price of the Commodity
- 2. Tastes and Preferences of the Consumers
- 3. Incomes of the People
- 4. Changes in Prices of Related Goods
- 5. The number of consumers in the market
- 6. Changes in propensity to consume

Types of Demand

- Individual and Market Demand
- Industry Demand and Company Demand
- Autonomous Demand and Derived Demand
- Joint and Rival Demand

Individual Demand Schedule for Product X

Price of X (per unit in pkr)	Quantity Demand (per month in units)
150	200
200	10
250	60
300	40
350	20



"The curve which shows the relationship between the price of a commodity and the amount of that commodity the consumer wishes to purchase is called Demand Curve."

Determination of Market Demand					
Price of P (per unit in pkr)	Individual Demand (per day)				Market Demand (per day)
	Bilal	Ahmad	Atif	Zeeshan	
30	2	3	1	3	9
25	4	5	4	4	17
20	6	8	6	6	26
15	7	9	7	8	31

Derived Demand

Joint Demand

Reasons for Law of Demand

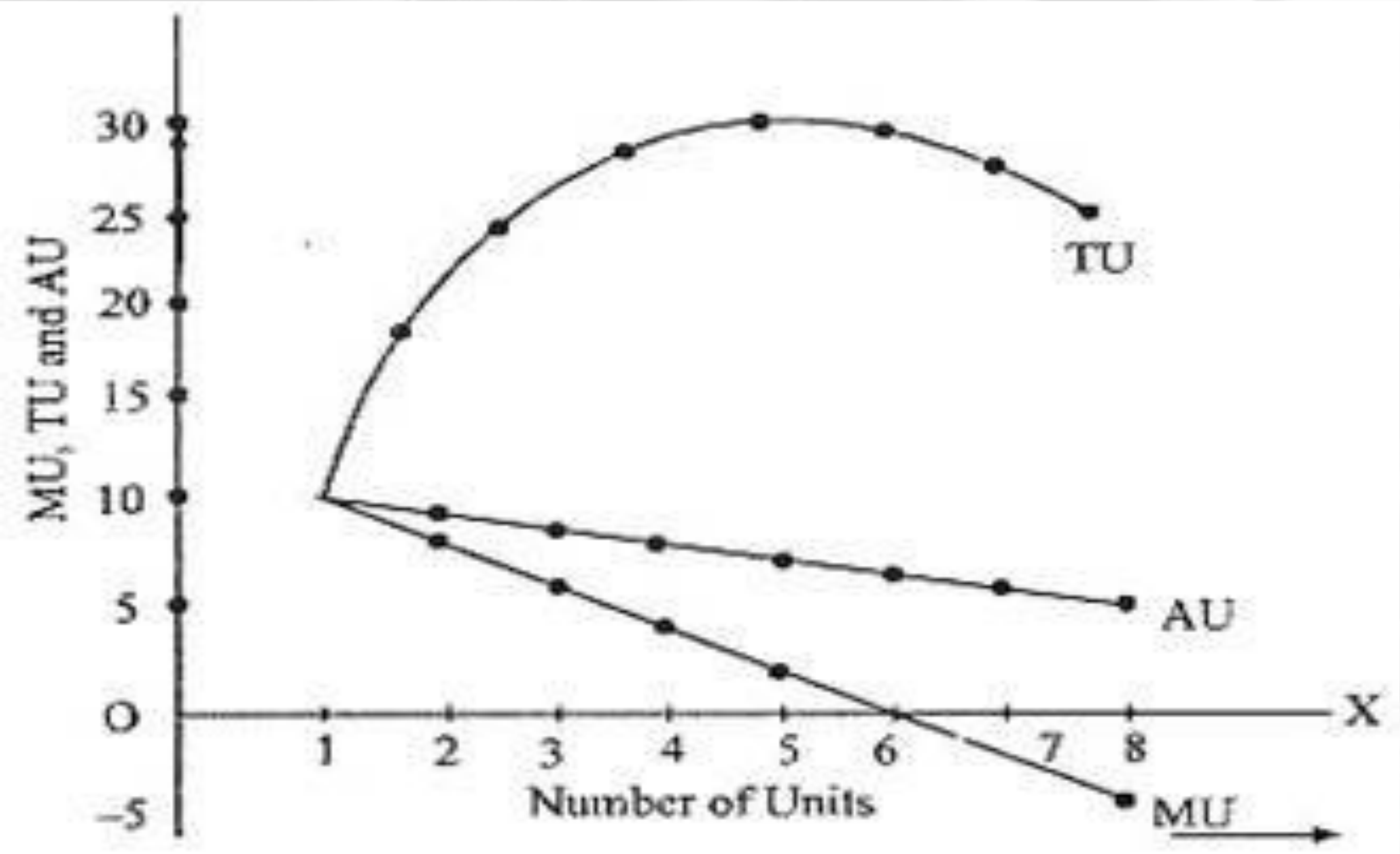
- Substitution Effect
- Income Effect
- Additional Customers
- Different Uses
- Law of Diminishing Marginal Utility

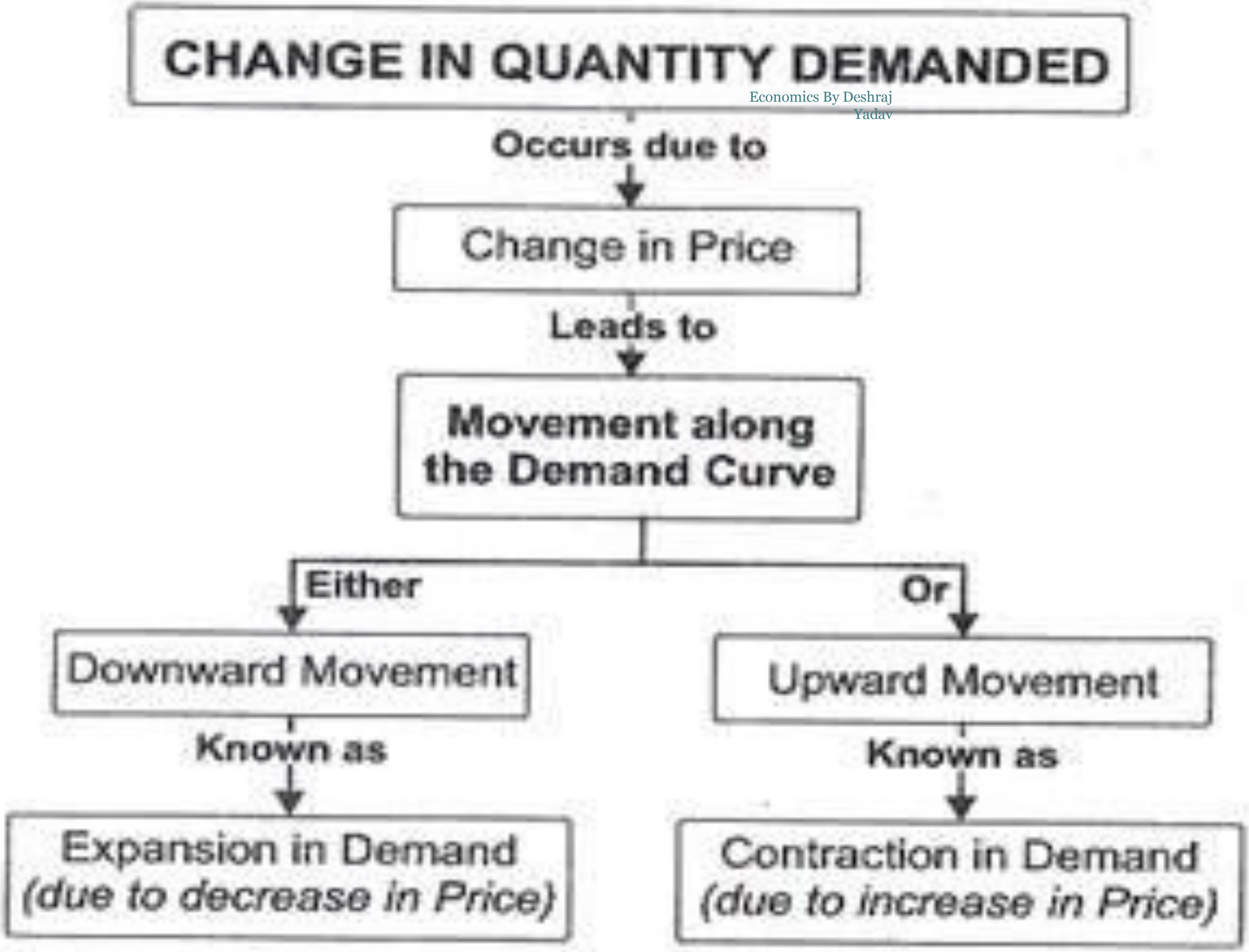
Utility

- The simple meaning of 'utility' is 'usefulness'. In economics utility is the capacity of a commodity to satisfy human wants.

- Utility is the quality in goods to satisfy human wants. Thus, it is said that "Wants satisfying capacity of goods or services is called Utility."

Units of Commodity	Total Utiliy (Units)	Marginal Utility (Units)
1st glass	12	12
2nd glass	21	9
3rd glass	27	6
4th glass	30	3
5th glass	30	0
6th glass	27	-3


MU, TU and AU
30
25
20
15
10
5
O
–5
1
2
3
4
5
6
7
8
X
Number of Units
TU
AU
MU

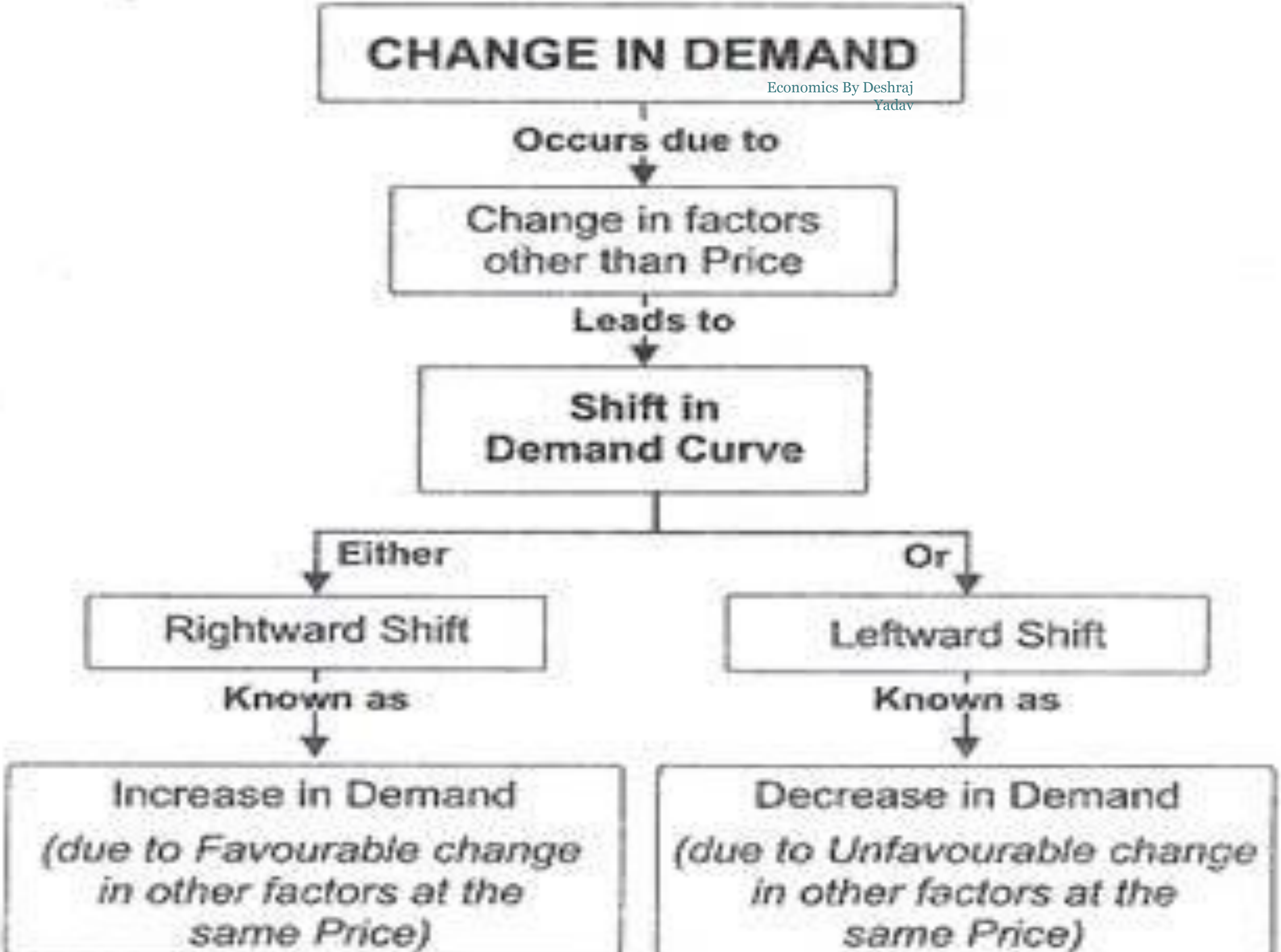

CHANGE IN QUANTITY DEMANDED
Occurs due to
Change in Price
Leads to
Movement along the Demand Curve
Either
Or
Downward Movement
Upward Movement
Known as
Known as
Expansion in Demand (due to decrease in Price)
Contraction in Demand (due to increase in Price)

Individual Demand Schedule for Product X	
Price of X (per unit in pkr)	**Quantity Demand (per month in units)**
150	200
200	10
250	60
300	40
350	20

Individual Demand Schedule for Product X	
Price of X (per unit in pkr)	**Quantity Demand (per month in units)**
150	200
200	10
250	60
300	40
350	20

Shift in Demand

- The demand for a product changes due to an alteration in any of the following factors:
- Price of complementary goods
- Price of substitute goods
- Income
- Tastes and preferences
- An expectation of change in the price in future
- Population


CHANGE IN DEMAND
Occurs due to
Change in factors other than Price
Leads to
Shift in Demand Curve
Either
Or
Rightward Shift
Leftward Shift
Known as
Known as
Increase in Demand
(due to Favourable change in other factors at the same Price)
Decrease in Demand
(due to Unfavourable change in other factors at the same Price)

Individual Demand Schedule for Product X	
Price of X (per unit in pkr)	**Quantity Demand (per month in units)**
150	200
200	10
250	60
300	40
350	20

Exceptions to the Law of Demand

- Giffen Goods
- Goods of ostentation: Status symbol goods arepurchased not because of their intrinsic value but because of status or prestige value
- Necessities
- Ignorance
- Future Goods

Concept of Supply

- **The meaning of supply**

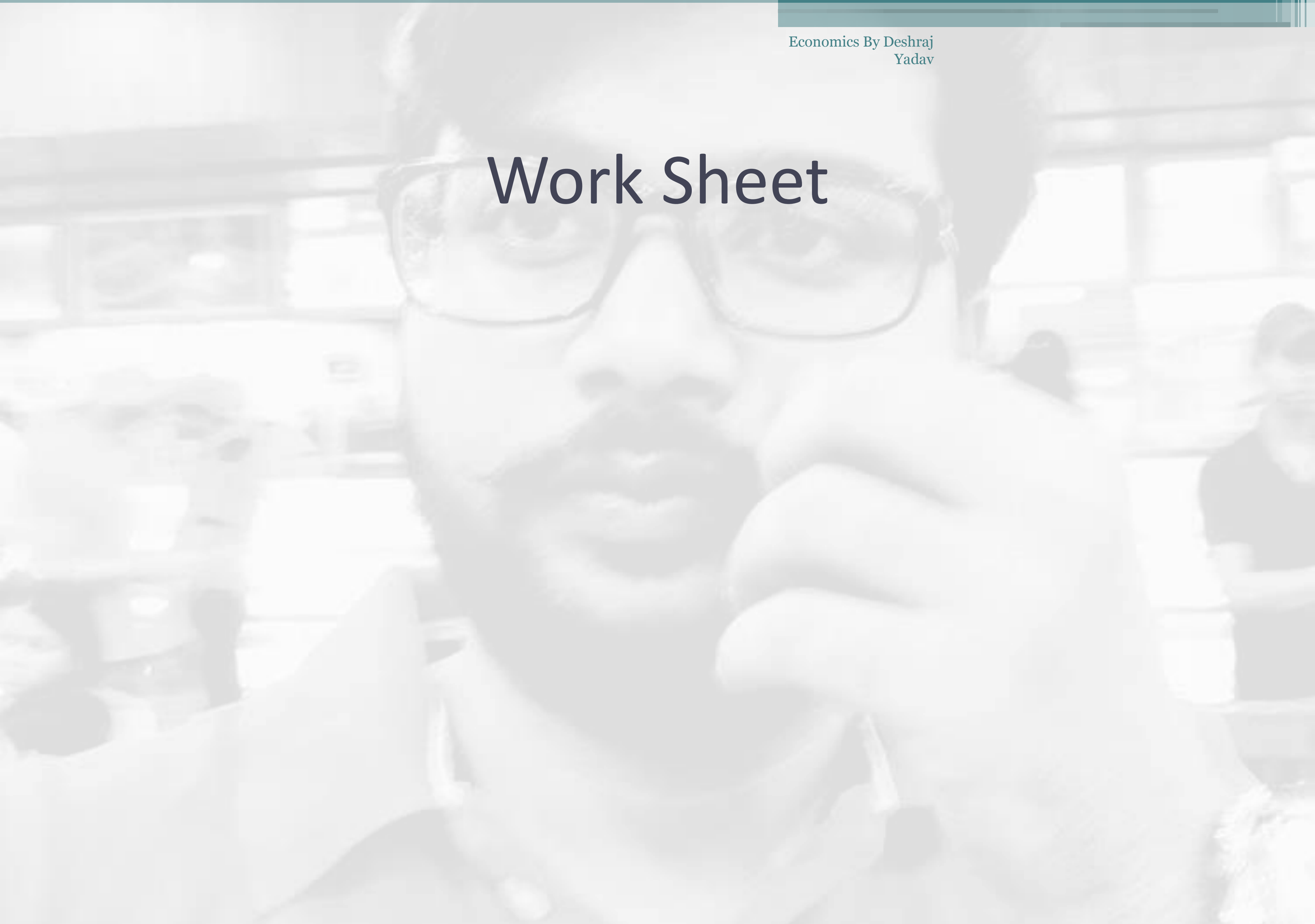
Supply refers to the schedule of the quantities of goods that will be offered for sale at various prices.

- **There are two important aspects of supply:**

Supply refers to what is offered for sale and not what is finally sold.

Supply is a flow. Hence, it is a certain quantity per day or week or month, etc.

Work Sheet



Law of supply

- The law of supply relates to functional relationship between the price of a commodity and its supply.
- The quantity supplied generally varies directly with price. That is, the higher the price, the larger the quantity supplied.
- According to the law of supply, when the price of a commodity rises, the quantity supplied of it in the market increases, and when the price of a commodity falls, its quantity supplied decreases, other factors determining supply remaining the same. Thus, according to the law of supply, the quantity supplied of a commodity is directly or positively related to its price.

Determinants of Supply

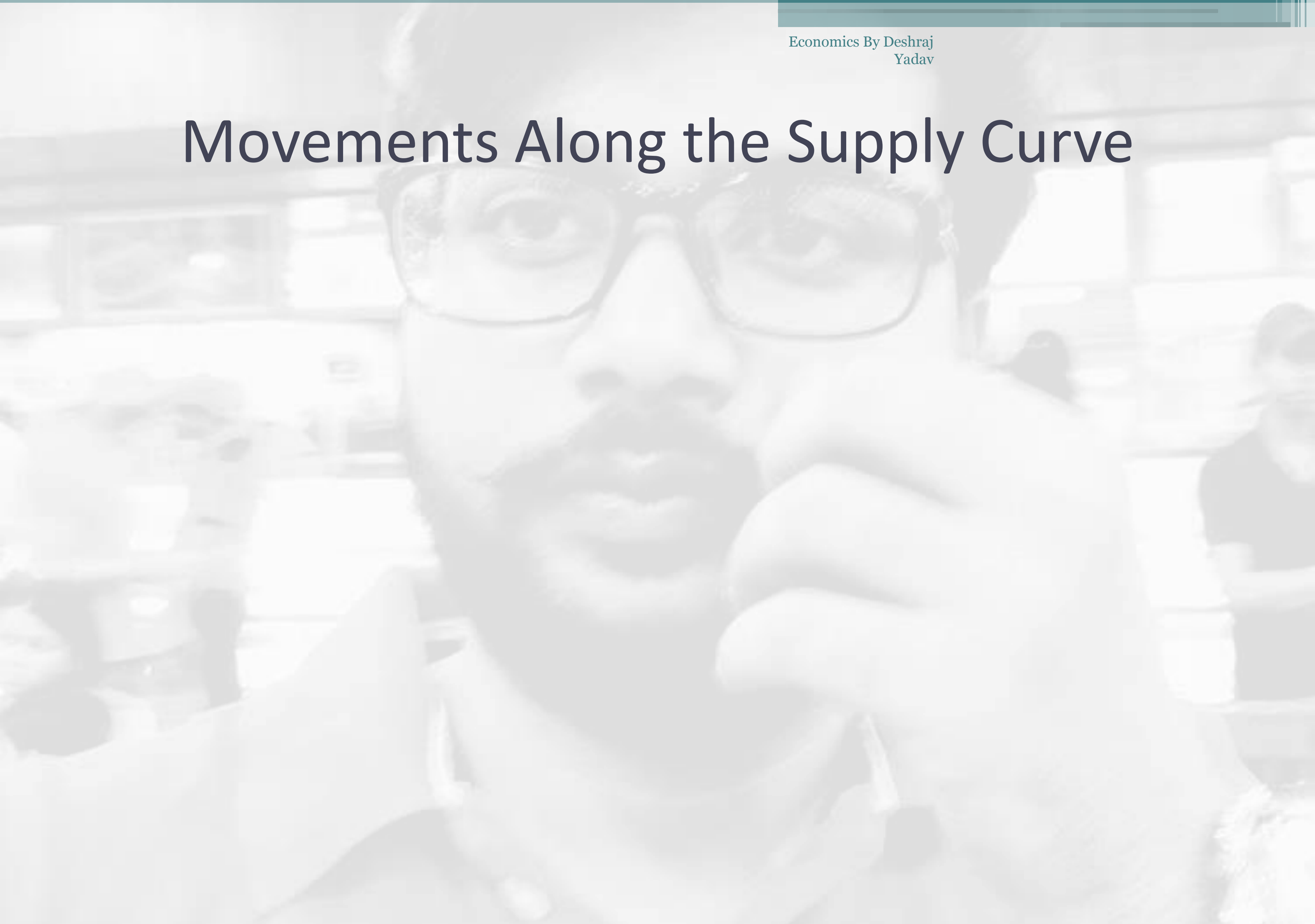
- Price of the Good/ Service
- Price of Related Goods
- Price of the Factors of Production
- State of Technology
- Government Policy

Factors that impact the demand for a product include

- Peoples income
- Price of the product
- Government Intervention (think sugar taxes)
- Price of a competitor’s product
- Price of complementary product
- Price of substitute products
- Change in consumer preferences

Basis	Change in Supply	Change in Quantity Supplied
Meaning	Assume that the price remain constant, there is change in the supply because of change in other variables such as technological change, input prices, unit tax and price of other related goods.	Assume that other variables remain constant, there is a change quantity supplied because of the change in the own price of a good.

Movements Along the Supply Curve

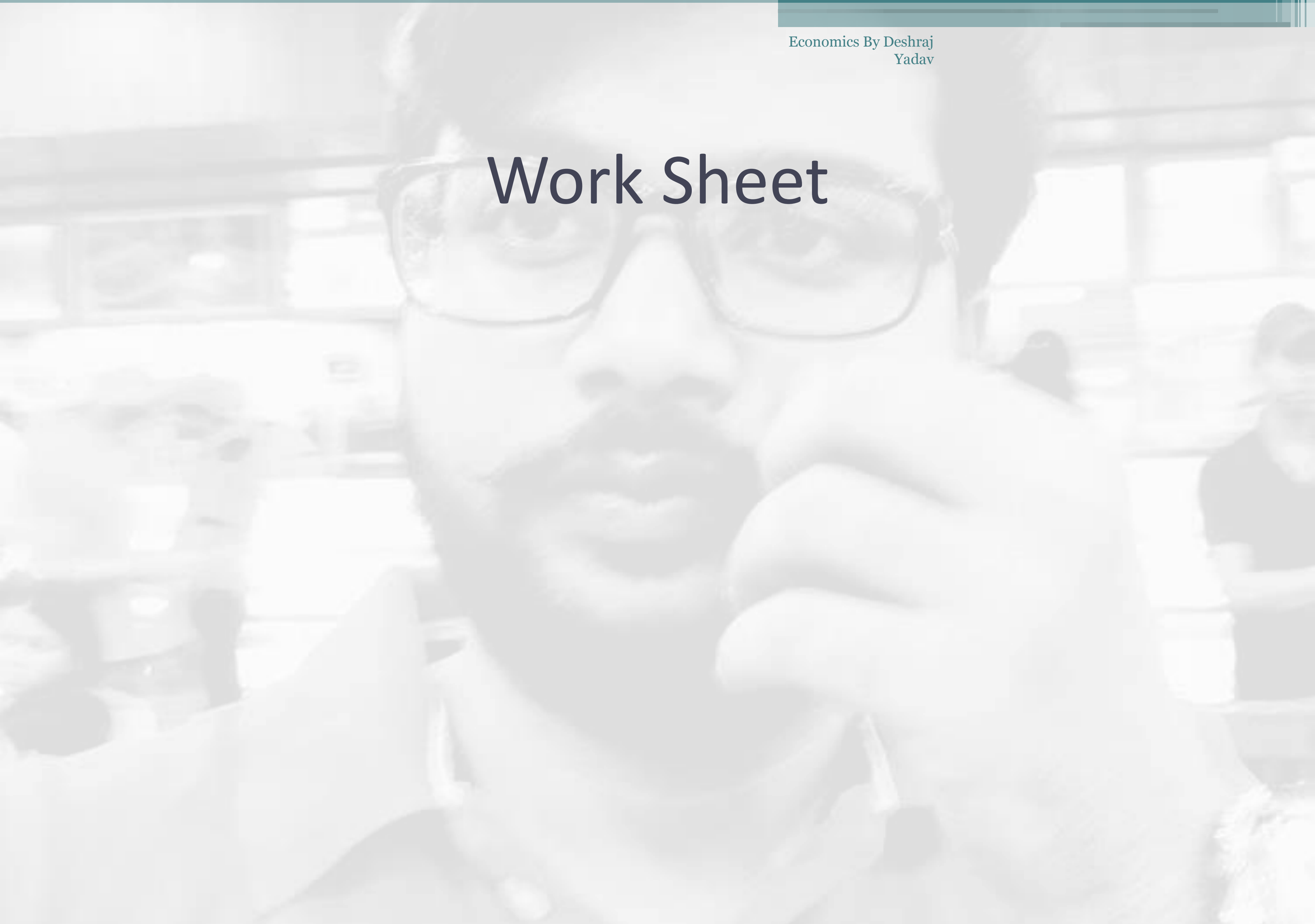


Shifts in The Supply Curve

Price is not the only factor that will determine the number of units' producers are willing to supply to the market place.

Other factors include;

- Cost of production
- Taxes
- Natural disaster
- Technology changes

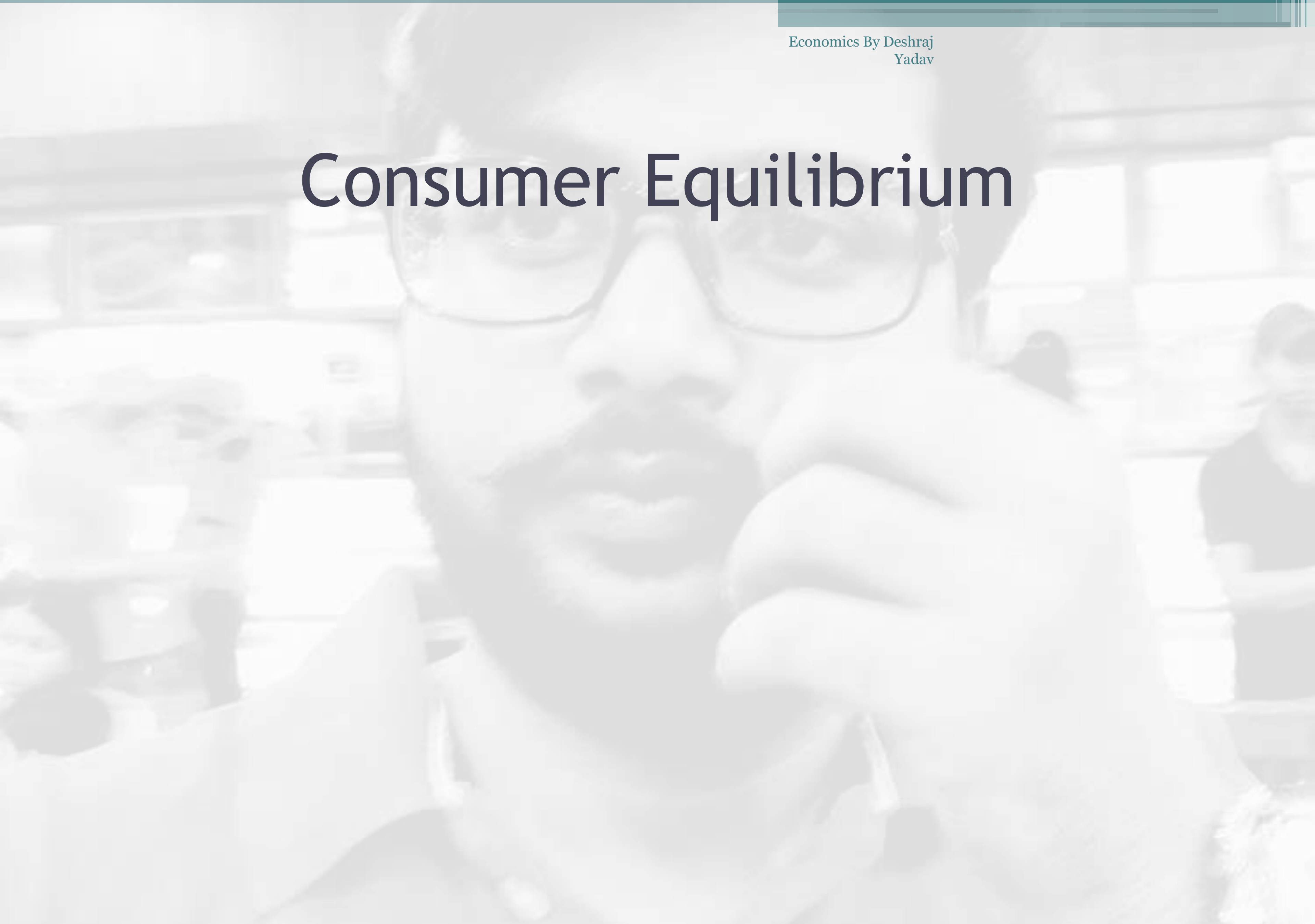


Work Sheet

Major Takeaways

- Changes in price cause movements up and down the supply curve
- Changes in factors such as the cost of production shift the entire supply curve to the right (increased supply at any price) or the left (decreased supply at any price)

Consumer Equilibrium



- If demand curve for roller skates is D = 23000 – 19P and supply curve is S = 18000 + 6P, find the equilibrium Price?

- If demand curve for camping tents is D = 100000 – 17P and supply curve is S = 50000 + 8P, find the equilibrium Price?

Elasticity

- Elasticity refers to the responsiveness of one economic variable, such as quantity demanded, to a change in another variable, such as price.

Types of elasticity

- Price elasticity of demand (PED), which measures the responsiveness of the quantity demanded to a change in price. PED can be measured over a price range, called arc elasticity, or at one point, called point elasticity.

- Price elasticity of supply (PES), which measures the responsiveness of the quantity supplied to a change in price.

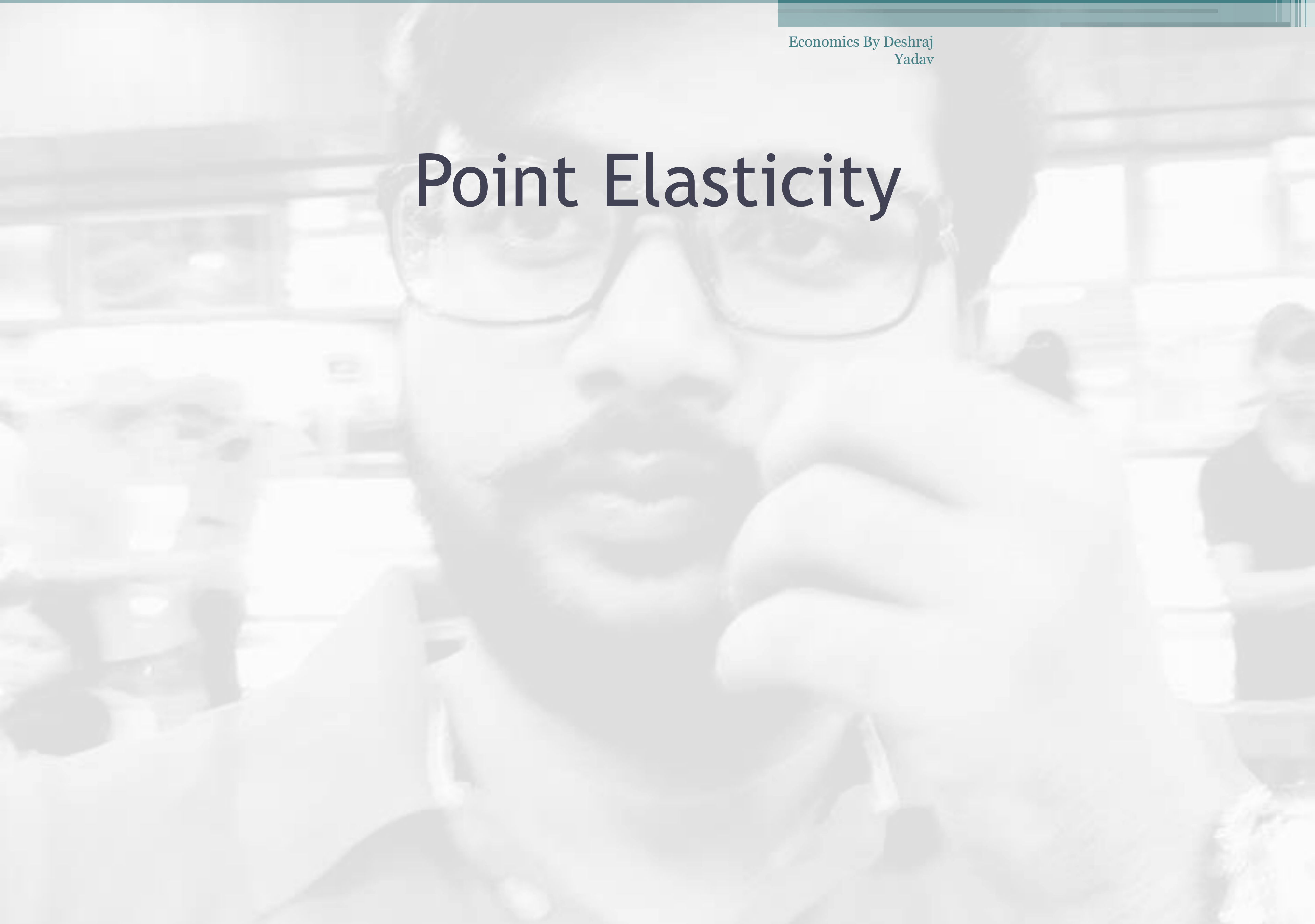
- Cross elasticity of demand (XED), which measures the responsiveness of the quantity demanded of one good, good X, to a change in the price of another good, good Y.

- Income elasticity of demand (YED), which measures the responsiveness of the quantity demanded to a change in consumer incomes.

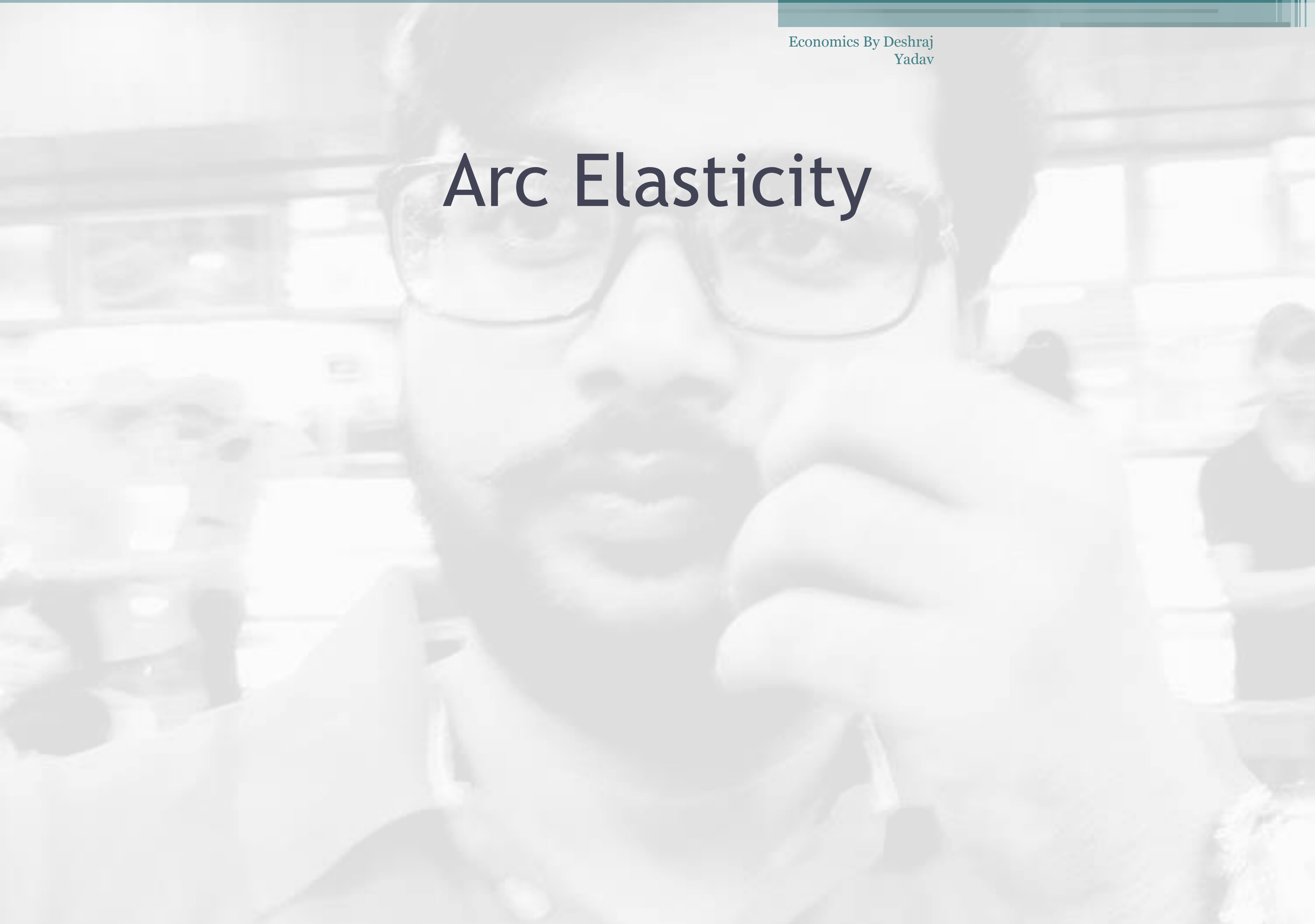
Work Sheet

- Types of Elsticity

Point Elasticity



Arc Elasticity



- If price of an article decreases from Rs. 12 to Rs. 10, quantity demanded increases from 1000 units to 1400 units. Find point elasticity of demand?

- If price of an article decreases from Rs 40 to Rs 30, quantity demanded increases from Q1 units to 7500 units. If point elasticity of demand is -1 find Q1?

- Find arc elasticity of demand, if quantity demanded falls from 1000 to 950 when price of the item is increased from Rs. 240 to Rs. 280?

- A manufacturer faces price elasticity of demand of a 1.25 for its product. If it lowers its price by 6.4%, the increase in quantity sold will be _____.

- The goods which people consume more, when their price rises are called ________.

(a) Essential goods

(b) Capital goods

(c) Veblen goods

(d) Giffen goods

Market

Market refers to the entire area where buyers and sellers of a commodity are in close contact (competition) with one another.

- Its essential ingredients are
  (i) Commodity or service,
  (ii) Buyers and sellers,
  (iii) Close contact among buyers and sellers, and
  (iv) Area where there is competition among buyers and sellers.

Characteristics of Market

The essential features of a market are:

- An Area
- One Commodity
- Buyers and Sellers
- Free Competition

Market Structure

- Market structure refers to the nature and degree of competition in the market for goods and services. The structures of market both for goods market and service (factor) market are determined by the nature of competition prevailing in a particular market.

- **Determinants:**
- There are a number of determinants of market structure for a particular good.
- They are:

(1) The number and nature of sellers.

(2) The number and nature of buyers.

(3) The nature of the product.

(4) The conditions of entry into and exit from the market.

(5) Economies of scale.

Forms of Market Structure

- On the basis of competition, a market can be classified in the following ways :
- 1. Perfect Competition
- 2. Monopoly
- 4. Oligopoly
- 5. Monopolistic Competition

Perfect Competition Market

- Characteristics of Perfect Competition:

- (1) Large Number of Buyers and Sellers
- (2) Freedom of Entry or Exit of Firms
- (3) Homogeneous Product
- (4) Absence of Artificial Restrictions
- (5) Profit Maximisation Goal
- (6) Perfect Mobility of Goods and Factors
- (7) Perfect Knowledge of Market Conditions
- (8) Absence of Transport Costs

Monopoly Market

- **Features of a Monopoly Market**
- **1. Single Seller of the Product**
- **2. Entry Restrictions**
- **3. No Close Substitutes**
- **4. Price Maker**

Oligopoly

- It is that form of imperfect competition where a few big firms compete for their homogeneous products (like steel and fertilizers) or differentiated products (like scooters and cars).

- (i) A few firms
- (ii) Interdependence: There is interdependence of firms in case of price-output decision as no firm can take independent decision.
- (iii) Selling costs: Heavy selling and advertisement costs are incurred to promote sales.
- (iv) Price rigidity: Mostly prices are stable since no firm dares to change the price for fear of retaliatory actions by rival firms.
- (v) Indeterminate demand curve: No firm can be certain of demand for its product due to unsure reaction of rival firms and, therefore, demand curve for its product is indeterminate.
- (vi) Group behaviour in the form of collective decision by firms is common.
- (vii) The product may be homogeneous (like steel) or differentiated (like cars).
- (viii) The entry of new firms in the industry is difficult.

The Kinked Demand Curve Theory of Oligopoly

- The demand curve facing an oligopolist, according to the Kinked Demand Curve Hypothesis, has a ‘kink’ at the level of the prevailing price. The kink is formed at the prevailing price level because the segment of the demand curve above the prevailing price level is highly elastic and the segment of the demand curve below the prevailing price level is inelastic.

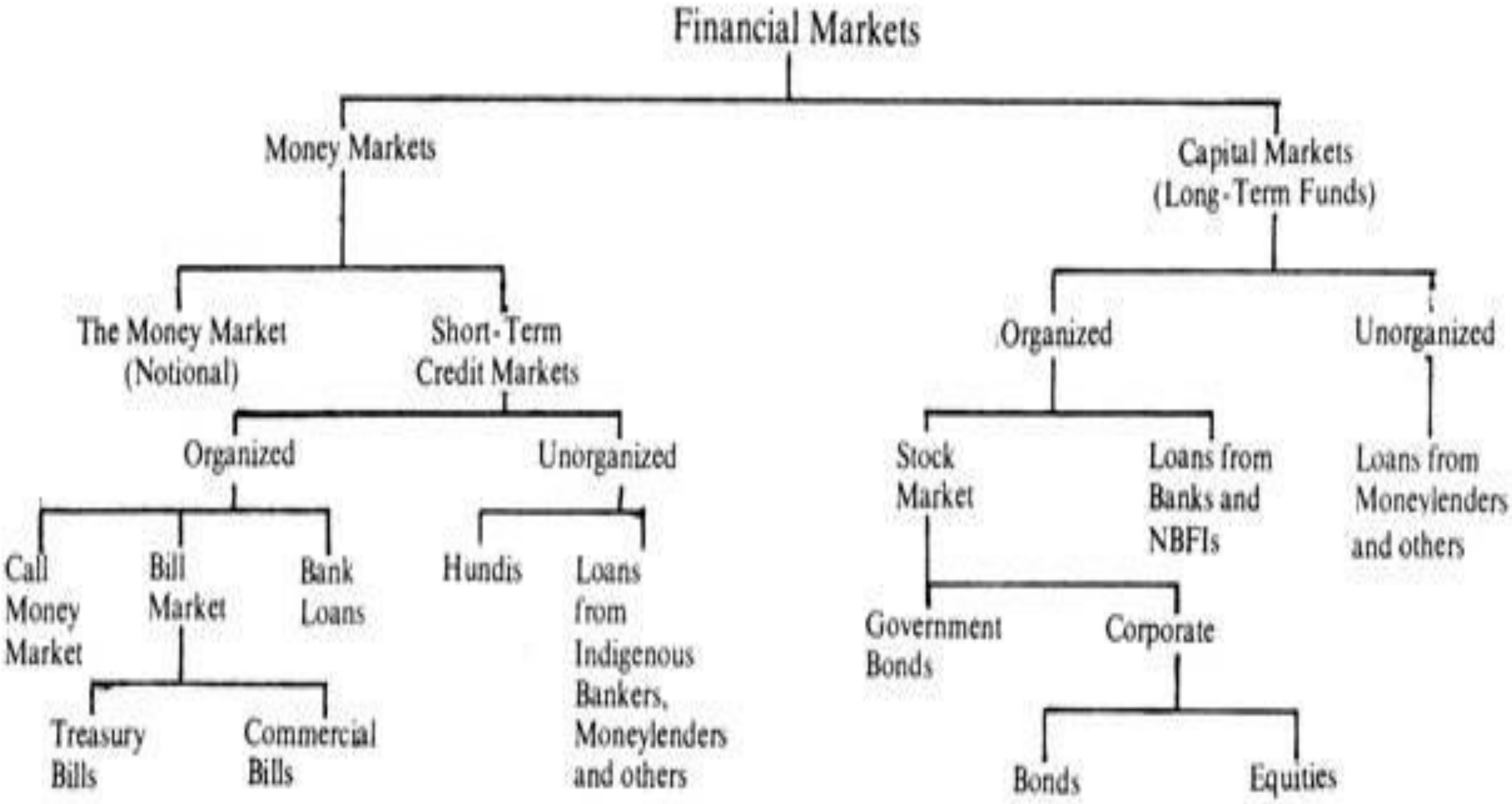
- A monopolistic competitive industry has the following features:
- Many firms.
- Freedom of entry and exit.
- Firms produce differentiated products.
- Firms have price inelastic demand; they are price makers because the good is highly differentiated
- Firms make normal profits in the long run but could make supernormal profits in the short term
- Firms are allocatively and productively inefficient.

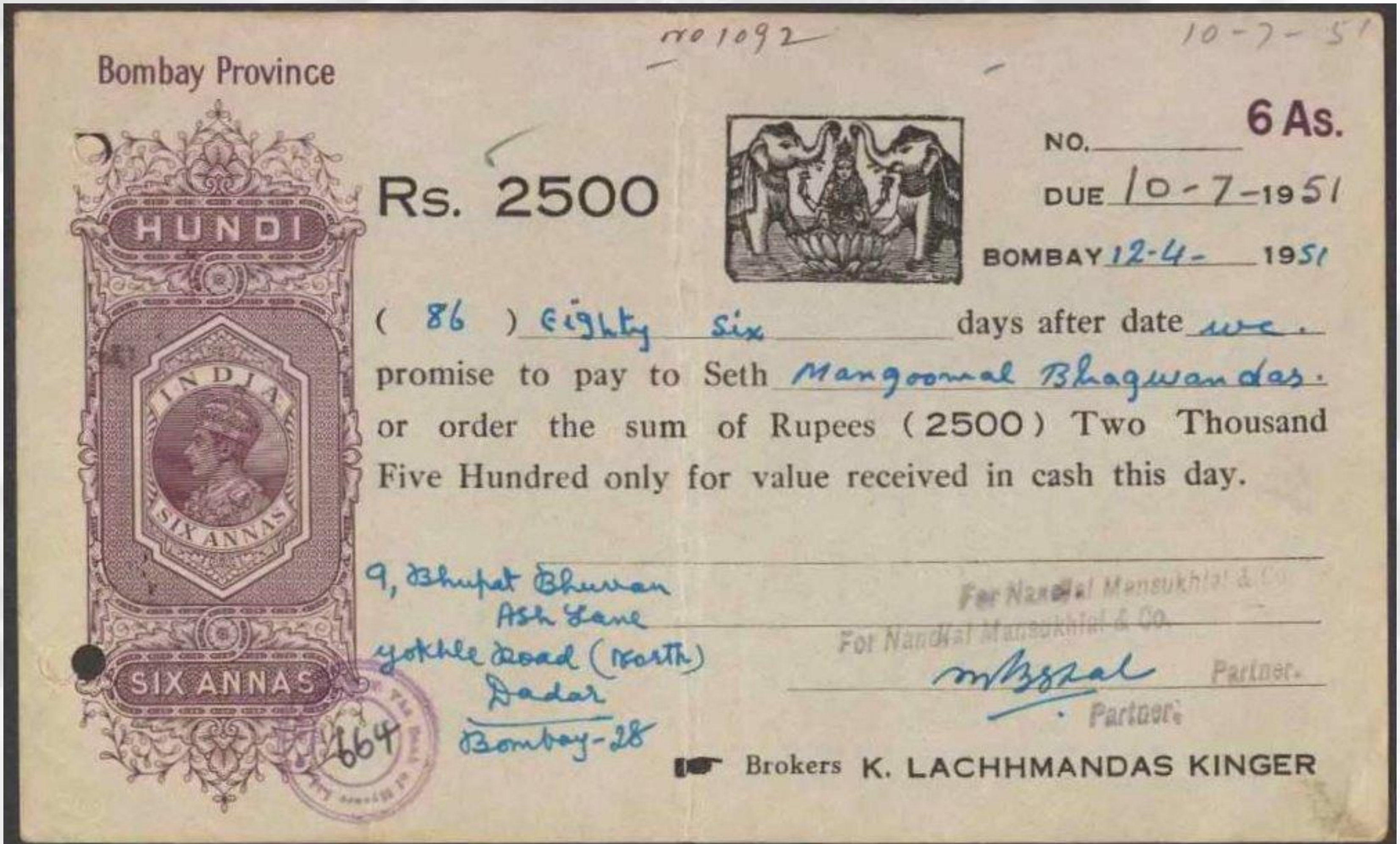
Financial Market

- The financial market exists to facilitate sale and purchase of financial instruments and comprises two major markets, namely the capital market and the money market.

- The distinction between the capital market and the money market is that the capital market mainly deals in medium- and long-term investments (maturity more than a year) while the money market deals in short-term investments (maturity up to a year).

Figure 3.1
Functional-cum-Institutional Classification of Financial Markets





no 1092 10-7-51

Bombay Province

HUNDI

INDIA

SIX ANNAS

Rs. 2500

6 As.

NO. ______

DUE 10-7-1951

BOMBAY 12-4-1951

(86) Eighty six days after date we.

promise to pay to Seth Mangoomal Bhagwandas.

or order the sum of Rupees (2500) Two Thousand

Five Hundred only for value received in cash this day.

9, Bhupat Bhuvan
Ash Lane
Gokhle Road (North)
Dadar
Bombay-28

For Nandlal Mansukhlal & Co.

For Nandlal Mansukhlal & Co.

Partner.

Partner.

664

Brokers K. LACHHMANDAS KINGER

Money Market

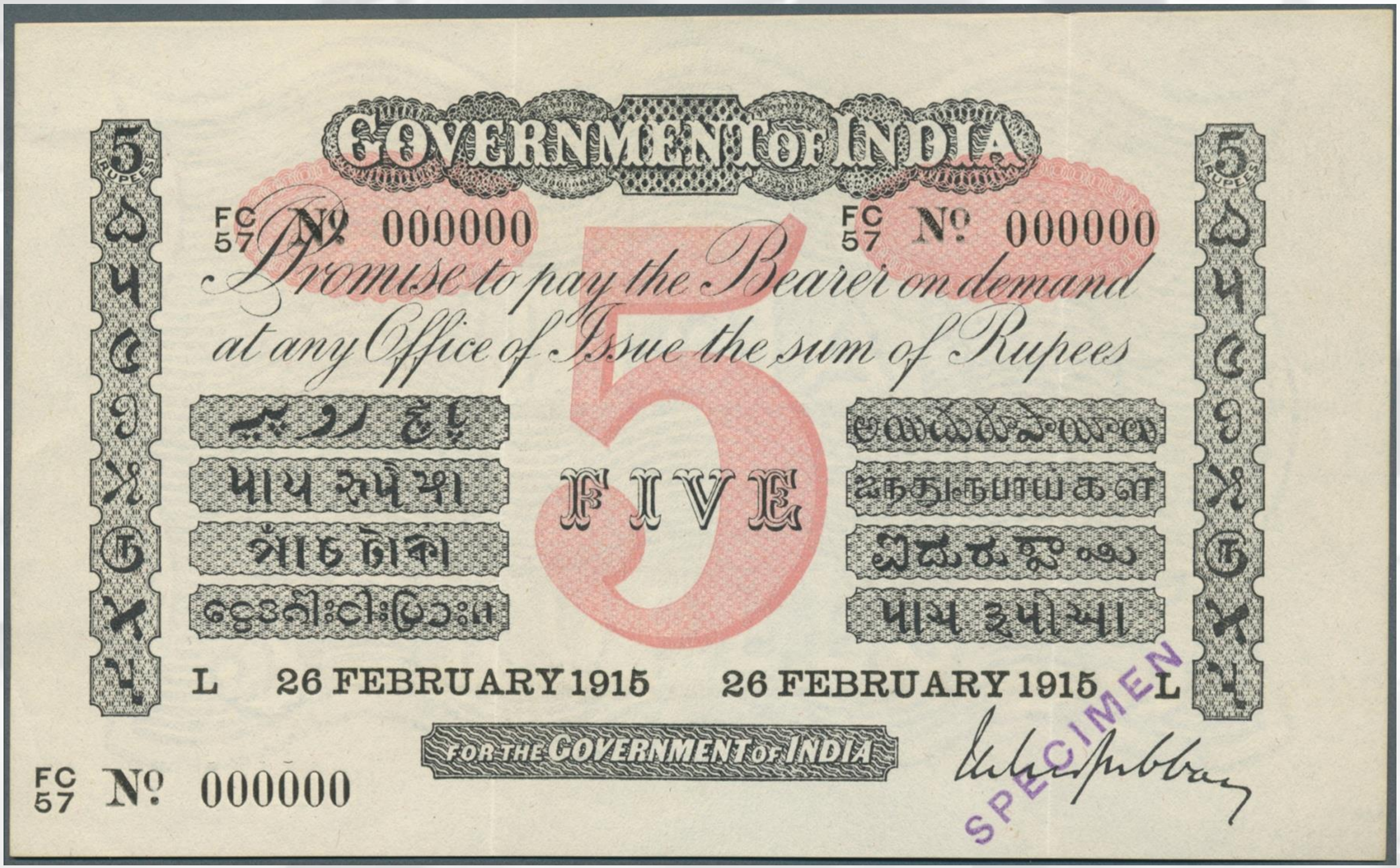
- RBI is the apex banking institution in the money market.
- Indian money market is divided into organised sector and unorganised sector.
- Unorganised sector includes unregulated non-bank financial intermediaries, indigenous bankers, money lenders etc.

Organised sector mainly comprises

- (a) Call Money Market
- (b) Treasury Bill Market
- (c) Repo Market
- (d) Commercial Bill Market
- (e) Certificate of Deposit Market
- (f) Commercial Paper Market
- (g) Money Market Mutual Funds

Treasury Bills

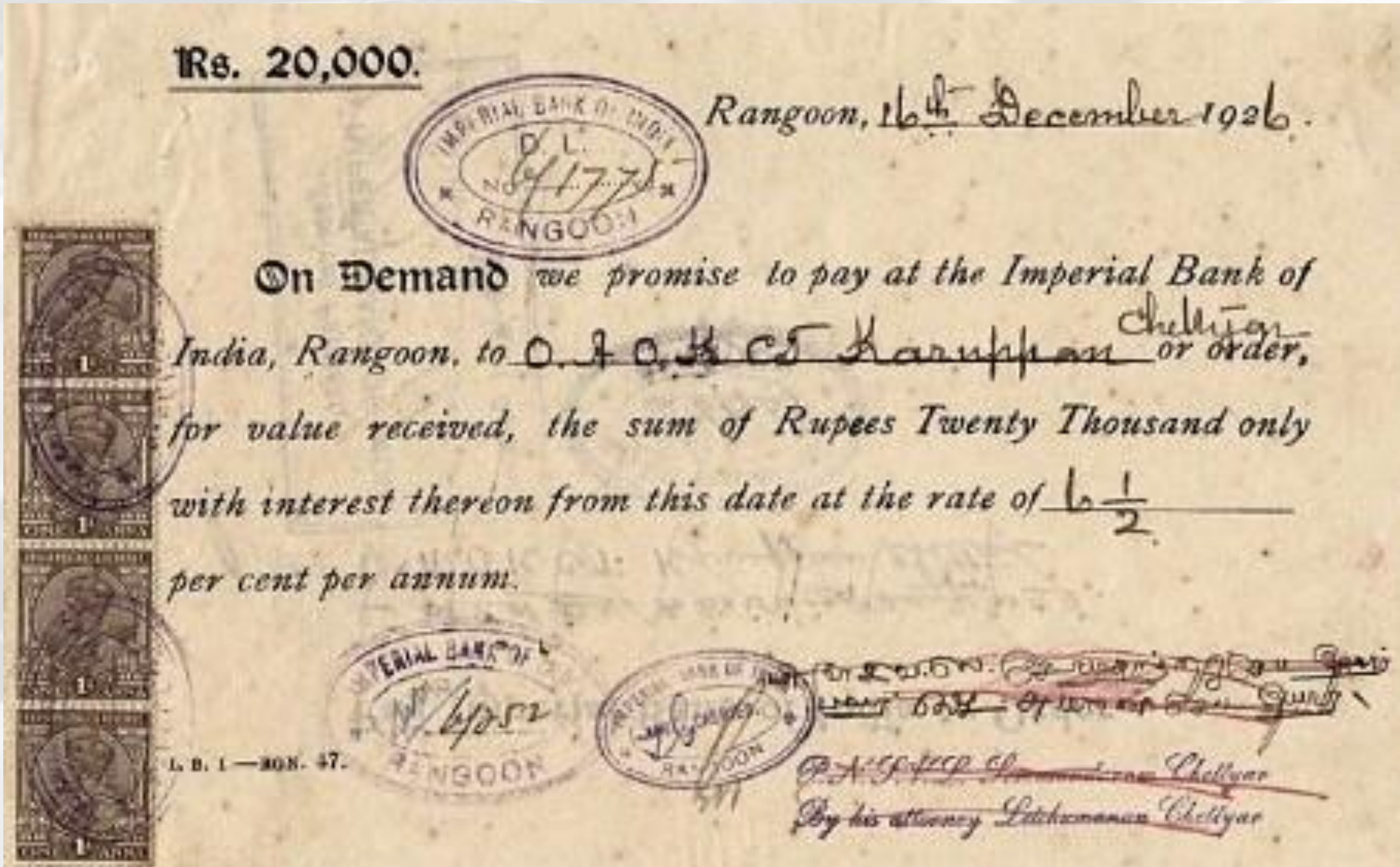
- In India treasury bills are the short-term liability of the central government.
- It can be issued for a maturity period of **91 days, 182 days or 364 days.**
- It can have a minimum amount of face value of 1 lakh and thereafter in multiples of it.
- The rate of interest is market-determined.


GOVERNMENT OF INDIA
FC 57 No 000000
FC 57 No 000000
I Promise to pay the Bearer on demand
at any Office of Issue the sum of Rupees
FIVE
5
L 26 FEBRUARY 1915
26 FEBRUARY 1915 L
FOR THE GOVERNMENT OF INDIA
FC 57 No 000000
SPECIMEN

Commercial Paper (CP)

- Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note.
- It was introduced in India in **1990 with a view to enabling** highly-rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors. Subsequently, primary dealers and all-India financial institutions were also permitted to issue CP to enable them to meet their short term funding requirements for their operations.
- Corporates, Primary Dealers (PDs) and the All-India Financial Institutions (FIs) are eligible to issue CP.

- A corporate would be eligible to issue CP provided
- a. The tangible net worth of the company, as per the latest audited balance sheet, is not less than `4 crore;
- b. The company has been sanctioned working capital limit by bank(s) or all-India financial institution
- c. The borrower account of the company is classified as a Standard Asset by the financing banks/ institutions.



Rs. 20,000.

Rangoon, 16th December 1926.

On Demand we promise to pay at the Imperial Bank of India, Rangoon, to O. A. O. K. CT. Karuppan Chettiar or order, for value received, the sum of Rupees Twenty Thousand only with interest thereon from this date at the rate of 6 1/2 per cent per annum.

L. B. 1—RGN. 47.

By his attorney Letchmanan Chettyar

Certificate of Deposit (CD)

- Certificate of Deposit (CD) is a negotiable money-market instrument and is issued in dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institutions for a specified time period.

- CDs can be issued by (i) Scheduled Commercial Banks (excluding Regional Rural Banks and Local Area Banks); and (ii) All-India Financial Institutions (FIs) that have been permitted by the RBI to raise short-term resources within the umbrella limit fixed by the RBI.

This is not a Negotiable Document

STATE BANK OF INDIA

THRISSUR ROUND EAST, DHARMODAYAM BLDG.,
THRISSUR, DIST:THRISSUR, KERALA 680001
Tel: 2333665

TERM DEPOSIT ADVICE
(In lieu of Term Deposit Receipt)

Nomination :

Date :

Dear Sir/Madam,

We have pleasure in confirming details of the following amount held in deposit with us. Please quote the Account Number in all correspondence. Thank you for Banking with us.

Name (s) :

Mode of Operation :

Scheme : STD-GEN PUB-IND-5YLE-INR

Account Number	Term	Interest %	Principal Amount	Value Date	Maturity Date
	5 Y	8.5 %	INR 25,000.00	8.2.2011	8.2.2016

Maturity Value :
INR 38,070.00

Yours faithfully,
कृते भारतीय स्टेट बैंक
For STATE BANK OF INDIA
Authorised Signatory

Call Money Market

- Call Money Market is a place where borrowing and lending transactions are carried out for one day only.

- The call money market is also known as Inter-Bank Call Money Market

Capital Market

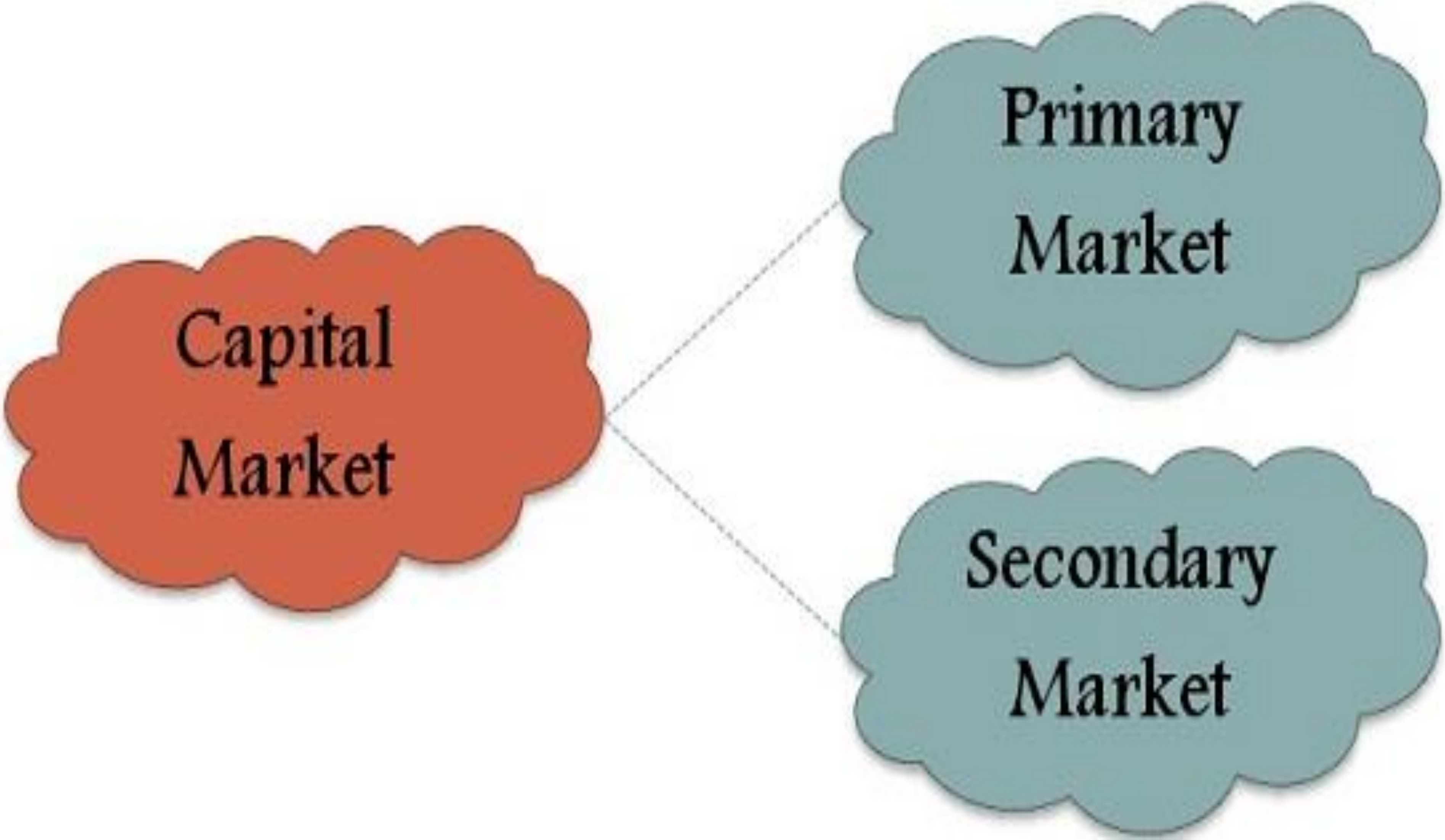
- Capital market is important for raising funds for capital formation and investments and forms a very vital link for economic development of any country. It provides a means for issuers to raise capital from investors (who have surplus money available from saving for investment).
- Thus, the savings normally flow from household sector to business or government sector, which normally invest more than they save. A vibrant and efficient capital market is the most important parameter for evaluating health of any economy.

- The Indian capital market has two groups – organised capital market and unorganised capital market.
- Unorganised capital market comprises long-term borrowing and lending of funds from moneylenders and others.
- Organised capital market is broadly divided into the stock exchange operations and long-term lending of funds from the financial intermediaries, banks and non-banks financial intermediaries.

Functions of capital market

- The major objectives of the capital market are:
- To mobilise resources for investments.
- To facilitate buying and selling of securities.
- To facilitate the process of efficient price discovery.
- To facilitate settlement of transactions in accordance with the schedules.

Types of Capital Market

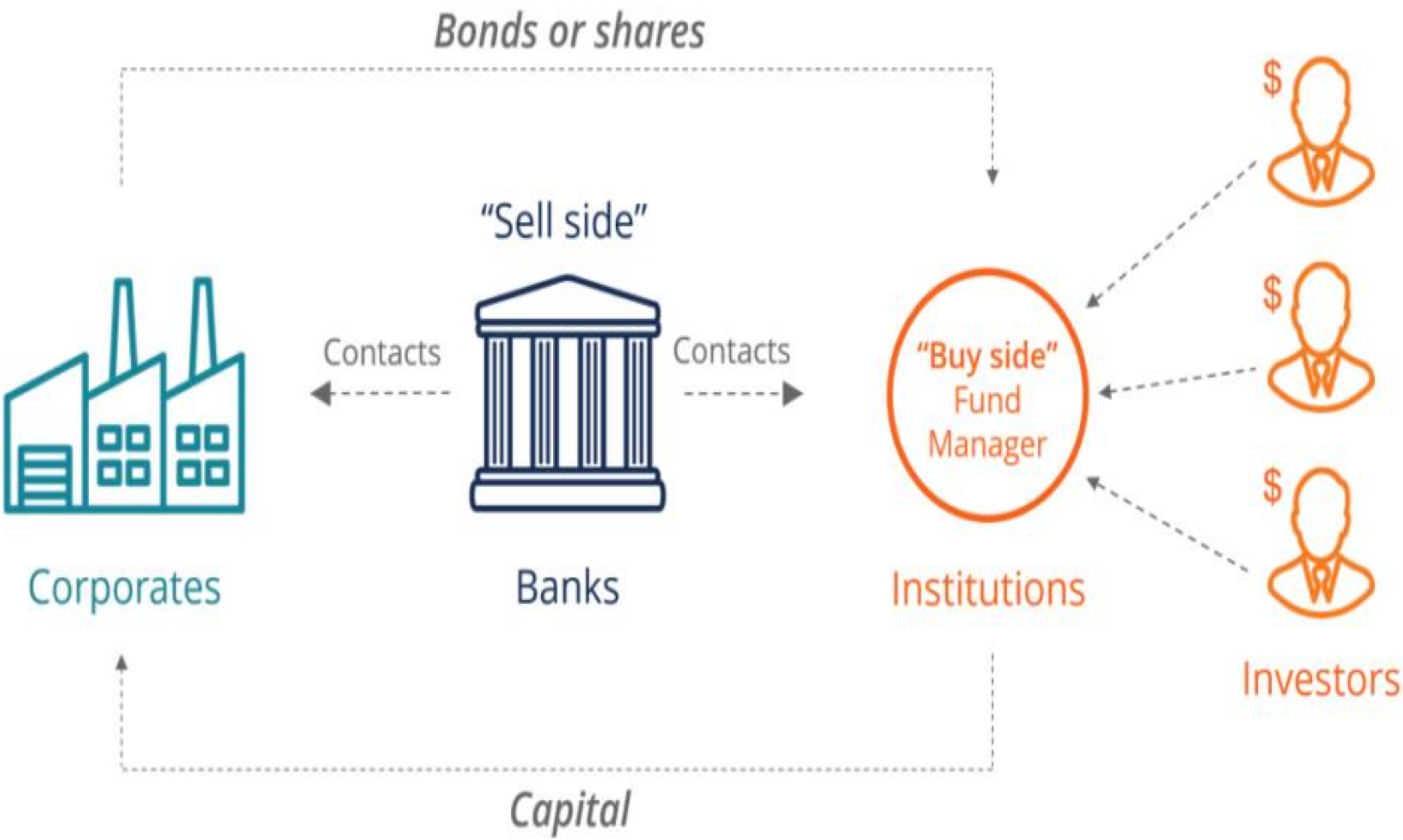


Primary Market

- Otherwise called as New Issues Market, it is the market for the trading of new securities, for the first time.
- It embraces both initial public offering and further public offering.
- In the primary market, the mobilization of funds takes place through prospectus, right issue and private placement of securities.

Primary Markets

Economics By Deshraj Yadav



Functions of the primary market

- Organization of a new issue:
- Underwriting of a new issue:
- Distribution of the new issue:

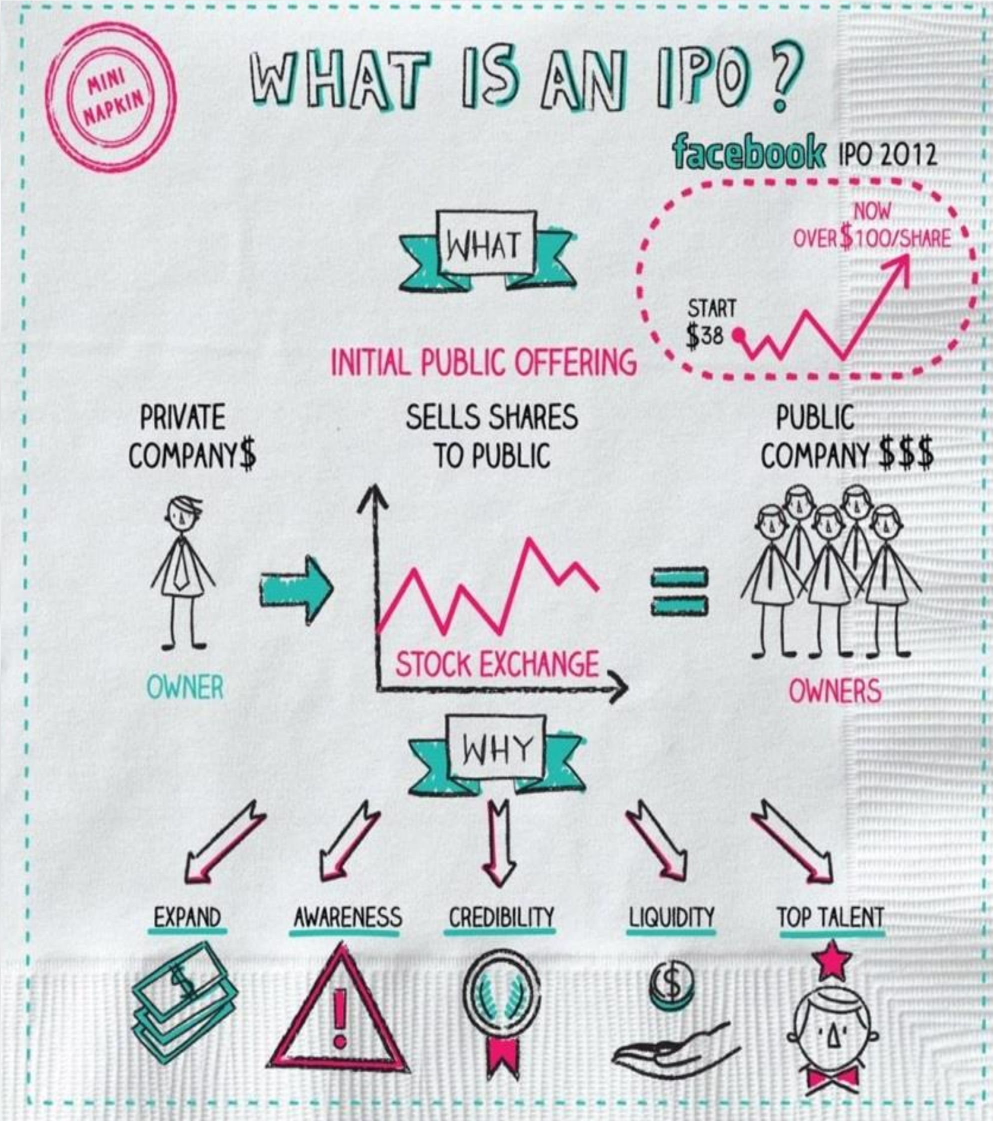
Tools of Primary Market

- **Offer for sale (OFS) :**

A venture fund invests in an unlisted Company when it is small. This Company grows with time and when it's big, the investors like a venture fund, sell their shares to the public and the Company gets listed on a stock exchange like BSE or NSE. The money goes to the investors and not the Company.

Initial Public Offer or IPO

When Company's shares are available to the general public for the first time, it's called an IPO. The shares get listed on the stock exchange

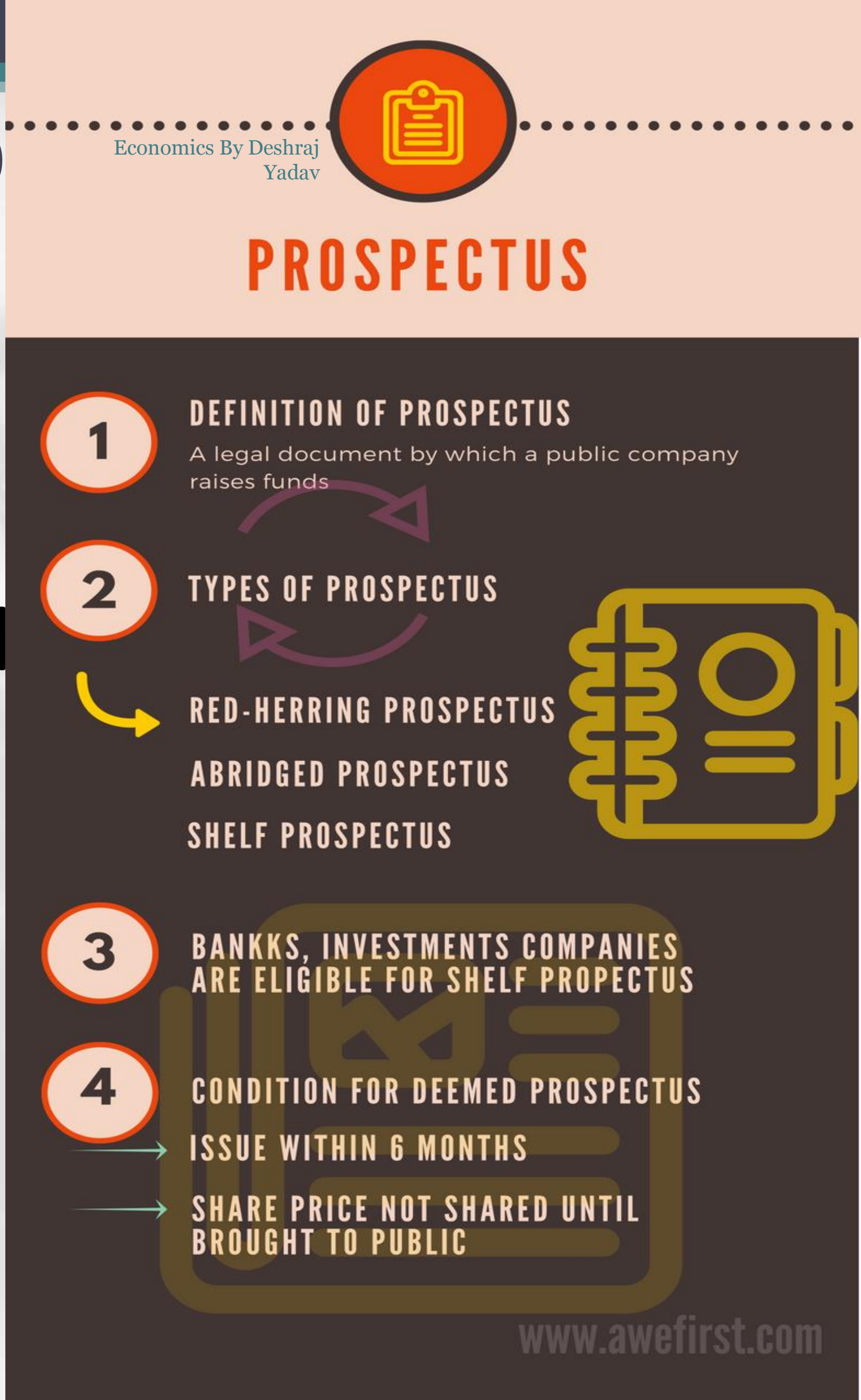


- Initial Public Offering refers to the selling of shares by a private company to the public for the first time.
- Initial Public Offering is a source of funds raised from the primary market.
- All subsequent public offerings are known as Follow-on Public Offerings or Secondary Market Offerings.

Words to Remember in IPO

- Red Herring Prospectus (RHP):-

A formal legal document, which is required by and filed with the Securities and Exchange Commission, that provides details about an investment offering for sale to the public.



Book Building

- Book building is a process of price discovery used in Initial Public Offering. As per SEBI guidelines, Book Building is defined as "a process undertaken by which a demand for the securities proposed to be issued by a body corporate is elicited and built-up and the price for such securities is assessed for the determination of the quantum of such securities to be issued by means of a notice, circular, advertisement, document or information memoranda or offer document".

Private Placement

- Raising of capital via private rather than public placement. The result is the sale of securities to a relatively small number of investors.

- Investors involved in private placements are usually large banks, mutual funds, insurance companies, and pension funds.

Underwriters

- An underwriter to the issue could be a banker, broker, merchant banker or a financial institution. They give a commitment to underwrite the issue.
- Underwriting means they will subscribe to balance share if all the shares offered at the IPO are not picked up.
- Suppose there is an issue for Rs. 100 crore and subscriptions are received only for 90 crore. It is then left to the underwriter to pick up the balance Rs. 10 crore.
- If underwriters don’t pay up SEBI will cancel their licenses.

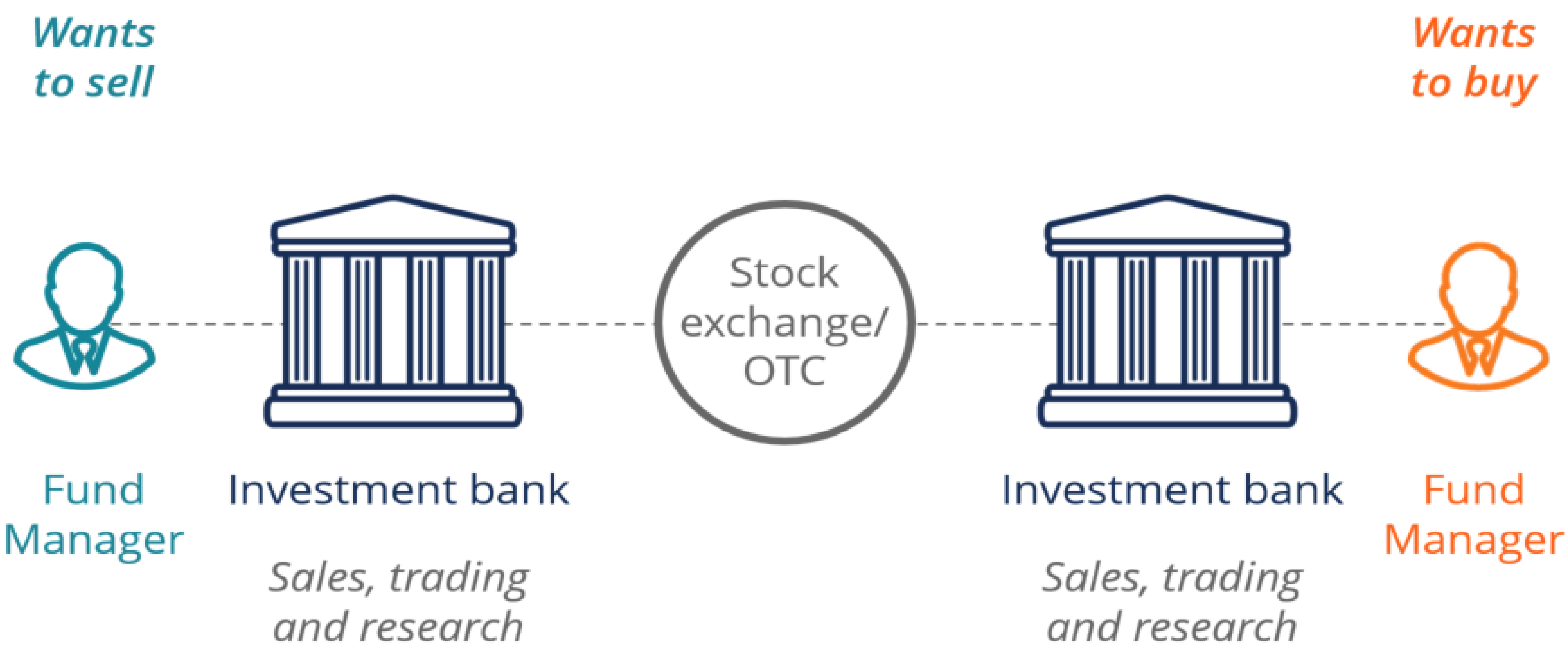
Follow On Offer or FPO

- When a listed Company makes another public issue to raise more capital, it's called an FPO.

Right Issue

- When an existing Company issues more shares, the first invite goes to existing shareholders. This is a right issue and the shareholder may accept this offer or assign a part/all of it, to another person.

Secondary Markets



Investment banks help facilitate the trade in shares and bonds.

- The secondary market is where existing shares, debentures, bonds, etc. are traded among investors.
- Securities that are offered first in the primary market are thereafter traded on the secondary market.
- The trade is carried out between a buyer and a seller, with the stock exchange facilitating the transaction. In this process, the issuing company is not involved in the sale of their securities.

- **Stock Market Indices** **Country**
- BSE Sensex .... India
- Hang Seng Index .... Hong Kong
- Nikkei 225 .... Japan
- Kospi Index .... South Korea
- Kuala Lumpur Composite Index .... Malaysia
- TSEC Weighted Index .... Taiwan
- SSE Composite Index .... China
- Dow Jones ....USA
- NASDAQ Composite Index ....USA
- FTSE Index .... UK
- Jakarta Composite Index .... Indonesia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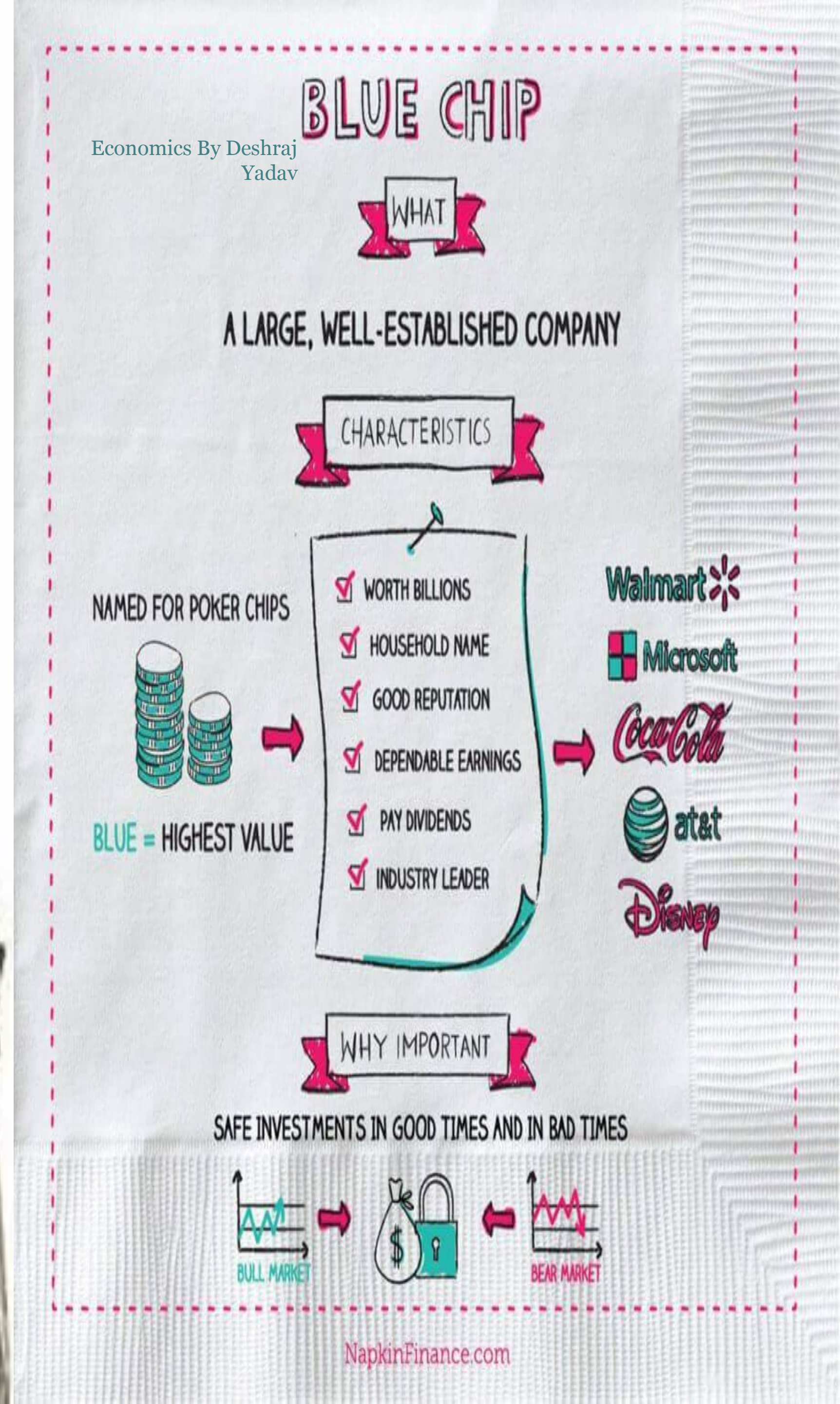



NSE
NIFTY 50
Stock of the nation

Worksheet

S. No.	Basis of Difference	Primary Market	Secondary Market
1.	**Issue of Securities First-time v/s trading later**	The issue of new shares by the company is done at the primary market.	The securities issued earlier are traded in the secondary market.
2.	**Mode of Investment**	Direct Investment as the securities is acquired directly from the company.	Indirect Investment as the securities is acquired from other stakeholders.
4.	**Parties in action**	The parties to dealings in this market are Company and Investors.	The parties in dealings are only Investors.
5.	**Intermediary**	The intermediary in between are the Underwriters.	The intermediaries are Security Brokers
6.	**Price Fixed v/s Fluctuating**	The price in the primary market is fixed as it is decided by the company.	The price here is fluctuating, depending on the demand and supply in the market.
7.	**Salability**	The security once sold here, cannot be re-sold here.	The securities can be sold unlimited times.

POPULATION [1]	**Persons**	**1,21,01,93,422**	
	Males	62,37,24,248	
	Females	58,64,69,174	
DECADAL POPULATION GROWTH 2001-2011		**Absolute**	**Percentage**
	Persons	**18,14,55,986**	**17.64**
	Males	9,15,01,158	17.19
	Females	8,99,54,828	18.12
DENSITY OF POPULATION [2] **(per sq. km.)**		**382**	
SEX RATIO (females per 1000 males)		**940**	
POPULATION IN THE AGE GROUP 0-6 [1]		**Absolute**	**Percentage to total population**
	Persons	**15,87,89,287**	**13.12**
	Males	8,29,52,135	13.30
	Females	7,58,37,152	12.93
LITERATES [1]		**Absolute**	**Literacy rate**
	Persons	**77,84,54,120**	**74.04**
	Males	44,42,03,762	82.14
	Females	33,42,50,358	65.46

Basic Facts about Census 2011

- Census 2011 was the 15th Census of India since 1872
- The motto of census 2011 was 'Our Census, Our future'.
- The census covered 640 districts, 5,767tehsils, 7,933 towns and more than 6 lakh villages
- A total of 27 lakh officials were involved in this exercise.
- The cost of the exercise was approximately 2,200 crore C Chandramauliwas the Registrar General and Census Commissioner of India for the 2011 Indian Census.
- Reference date was 0.00 hrs of 1st March 2011

Population as per Census 2011: 1.21 Billion

- The population of India as on 1st March 2011, stood at 1.21 Billion having registered a growth of 17.64% over Census 2001 figure
- India is the second most populous country in the world after China
- India represents 17.31% of the total population of the world
- More than half the population of India is under the age of 25 years
- Birth Rate for year 2011: 20.97 per 1000
- Death Rate for year 2011: 7.48 per 1000
- Average Life Expectancy at birth according to 2011 estimates: 66.8 years

Population Density as per Census 2011

- : 382 persons/sq.km

- Population Density is defined as the number of persons per sq. Km

- The density of population in most states of India has increased in the last census decade due to the increasing population and a constant area of different states
- Among all States and UTs, Delhi has the highest density with 11297 persons/sq.km and Arunachal Pradesh has the lowest density with 17 persons/sq.km

Sex Ratio as per Census 2011

- Sex Ratio is defined as number of females per 1000 males
- Sex Ratio in India is negative, i.e. there are fewer females than males in the country
- According to Census 2011, there are 943 females per 1000 males in India
- This figure shows a growth over the figures for 2001 census, when the sex ratio was 933 females per 1000 males

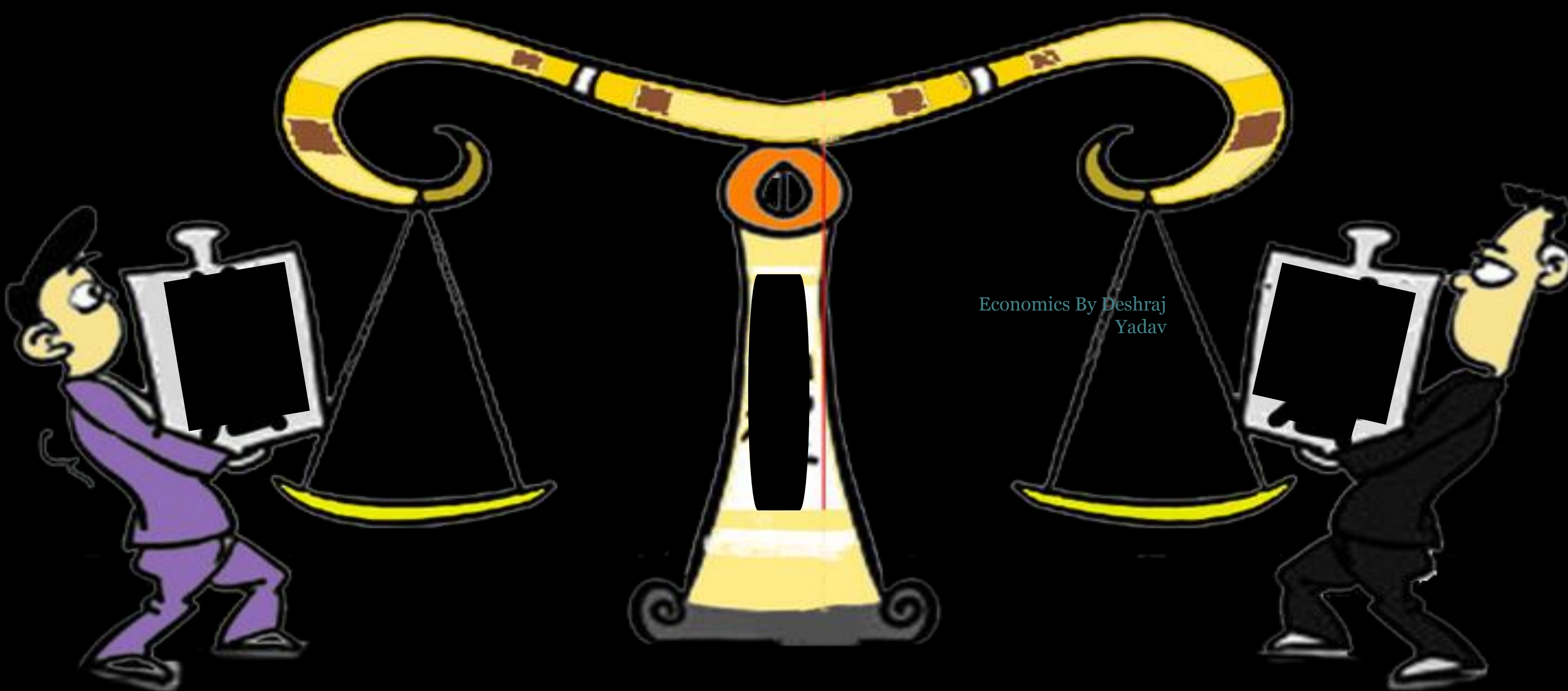
- Among all States and UTs, only Kerala (1084 females per 1000 males) and Puducherry (1037 females per 1000 males) have positive ratio

- Daman and Diu (618 females per 1000 males) has the most negative sex ratio among all States and UTs. Haryana (879 females per 1000 males) has the most negative sex ratio among all States

- Tamil Nadu (996 females per 1000 males) has the most even sex ratio

- Child sex ratio (0-6 age group): 918 female per 1000 males

THE BALANCE OF PAYMENTS



MEANING

- ***Balance of payments is the record of the economic transactions between the residents of one country and the rest of the world.***

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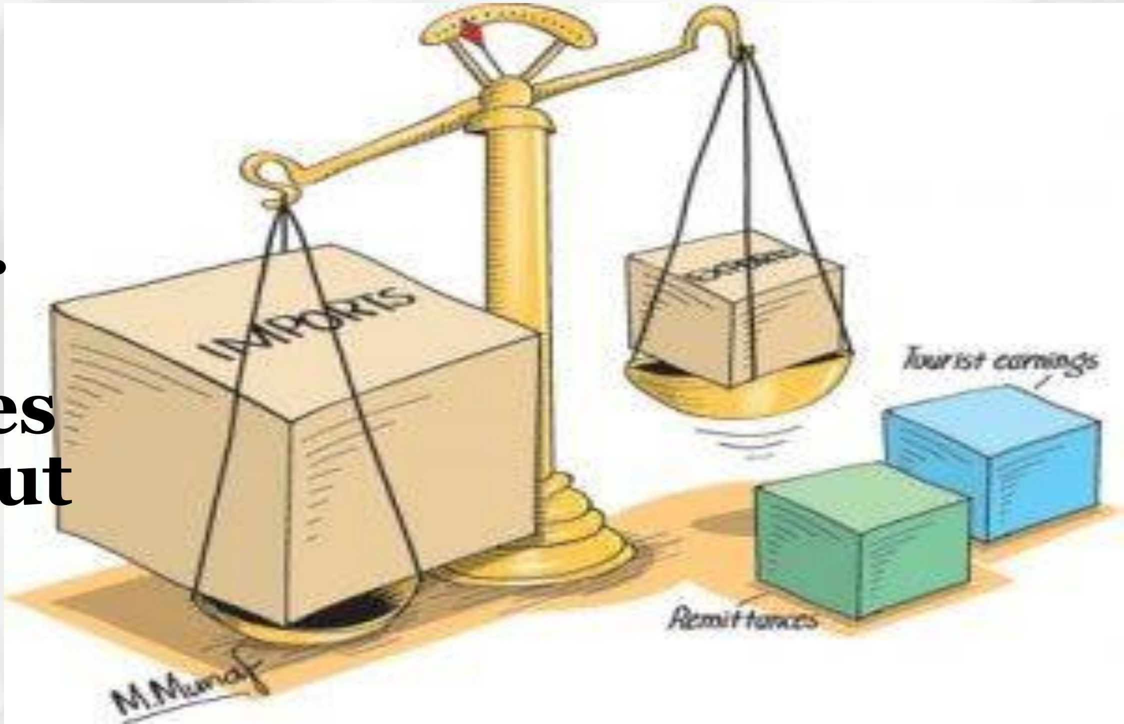
- ***Balance of payments is the record of the economic transactions between the residents of one country and the rest of the world.***

NEED OF BOP

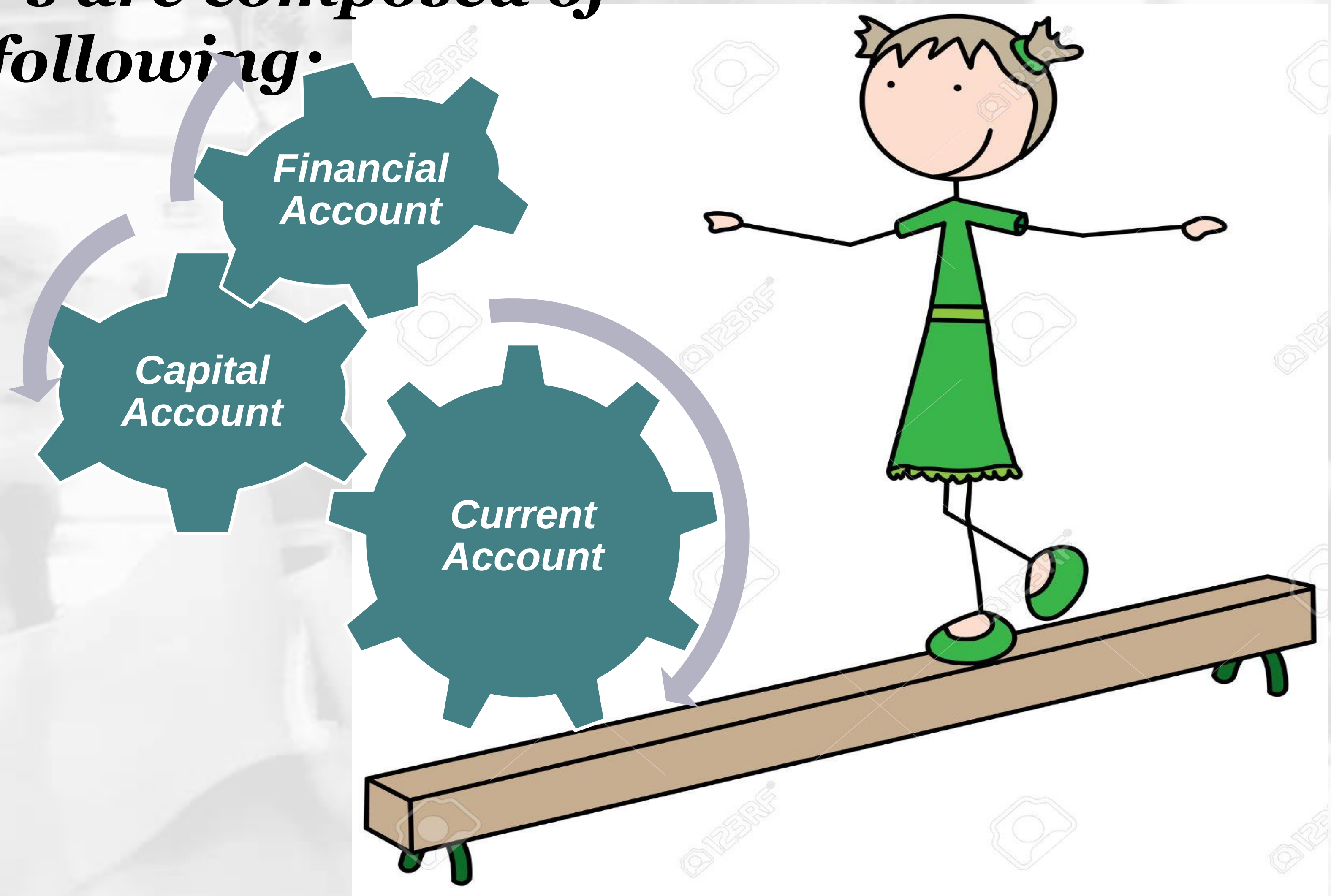
- Viewed over time, BOP data shows important developments in a country in a comparative advantage and international competitiveness.

- The BOP provides information about the demand and supply of the country's currency.



Division of Balance of Payments

- ***BOP's are composed of the following:***



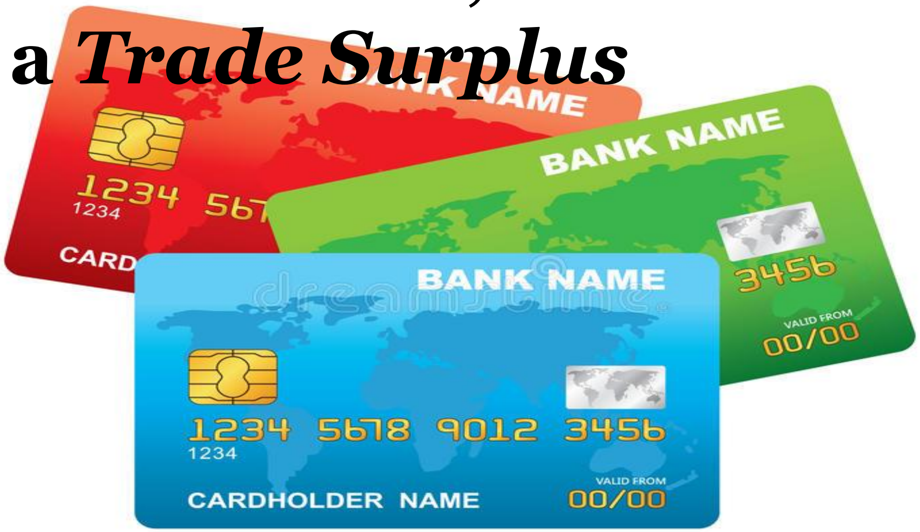
CURRENT ACCOUNT

- ***Records flows of exports, imports, investment income, and international financial transfers*.**
  - ➢ *Merchandise trade* – export and import of tangible goods
  - ➢ *Services* – payments and receipts for legal and consulting fees, royalties, tourist expenditures
  - ➢ *Investment income* – payments and receipts of interest, dividends, and other income on foreign investments
  - ➢ *Transfers* – “unrequited” payments (e.g. Foreign aid).

To be continued…..

Current Account

- If the debits exceed the credits, then a country is running a *Trade Deficit*.
- If the credits exceed the debits, then a country is running a *Trade Surplus*



CAPITAL ACCOUNT

- **Records sales and purchases of financial assets.**
- **The capital account is composed of Foreign Direct Investment (FDI), Portfolio investments, and other investment.**
  - Direct investment involves acquisitions of controlling interests in foreign businesses.
  - Portfolio investment represents investment in foreign shares and bonds that do not involve acquisitions of control.
  - Other investment includes bank deposits, currency investment, trade credit and the like.

BALANCE OF PAYMENTS

- **Fixed Exchange Rate**
  - BOP determines necessity of government intervention
  - Can help forecast devaluation/revaluation of currencies
- **Floating Exchange Rate**
  - Government has no responsibility as FX rates are determined by market forces
- **Managed Floats**
  - Focus of government is on interest rates

SUMMARY AND A QUICK REVISION

The Balance of Payments (BOP) **is a record of all the financial transactions that are made between all those active in the domestic economy (businesses and the government) and the rest of the world**

Includes

- How much is being spent by domestic consumers/businesses on **imports**
- Composed of **2 parts**
  1. **Current Account**
  2. **Capital Account**
- The **level of exports** are (production sold abroad to foreign countries)

CURRENT ACCOUNT

All flows of money received from the purchase of goods/services

Visible Balance (of Trade) = **Exports** (Goods) − **Imports** (Goods)

Invisible Balance = **Exports** (Services) − **Imports** (Services)

Exports (Services)
Examples
- Earnings of domestic airlines from foreign passengers
- Earnings of domestic hotels from foreign guests
- Earnings of domestic singers/bands from abroad
- Subsidies received domestically from the EU
- Earnings of Irish consultancies from foreign clients

Imports (Services)
Examples
- Your own citizens using foreign airlines
- Spending by your own citizens on holidays abroad
- Payments by your own citizens to foreign companies
- Earnings of foreign artists in your country
- Taxes pay by your country to the EU
- All interest pay on debt owed to those abroad

Net Investment Income
Interest payments, profits and dividends from external assets owned by nationals but sited abroad

Current Transfers
Private transfers between countries and government transfers (to EU, UN and other international bodes)

= Net Balance on Current Account

Visible Balance + **Invisible Balance** + **Net Investment Income** + **Current Transfers**

CAPITAL ACCOUNT

All flows associated with 'capital' items i.e. private capital, official capital and banking

Private Capital Transactions
Purchases of land, factory buildings or company shares

+

Official Capital Transactions
Government borrowing and the sale of government stock/bonds to foreigners by the government

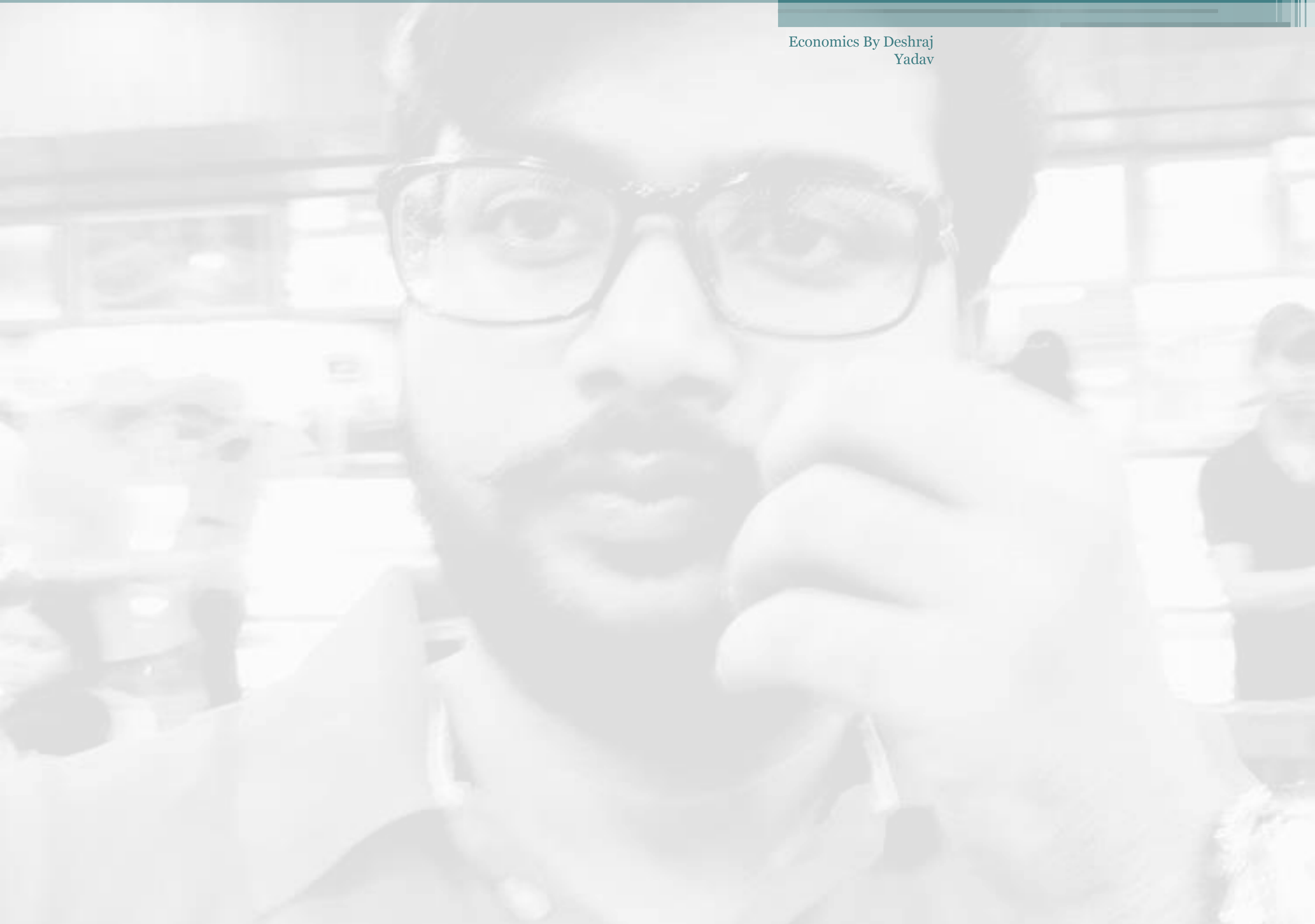
+

Banking Transactions
Change in net external position of banks

= Total Capital Transactions

Net Balance on Current Account
+
Total Capital Transactions

= BOP on Capital/Current Account



Marginal Cost of Funds Based Lending Rate (MCLR)

Economics By Deshraj Yadav

Marginal Cost of Funds Based Lending Rate

On April 1st, 2016 the Reserve Bank of India introduced the Marginal Cost of Funds based Lending Rate (MCLR) calculation for setting the interest rate on loans. The step changed the way interest rates function in the country.

- MCLR is a modification of the old base rate system and it is designed to work as a benchmark to set lending rates. MLCR calculations are done on the basis of the interest rate offered by a bank on deposits and the repo rate.
- The base rate will then be derived on the basis of the MCLR calculations.
- According to the new guidelines, commercial banks will have to prepare the new internal benchmark lending rate based on the marginal cost of funds.

Marginal Cost of Funds Based Lending Rate

- In the old base rate system, the banks took time to change their interest rate according to the changes in the repo rate. Though there were periodic rate changes from the RBI, banks were reluctant to change their own deposit rates and lending rates.
- As per the Reserve Bank of India directive, banks have to set their MCLR every month. It means they will have to factor in cost conditions to derive this rate. These conditions include a change in the repo rate, changes in the monetary policy and evaluation of the creditworthiness of the borrower, among other things.

Five benchmark rates are required for different tenures which range from 1 day to 1 year. The banks are free to set rates for tenures exceeding 1 year.

- There are different components that make up the marginal costs.
- Marginal cost of funds which comprises of marginal cost of borrowings and return on net worth
- Negative carry on account of cash repo rate which is the cost banks incur to keep reserves with RBI.
- Operating costs incurred by the banks
- Tenor premium which is the higher interest that can be charged for long-term loans.

MCLR is composed of 4 factors

- Tenor Premium
- Negative carry in maintaining CRR
- Marginal Cost of Funds
- Operational Costs of bank

Marginal cost of funds

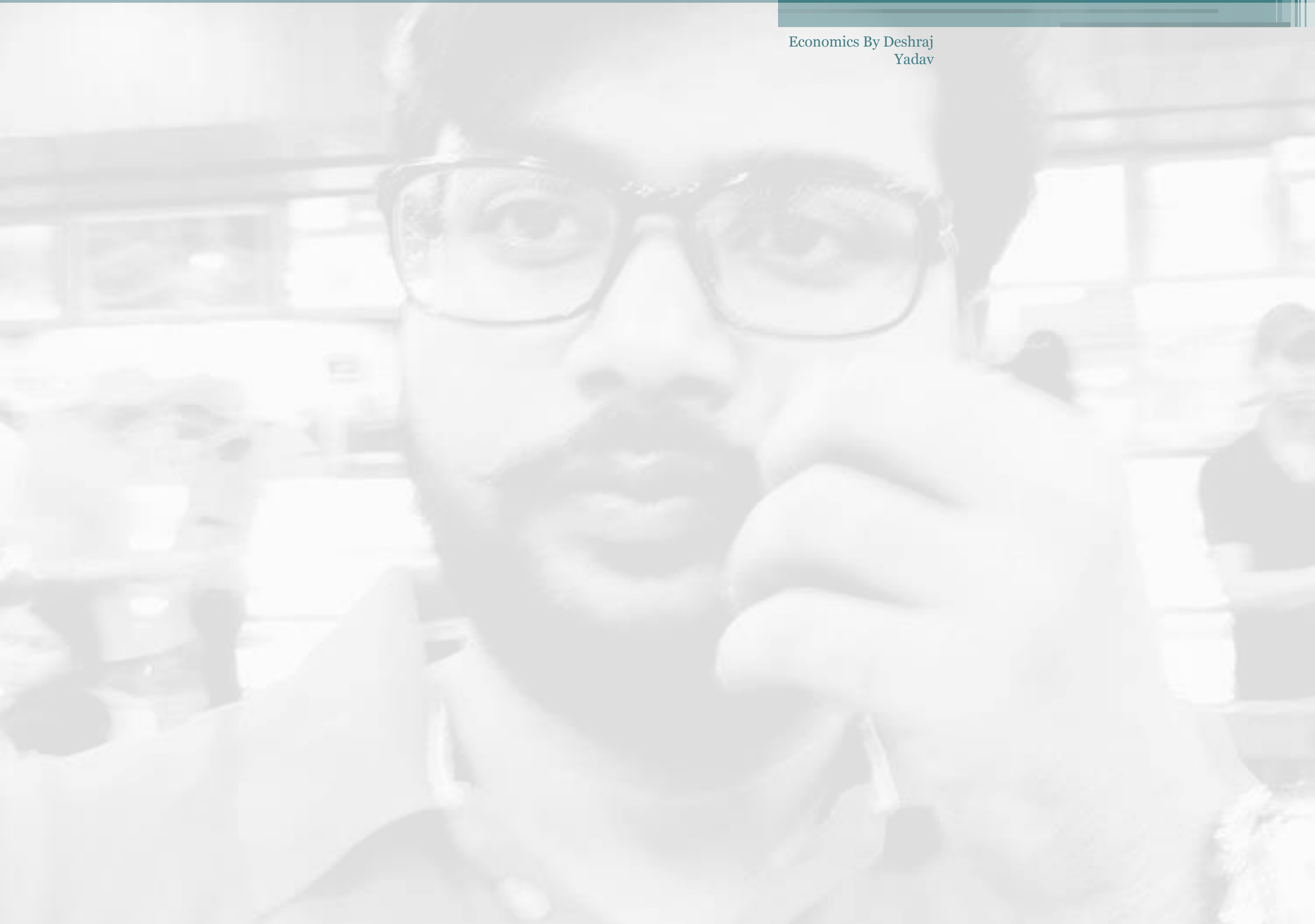
The marginal cost that is the novel element of the MCLR. The marginal cost of funds will comprise of Marginal cost of borrowings and return on net-worth. According to the Reserve Bank of India, the Marginal Cost should be charged on the basis of following factors:

- Interest rate given for various types of deposits- savings, current, term deposit, foreign currency deposit
- Borrowings – Short term interest rate or the Repo rate etc., Long term rupee borrowing rate
- Return on net-worth – in accordance with capital adequacy norms.

Negative carry on account of Cash Reserve Ratio (CRR)

- It is the cost that the banks have to incur while keeping reserves with the RBI. The RBI is not giving an interest for CRR held by the banks. The cost of such funds kept idle can be charged from loans given to the people.

- **Operating Costs -** It includes the daily utility actions of the bank. It is evident that MCLR is largely dependent on the marginal cost of funds. It is also dependent on the repo rate and a variation in this rate should also bring a change in MCLR.
- **Tenor Premium-** This simply implies that the length of loan is directly proportional to the amount of premium to be paid. For one residual tenor, this will remain the same



Financial Inclusion

Economics By Deshraj Yadav

Schemes launched by Government of India to promote Financial Inclusion

- **Financial inclusion** is a concept of making available banking/financial services to a vast section of low income groups and weaker sections at an affordable price. The objective of financial inclusion is to provide the service of basic banking products to the unserved masses of the country, aiming towards inclusive economic growth.
- The need for financial inclusion raised when even after years of Independence 40% population lacked access to basic banking products. And apart from poverty, illiteracy and lack of regular income the major barriers are lack of reach, high cost of transactions and time.

Regulatory steps taken by Reserve Bank of India in this regard

- BSBDA (Basic Savings Bank Deposit Account)
  - No requirement for any minimum balance.
  - No limit on the number of deposits while restriction on withdrawal to 4.
- Relaxation in KYC guidelines
- Use of extensive technology in banking
- Appointing business correspondents and business facilitators
- Opening of branches in unbanked rural areas
- Licensing of differentiated banks like Payment Bank and Small Bank

Schemes launched by Government of India to promote Financial Inclusion

PMJDY (Pradhan Mantri Jan Dhan Yojana)

- The slogan of the scheme is "Mera Khata – Bhagya Vidhaata"
- The scheme provided Rs 5,000 overdraft facility for Aadhar – linked accounts and RuPay Debit Card for all account holders
- An accident insurance cover of up to Rs. 1 Lakh is also provided.
- Interest on deposit.
- No minimum balance required.
- The scheme provides life cover of Rs. 30,000/- payable on death of the beneficiary, subject to fulfilment of the eligibility condition.
- Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- After satisfactory operation of the account for 6 months, an overdraft facility will be permitted.
- .

Pradhan Mantri Suraksha Bima Yojana

- The accidental death insurance covers renewable each year.
- The annual premium to be paid is Rs.12. This premium is excluding the service tax which is charged at 14%.
- Up to Rs.2 lakh cover is payable to the nominee of the subscriber if he or she dies in an accident or is totally disabled due to the accident?
- The premium is auto debited from the bank account of the subscriber.
- The subscriber can avail the long term option or renew the scheme every year.
- The subscriber can exit the scheme at any time and can sign-up at any time in the future.

Eligibility Criteria of Pradhan Mantri Suraksha Bima Yojana

- The minimum age requirement is 18 years.
- The maximum age requirement is 70 years.
- Those having a savings bank account and falling under the age group of 18 – 70 years are eligible to subscribe to the policy.
- The bank account must be linked with the Aadhaar card.
- If the bank account is not linked with the Aadhaar card, then the Aadhaar card copy must be attached with the application form.
- If the individual has more than one savings account, he or she is only eligible to join the scheme through a single bank account.
- Premium to be paid is Rs.12 yearly.
- The premium amount is auto debited from the insured's bank account.
- The scheme is valid for a year and it can be renewed at the end of the year.
- The primary KYC document required is the applicant's Aadhaar card.

Pradhan Mantri Jeevan Jyoti Bima Yojana

- The central government of India has launched a new life insurance scheme, Pradhan Mantri Jeevan Jyoti Bima Yojana, for the growth of the poor and low income section of society. As a pure term insurance plan, Pradhan Mantri Jeevan Jyoti Bima Yojana, is available for people between the age group of 18- 50 years.
- PMJJBY is a renewal term insurance policy that, provides a yearly life insurance coverage of Rs. 2,00,000 in case of the demise of the insured person, at the most affordable premium rate of Rs. 330 per annum. In order to help you know more about the policy, we have discussed some of the key features and benefits offered by the policy.

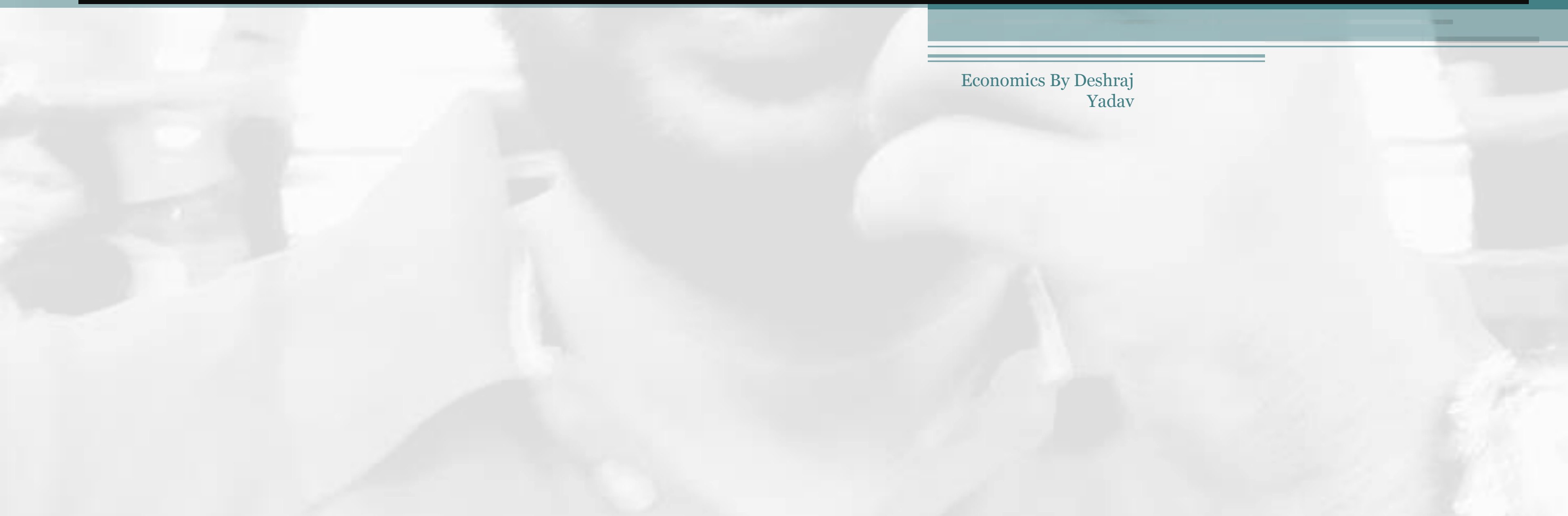
Features of Pradhan Mantri Jeevan Jyoti Bima Yojana

- The policy provides life coverage for 1 year.
- According to one's own choice, the insured can walk out of the scheme at any time and rejoin it in future.
- The policy offers a maximum sum assured of Rs2 lakh.
- As compared to the other term insurance policy the plan offers very low premium rates per year i.e. Rs. 330. Moreover, the premium rate is equal for all age groups ranging from 18 to 50 years.

- There are certain cases under which the death benefit offered by the policy is terminated:-
- If the insured person is above 55 years.
- If the insured has inadequate balance in saving bank account to keep the insurance in force.
- In case you fail to purchase the scheme in the initial years you can join the policy in the subsequent years by paying the annual premiums and submitting a self-attested health certificate

Non-Performing Asset (NPA)

Economics By Deshraj
Yadav



Non-Performing Asset

- An asset (loan), including a leased asset, becomes non performing when it stops generating income for the bank.
- Note: Once the borrower has failed to make interest or principle payments for 90 days the loan is considered to be a non-performing asset. It had been decided to adopt the '90 days' overdue' norm for identification of NPA, from the year ending March 31, 2004.

NPA in case of Agriculture Loans

Farm Credit within Agriculture loans: A loan will be treated as an NPA if instalment of the principal or interest remains unpaid beyond the due date for-

- Two crop seasons in case of short duration crops (maturing within one year)
- One crop season for long duration crops (maturing after one year).
- This would also be applicable, mutatis mutandis, to agricultural term loans. In other agriculture loans, the 90 days norm would be applicable

The conditions under which an asset becomes an NPA are as follows

- If interest or installment or both of principal remain overdue for a period of more than 90 days in respect of a term loan.
- If Overdraft/ Cash Credit for an account remains 'out of order'.
- If bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- If installment of principal or interest remains overdue for two crop seasons for short duration crops / one crop season for long duration crops.

Reasons for NPA

- **Macroeconomic situations:** When a country is not growing on expected lines i.e. GDP is not growing, no demand for goods, then industry suffers and not able to payback.
- **Increased Interest Rate:** The loan is taken at a time when interest rates were much higher than the present interest rate.
- When some sectors of the economy are doing bad like Infrastructure, Power due to Land acquisition and forest related issues and environment clearances.
- **Wilful defaulting:** When one is able to pay but is not paying like Vijay Mallya.

NPA

- **ASSET CLASSIFICATION:** RBI has classified nonperforming assets into the following **three categories** based on the period for which the asset has remained nonperforming and the reliability of the dues:
- **Substandard Assets**: With effect from March 31, 2005, a substandard asset is one, which has remained NPA for **a period less than or equal to 12 months.**
- **Doubtful Assets:** With effect from March 31, 2005, an asset is classified as doubtful if it has remained in the sub-standard category for a **period of 12 months**.
- **Loss Assets**: A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered **uncollectible** and of such little value that its continuance as a bankable asset is not warranted although there may be some rescue or recovery value

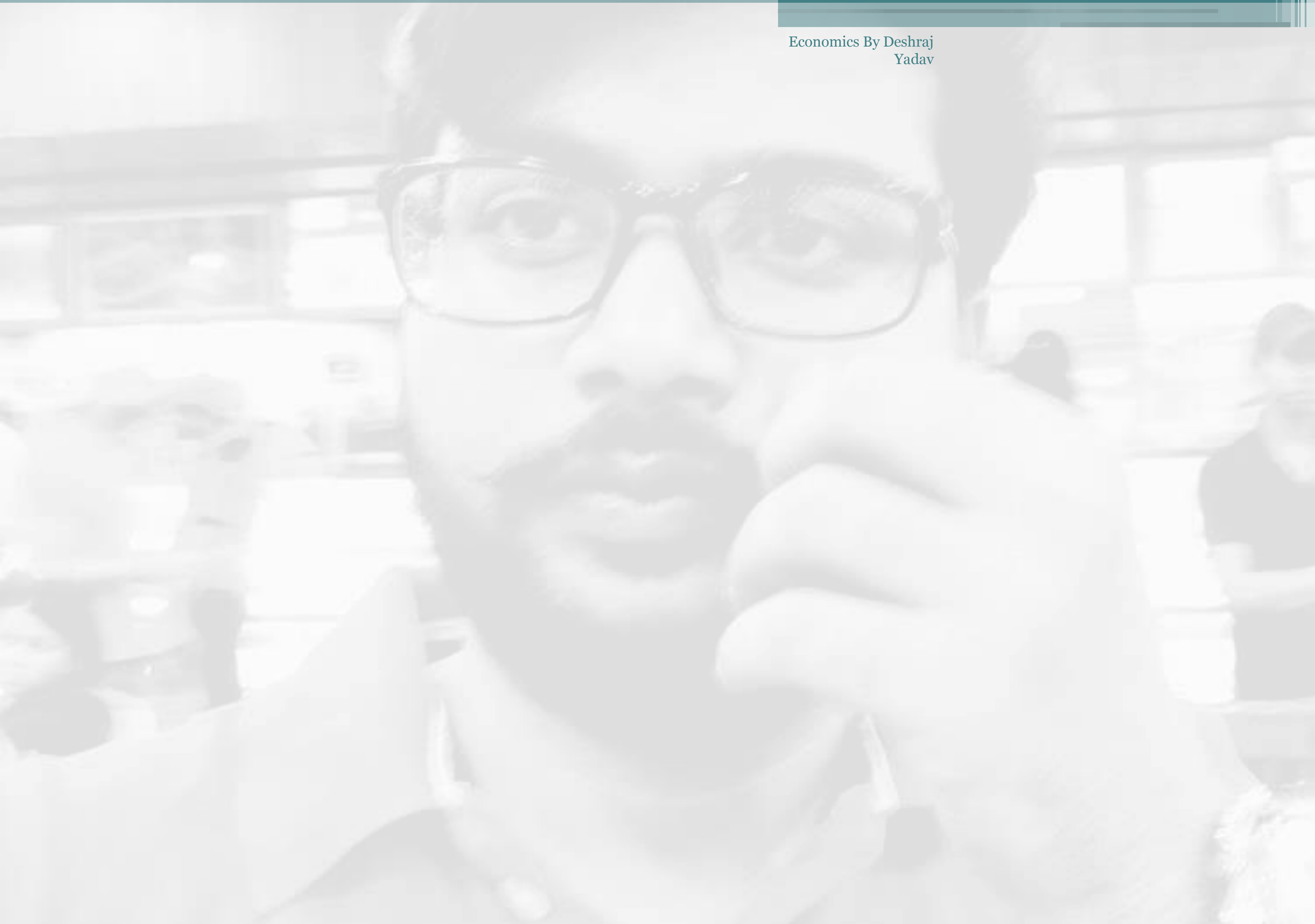
What does the Bank / FIs do after NPA

Firstly the Bank /FIs inspect whether there are **genuine reasons or not** for non-repayment of loans. Here genuine reasons include factors that are beyond one's control and certain internal, external reasons. In this case, for the revival of the corporates as well as for the safety of the money lent by the banks and FIs, timely support through restructuring is done. This system of restructuring of loans is called as **Corporate Debt Restructuring.**

- What **if the case is not genuine?** In this case Bank / FIs may
- Refer the case to Debt Recovery Tribunal (DRT).
- Refer to Asset Reconstruction Companies (ARC) as per SARFAESI Act, 2002.
- File winding up petition in the court of law.
- File criminal case against the willful defaulter.

What does the Bank / FIs do after NPA

- **Corporate Debt Restructuring:-** It has been implemented by RBI from August 2001. It covers only multiple banking accounts or syndicated / consortium loan accounts of corporate borrowers where outstanding exposure is Rs 10 crore or more. The accounts are eligible for consideration under the CDR system provided at least 75% of the creditors (by value of loan) and 60% of creditors (by number of loan) agree to the proposal.
- **Debt Recovery Tribunal (DRT):-** These are established in various cities under "Recovery of Debts due to Banks and Financial Institutions (RDDBF) Act, 1993". Banks / FIs can file an application with DRT or recover dues from persons / companies. As per the act the issue is to be settled in 6 months. In this case the success rate is around 20-30%.
- **Asset Reconstruction Companies (ARC):-** This is formed under the "Securitization and Reconstruction of financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002".



Banking Ombudsman Scheme 2006

Economics By Deshraj
Yadav

Banking Ombudsman Scheme

- The Banking Ombudsman Scheme makes available an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme was introduced under Section 35 A of the Banking Regulation Act (BR Act), 1949 with effect from 1995. All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

Appointment of Banking Ombudsman

- The Banking Ombudsman is a senior official appointed by the RBI to receive and redress customer complaints against deficiency in certain banking services (including Internet banking and loans and advances). At present, fifteen Banking Ombudsmen have been appointed, with their offices located mostly in state capitals.

Some aspects related to the Scheme

- No fee is required for filing and resolving customers' complaints.
- The amount, if any, to be paid by the bank to the complainant by way of compensation for any loss suffered by the complainant, is limited to the amount arising directly out of the act or omission of the bank or Rs 10 lakhs, whichever is lower.

- The Banking Ombudsman may award compensation not exceeding Rs 1 lakh to the complainant only in the case of complaints relating to credit card operations for mental agony and harassment.
- If a complaint is not settled by an agreement within a period of one month, the Banking Ombudsman proceeds further to pass an award.

Some aspects related to the Scheme

- If one is not satisfied with the decision passed by the Banking Ombudsman, one can approach the appellate authority against the Banking Ombudsman's decision. The Appellate Authority is vested with a Deputy Governor of the RBI.

- If one is aggrieved by the decision, one may, within 30 days of the date of receipt of the award, appeal against the award before the appellate authority.

Negotiable Instruments Act 1881

Economics By Deshraj Yadav

Negotiable Instruments Act 1881

Negotiable instruments are written orders or unconditional promises to pay a fixed sum of money on demand or at a certain time.

Negotiable instruments may be transferred from one person to another, who is known as a holder in due course.

Upon transfer, also called negotiation of the instrument, the holder obtains full legal title to the instrument.

Negotiable instruments may be transferred by delivery or by endorsement and delivery. For e.g. promissory notes, bills of exchange, cheques, drafts, certificates of deposit are all examples of negotiable instruments.

Various Negotiable Instruments

- **Cheque** - Cheque is an instrument in writing containing an unconditional order, addressed to a banker, sign by the person who has deposited money with the banker, requiring him to pay on demand a certain sum of money only to or to the order of certain person or to the bearer of instrument."
- Under Section 6 of the Negotiable Instruments Act, 1881, a cheque is defined as a “bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand.” To understand this definition, it is necessary to know the definition of a Bill of Exchange.

Types of Cheques

- **Bearer Cheque -** The bearer cheque is payable to the person specified therein or to any other else who presents it to the bank for payment. However, such cheques are risky, this is because if such cheques are lost, the finder of the cheque can collect payment from the bank.
- **Order Cheque -** It is the one which is payable to a particular person. In such a cheque the word 'bearer' may be cut out or cancelled and the word 'order' may be written. The payee can transfer an order cheque to someone else by signing his or her name on the back of it.
- **Crossed cheque-** When a cheque is crossed, the holder cannot encash it at the counter of the bank. The payment of such cheque is only credited to the bank account of the payee. Crossed cheque is done by drawing two parallel lines across top left corner of the cheque, with or without writing 'Account payee' in the space between the lines.

Types of Cheques

- **A self cheque:** It is written by the account holder as pay self to receive money in physical form from the branch where he holds his account. This can be alternated by using an ATM card.
- **Post-dated cheque (PDC):** A PDC is a form of a crossed or account payee bearer cheque but post-dated to meet the said financial payment at a future date. The cheque is valid from the date of issue to three months.
- **A Banker's cheque:** A banker's cheque is issued by a bank drawing money from its own funds rather than that from an account holder's. Banker's cheque is issued after the bank verifies the account status of the requestor and the amount is immediately deducted from the customer's account. A banker's cheque cannot be dishonored as in the case of a normal cheque, when an account holder has insufficient funds in his/her account. Though different from a normal cheque it requires clearing too.

Types of Cheques

- **Stale Cheque -** If a cheque is presented for payment after three months from the date of the cheque it is called stale cheque. A stale cheque is not honoured by the bank.
- **Multilated Cheque-** If a cheque is torn into two or more pieces, it is termed as mutilated cheque.
- **Traveller's Cheques-** It is an instrument issued by a bank for remittance of money from one place to another.
- **Gift Cheques-** Gift cheques are used for offering presentations on occasions like birthday, weddings and such other situations. It is available in various denominations.

Cheque Truncation System

Cheque Truncation System (CTS) or Image-based Clearing System (ICS), in India, is a project undertaken by the Reserve Bank of India (RBI) in 2008, for faster clearing of cheques.

Cheque Truncation System (CTS) is a cheque clearing system undertaken by the Reserve Bank of India (RBI) for faster clearing of cheques. Truncation is the process of stopping the physical movement of cheques which is replaced by electronic images and associated MICR line of the cheque.

Advantage of CTS –

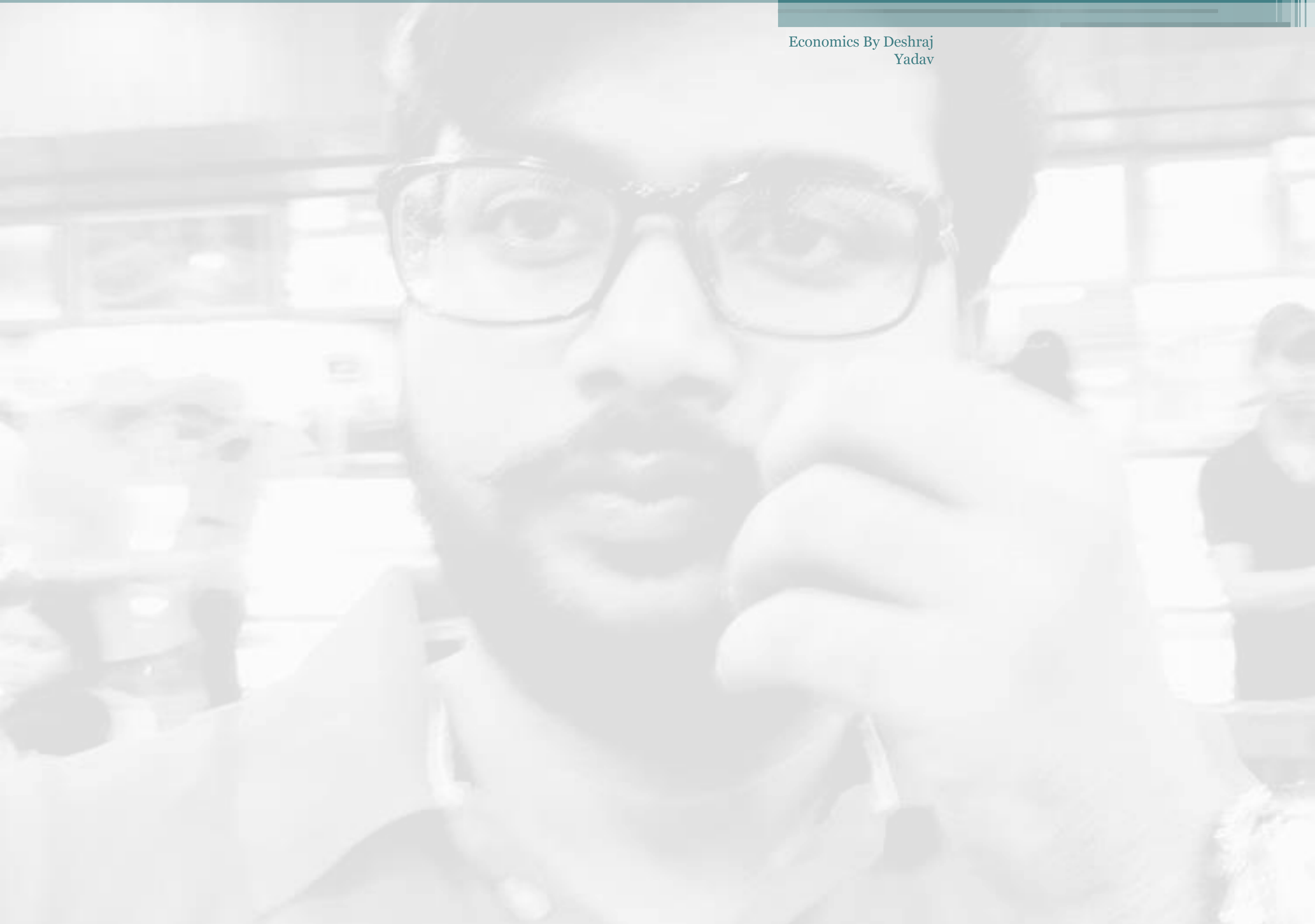
- Since there is no physical movement of cheques, there is no fear of loss of cheque in transit.
- Usage of CTS cheques also means quicker clearance, shorter clearing cycle and speedier credit of the amount to your account.
- Depending on whether the cheque is local or outstation, the cheque can get cleared on the same day or within 24 hours.
- The biggest advantage is that CTS-compliant cheques are more secure than old cheques and, hence, less prone to frauds. Also, as the system matures, it is proposed to integrate multiple locations and reduce geographical restrictions in cheque clearing.

Demand Drafts

A DD is a negotiable instrument similar to a bill of exchange. It is used for effecting transfer of money. A bank issues a DD to a client (Drawer), directing another bank (Drawee) or one its own branches to pay a certain sum to the specified party (Payee) directly without involving the drawing bank after presenting.

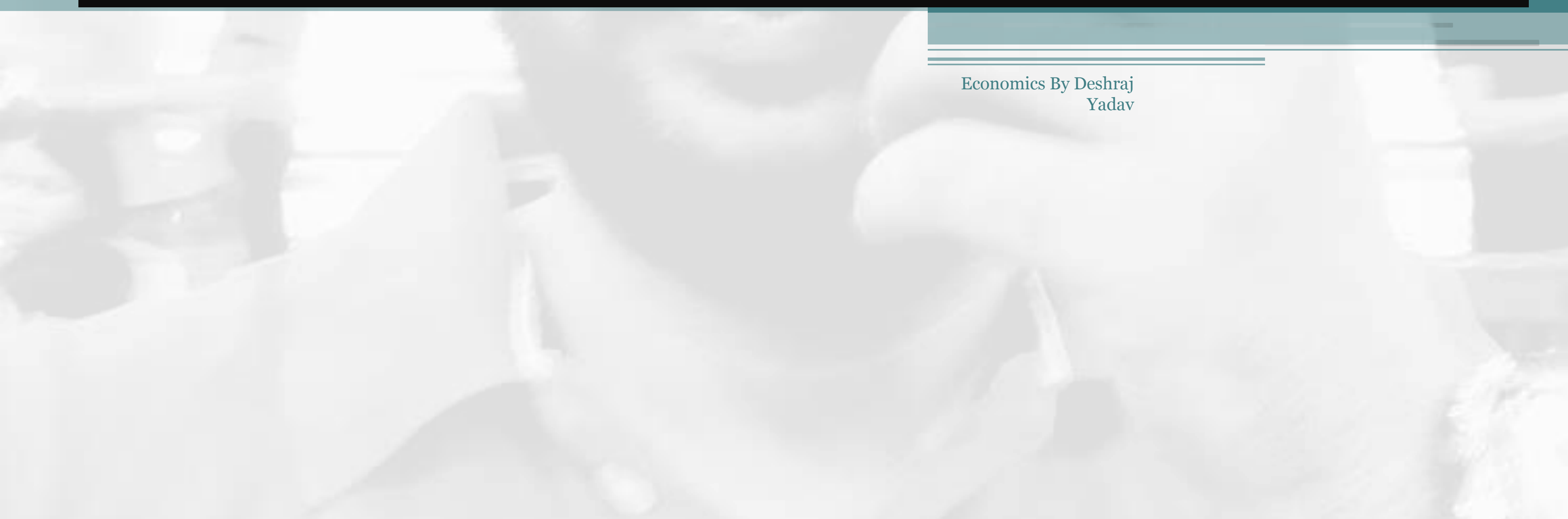
Differences between a cheque and a DD are

- A cheque is issued by an individual, whereas a DD is issued by a bank.
- The amount mentioned on the DD is collected by the bank from the drawer prior to drawing the DD, whereas the amount mentioned on the cheque is debited only when the cheque is presented for payment.
- The payment of cheque can be stopped by the drawer of the cheque, whereas the payment of a DD cannot be stopped.
- A cheque can bounce or be dishonoured, but a DD cannot be bounced and dishonored because it is already paid. A DD will bounce only when the drawee bank does not have enough funds to honour the cheque.
- A cheque can be made payable either to a bearer or to order. But a DD is always payable to order of certain person or organization, it cannot be a bearer draft.



Deposit Insurance and Credit Guarantee Corporation (DICGC)

Economics By Deshraj
Yadav



DICGC

- The Deposit Insurance Corporation Act was passed by the Parliament in 1961 which set up the 'Deposit Insurance Corporation' with effect from January 1, 1962. It took over the undertaking of the Credit Guarantee Corporation of India Ltd., with effect from July 15, 1978. Later, by the integration of two organisations the Corporation was renamed as the Deposit Insurance and Credit Guarantee Corporation (DICGC).
- The DICGC has twin objectives of giving insurance to small depositors in banks and five credit guarantee schemes (four for small borrowers and one for small-scale industries) guaranteeing the priority sector advances granted by participating banks and financial institutions.

DICGC

- The idea behind the Deposit Insurance is to boost the faith of the public in the banking system, and provide protection against the loss of deposits to a significant extent. In India, the bank deposits are covered under the insurance scheme provided by Deposit Insurance and Credit Guarantee Corporation (DICGC), a wholly owned subsidiary of the Reserve Bank of India. DICGC is a statutory body, created by an act of parliament in 1961.
- DICGC is fully owned by the RBI. Deposit insurance is mandatory for all banks. The premium charged is on a flat rate basis which is 10 paise per Rs 100. The amount of coverage is presently limited to Rs one lakh.

DICGC

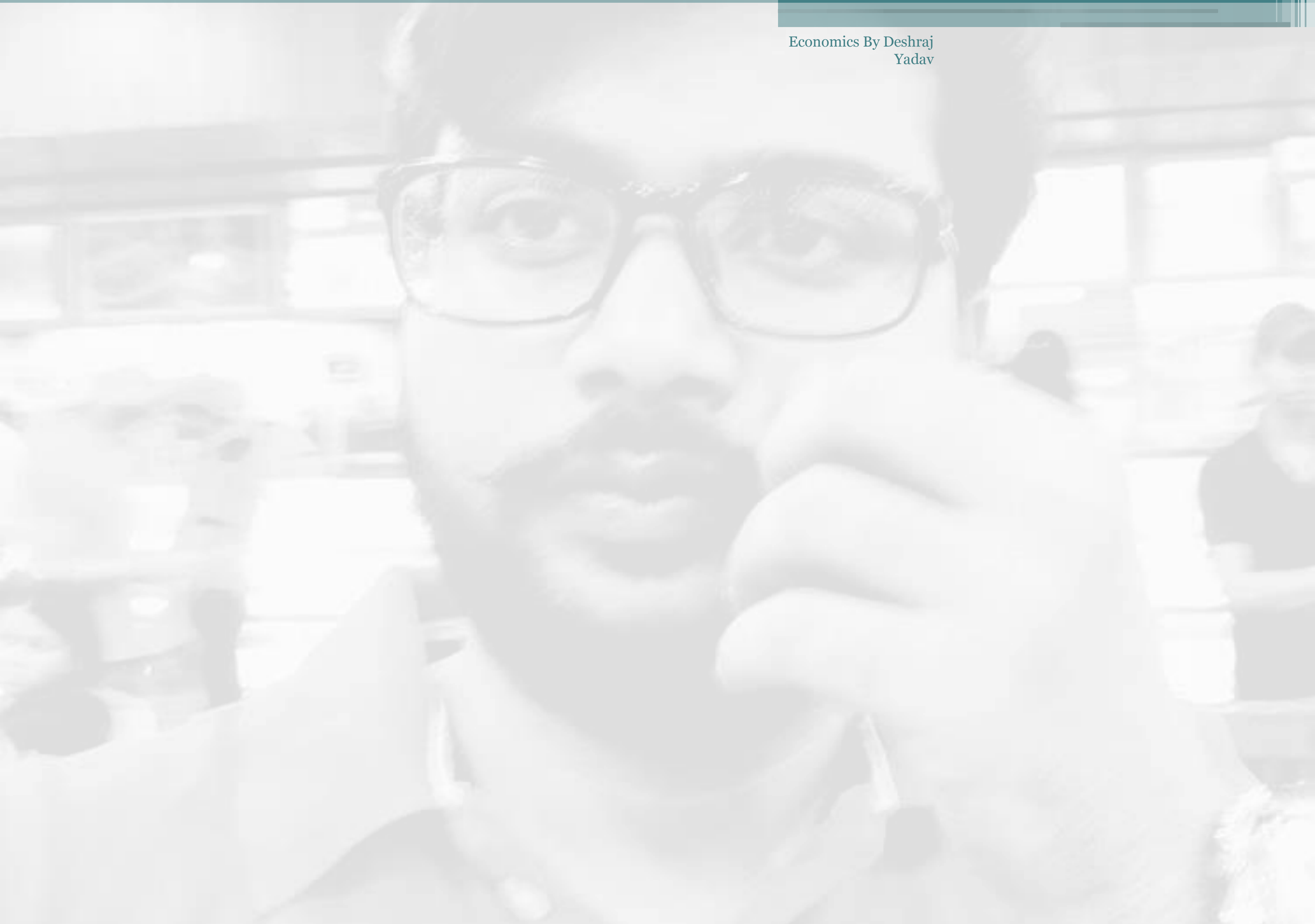
- A Deposit Insurance Fund (DIF) is built up from the premium received from insured banks and the coupon received from investment in central government securities. Deposit insurance extended by DICGC covers all commercial banks, including Local Area Banks (LABs) and Regional Rural Banks (RRBs) in all the States and Union Territories (UTs). All Co-operative Banks across the country except three UTs of Lakshadweep, Chandigarh, and Dadra and Nagar Haveli are also covered by deposit insurance.
- In the event of a bank failure, DICGC protects bank deposits that are payable in India. The DICGC insures all deposits such as savings, fixed, current, recurring, etc.

Institutions covered under deposit insurance

- All commercial banks including branches of foreign banks functioning in India, local area banks and regional rural banks.
- All Co-operative Banks across the country - State, Central and Primary cooperative banks, and urban cooperative banks.
- But those in three UTs of Lakshadweep, Chandigarh, and Dadra and Nagar Haveli are not covered by deposit insurance. Primary cooperative societies are not insured by the DICGC.

What types of deposits are not insured by the DICGC?

- The following types of deposits are not covered under deposit insurance by DICGC
- Deposits of foreign Governments;
- Deposits of Central/State Governments
- Inter-bank deposits;
- Deposits of the State Land Development Banks with the State co-operative bank;
- Any amount due on account of any deposit received outside India
- Any amount, which has been specifically exempted by the corporation with the previous approval of Reserve Bank of India.



- ☐ The Tax Department has launched New Benami Transactions Informants Reward Scheme, 2018 to get people's participation in the Income Tax Department's efforts to unearth black money and to reduce tax evasion.
- ☐ Government has launched an Online Analytical Tool to facilitate closer monitoring of the flow and utilisation of foreign contributions received by various organisations registered or permitted under the Foreign Contribution (Regulation) Act (FCRA), 2010.
- ☐ IDBI CEO M K Jain has been appointed as the fourth deputy governor of RBI for a threeyear term. He would be succeeding SS Mundra, who retired in July last year.

- □ President Shri Ramnath Kovind has approved the promulgation of Insolvency and Bankruptcy Code (Amendment) Ordinance, 2018.

- □ The World Bank has approved Water Resources and River Development Ministry’s Rs 6000 crore worth central sector scheme, ‘Atal Bhujal Yojana’.

- □ RBI allows Urban Co-operative Banks to become Small Finance Banks as per the recommendations of High Powered Committee on Urban Cooperative Banks, chaired by R Gandhi, RBI Deputy Governor.

- □ As per the recommendations of a committee headed by Y.M. Deosthalee, RBI to set up Public Credit Registry to curb bad loans.

- □ The Union Government is planning to launch Rs 500-crore worth credit enhancement fund in July to boost infrastructure financing. The move aims to facilitate infrastructure investments by insurance and pension funds.

- □ RBI releases draft guidelines to modify loan system for large borrowers. As per which, Borrowers having aggregate fund based working capital limit of Rs 150 crore and above from the banking system, need to withdraw a minimum of 40 per cent of the limit as loan component and the remaining as cash credit, with effect from October 1, 2018

- ☐ India has become the world's sixth-biggest economy, pushing France into seventh place, according to updated World Bank figures for 2017.

- ☐ Reliance Industries is the India's largest payer of Goods and Services Tax (GST), Excise and Customs Duty, and Income Tax in the private sector.

- ☐ Haryana has topped other states in per capita revenue collection under GST and is also the fourth highest generator of e-way bills in the country.

- □ According to State Bank of India report, India’s Current account deficit (CAD) is likely to touch 2.8% of GDP in FY19 on surge in crude oil prices and moderate growth in exports.

- □ According to govt report, the average per capita income in the country over the last four years has been higher at approximately Rs 80,000 per person as compared to earlier fiscals.

- □ India’s foreign exchange reserves declined by USD 950.9 million to USD 404.192 billion in august first week, because of a fall in the foreign currency assets.

- □ Paytm Money, a subsidiary of digital payments major Paytm, will offer mutual fund investment products at zero fee to its customers.

- □ According to the Department of Financial Services report, PNB has been ranked number one PSU bank in digital transactions in India with an overall score of 71.

- □ World Bank has announced to sell the first-ever bond to be issued entirely, using blockchain technology. It aims to raise about Aus$50 million through blockchain bond.

- □ PM Modi launched India Post payment bank, at Talkatora Stadium in New Delhi, it will start its operation via 650 branches across the country.

- □ RBI has tightened the selection & operating procedure for internal ombudsman (IO) in banks, making it mandatory for lenders with more than 10 branches to have an independent authority to review complaints that were partially or wholly rejected by the respective banks.

- □ The government has proposed amalgamation of Bank of Baroda, Vijaya Bank, and Dena Bank to create India’s 3rd largest globally competitive Bank. Amalgamation will increase the banking operations.

- □ BSE, NSE get SEBI approval to launch commodity derivatives. BSE will enter the segment with non-agriculture commodities like metals initially, followed by agricultural commodities subsequently.

- □ The government has set up a group of secretaries to investigate the issues raised on some proposals of the draft e-commerce policy. The group will be chaired by the Secretary , Department of Industrial Policy and Promotion (DIPP).

- □ International Finance Corporation (IFC), to fund its investment activities in India has launched a masala bond programme of $1 billion dollars value. IFC is a part of the World Bank Group.

•☐ Govt. of India has launched the Sovereign Gold Bond Scheme 2018 -19 in consultation with RBI. As per the scheme, GOI will issue Sovereign Gold Bonds (2018-19) every month from October 2018 to February 2019. The bond tenor would be 8 years and the maximum limit will be 20 Kg for trusts and 4 Kg for individual/HUF.

•☐ RBI has mandated that banks maintain CRAR of 9%. 1 percentage point higher than Basel norms. RBI also agreed to extend the transition period for implementing the last tranche the Capital Conservation Buffer (0.625%) up to March 31, 2020.

•☐ RBI has initiated setting up a digital Public Credit Registry to capture details of all borrowers, including wilful defaulters and the pending legal suits in order to check financial delinquencies. PCR will provide a 360-degree profile of borrowers.

- RBI removes charges on RTGS & NEFT transactions; sets up Committee on ATM charge review

- RBI Monetary Policy: RBI cuts Repo Rate by 25 bps, cuts GDP Growth rate, revises inflation target upwards

- Nilekani panel suggests 24x7 RTGS, NEFT, elimination of all charges

- Facebook Plans to Launch Cyrptocurrency Under the Name GlobalCoin

SEBI bars NSE from accessing the securities market for a period of six months

- Starting from April 30, 2019.
- It means NSE cannot launch a new derivative product for the next six months.
- ☐ This has been done as NSE had not exercised the requisite due diligence while putting in place the TBT architecture.
- There were some chances of fraud due to server co-location issue.

- ☐ Tick-by-Tick (TBT) is a data feed, which provides information regarding every change in the order book on the NSE.
- ☐ SEBI has also directed NSE to disgorge an amount of Rs.624.89 crores to the Investor Protection and Education Fund (IPEF) created by SEBI under Section 11 of the SEBI Act.

Malaysia Set to Open World's First Crypto Powered City

- ☐ Malaysia is set to become the site of the world's first crypto city, where cryptocurrency called DMI will be used in place of cash.

- ☐ The government of Malaysia is developing 835 acres of Malacca City into a tourist destination for the crypto lovers. The city will be called the Melaka Straits City. Tourist visiting the city will reportedly be able to convert their money into DMI through their mobile phones or Computers

United States Removes India from its Currency Monitoring List

- The US Treasury Department has removed India as well as Switzerland from its currency monitoring list of countries having potentially questionable foreign exchange policies.
- Removal of India from the currency watch list radar is a positive development, which otherwise could have ultimately led to a tag of being a currency manipulator.
- Now nine major trading partners continue to be placed on Treasury's 'Monitoring List' of major trading partners that merit close attention to their currency practices.
- These countries are: China, Japan, Germany, South Korea, Ireland, Italy, Malaysia, Vietnam and Singapore.
- Currency manipulator: Countries which indulge in manipulating the currency exchange rate for gaining unfair competitive advantage in international trade often end up with the tag of a currency manipulator.