Mrunal's Economy Win21 Updates For UPSC & Other Competitive Exams

⇒ The advantage of buying Iphone, Oneplus, Nokia or AndroidOne series of phones is they provide (free) operating system updates/security patches for 2-3 years. I believe coaching industry too needs to adopt similar business practice. महंगा फोन खरीदने पर मुफ्त में नियमित ऑपरेटिंग सिस्टम की अपडेटस मिलती है तो, कोचिंग क्लास में भी ऐसी सुविधा होनी चाहिए, इसलिए मेने ये मुहीम शुरू की है. 😄 🙏

⇒ So, this 'Win21 update patch/handout' is for my old batch students who had joined my economy classes **before Feb-2021**. It contains updates since the UPSC Prelim-2021, including Budget 2021,Economic Survey 2021, and other exam-worthy Current Affairs Updates in Economy.

Type of Student	Not joined Unacademy	Attended Mrunal's Full Course that **ended in May-2020 OR BEFORE**	Attended Mrunal's Full Course that **ended in Sept-2020**	Attended Mrunal's Full Course that **ended in Jan-2021**	Attending Mrunal's ongoing <u>Full length paid Course</u> **from Feb-2021 Discount Code "Mrunal.org"**
Shd see <u>Win20CSP</u>?	☑ Yes	☑ Yes	🤚 No need	🤚 No need	🤚 No need
Shd see <u>Win21CSP</u>?	☑ Yes	☑ Yes	☑	☑	🤚 No need

CONTENTS

10 : PILLAR#1A1: MONEY-BARTER TO BITCOIN *KE UPDATES*

10.1 🐷 🔖 BANK MONEY / DEPOSIT MONEY

10.1.1 🐷 🔖 🐷 Cheque → Positive Pay Mechanism for Cheques in CTS

CTS= canned image of cheque electronically sent to the drawee branch for faster clearance without theft or tempering. This system is operated by NPCi

	Cheque clearance Until now	😎 Positive Pay Mechanism (Extra-steps)
Sender (Roman)	Roman writes check, gives to recipient Mrunal	Roman (issuer) clicks cheque's photo (📲IMAGE#A) & uploads on Axis Bank's App / Bank's Webportal or send details via SMS2Axis ke *"I've given this cheque number-X with Amount-Y to Mrunal on Date-Z"*
Reciepient (Mrunal)	Deposits cheque in SBI, A'bad	Same
Recipient's Bank (SBI)	SBI staff sends scans cheque → sends (📠IMAGE#B) to Axis via NPCi's CTS	Same
Sender's Bank (Axis)	Receives msg via CTS, → verifies (📠IMAGE#B) → releases ₹₹	Axis crosschecks whether 📠IMAGE#B = 📲IMAGE#A? If, no mismatch/discrepancy → releases ₹₹
Benefit?	😰What if Mrunal (reciepient) manipulated/ tempered cheque. E.g. 50k add "00" → 50 lakhs!	🤩Positive Pay Mechanism prevents such tempering / fraud by Cheque Recipient.

⇒ 2016: ICICI Bank introduced Positive Pay for its customers.

⇒ 2020: RBI has ordered all banks to implement it from 1/1/2021 onwards. (✋Exact DATE NOT IMP)

- o (Optionally available to customers) for amounts above ₹50,000/- (✋Exact AMT NOT IMP)

- o (Compulsory required) IF amount = ₹5 lakh and above. (✋Exact AMT NOT IMP)

10.1.2 🎖️🗺️Next Generation Treasury Application (NGTA), 2020-Oct

⇒ RBI planning this web based application / software for management of

- o 🪙Money Market Securities (📑Ref: HDT-Pillar#1C)

- o Gold Reserves, 💱Foreign exchange, 💱Multi currency transactions (📑Ref: HDT-Pillar#3A)

⇒ ✋Will this replace E-Kuber? How will it work? Ans. Topic still under development. Further operational aspects not important for the scope of IAS exam. #🔍थोड़ा-पढ़ो-आगे-बढ़ो

10.1.3 QR Codes: compulsory to implement UPI/Bharat QR from 2022

- 1990s: 2 dimensional (2D) Quick Response (QR) Code system developed in Japan.

- Indian E-payment systems function on 3 types of QR Codes, namely,

Table 2: ✋Difference between UPI QR vs Bharat QR? NOT.IMP.4.EXAM ⏳📒थोड़ा-पढ़ो-आगे-बढ़ो

Proprietary QR code	e.g. Paytm or PhonePe ke exclusive QR codes. 😰Problem? Other companies' app may not be able to scan and pay it.

UPI QR code	Generated by UPI app of NPCi
Bharat QR code	Developed by NPCi with help of Visa and Mastercard.

⇒ RBI has ordered all the Payment System Operators (PSOs e.g. Paytm, PhonePe, MobiKwik, Google Pay etc) to shift to UPI QR or Bharat QR by March 31, 2022. RBI has prohibited them from launching any new proprietary QR code.

⇒ 🤩Benefit? All Payment apps will be able to scan these QR codes → 'interoperability'.

10.1.4 🕵️ 📑 31 Perpetual Licence for Payment System Operators?

Payment and Settlement Systems Act, 2007: RBI gives license to Payment System Operators (PSOs).

Type of PSO	Examples
Umbrella Entity For Retail Payments	NPCi (learned in previous section)
Card Payment Gateway Operator	MasterCard, Visa, Rupay
Crossborder / International Remittance	Western Union, MoneyGram
Prepaid Payment Instrument (PPI)	AmazonPay, Mobikwik, Phonepe, PayU, PayTM Wallet etc
Atm Operators	SBI etc's own ATMs White label ATMs by Tata, Muthoot, SREI etc
Financial Market Infrastructure Provider	Clearing Corporation of India (CCI): provides backend digital infrastructure for share/bond/foreign currency deals etc. (📑 Ref: HDT-Pillar#1C)

2020-Oct: RBI introduced following reforms in PSO-licence validity

😰Before	🤩After (2020-Oct)
📑 31 License validity= 5 years. Afterwards, RBI may renew again. हर 5 साल पर लाइसेंस का पुनः नवीनीकरण कराना था	📑 🔄 Perpetual License = valid for infinite time period. (सदा के लिए/ सतत अवधि के लिए मान्य लाइसेंस)
⇒ Company owner's uncertainty: whether my licence will be renewed or not? 😫 ⇒ RBI officers' time also wasted in processing the files / docs every5yrs.	⇒ Ease of Doing Biz. Now company owner can focus on his business peacefully.🤩 (व्यापार में सुगमता/ आसानी/ निश्चिता) ⇒ RBI officers' time saved. (समय की बचत)

10.1.5 🕵️ 💳 📇 Payments Infrastructure Development Fund (PIDF) 2020-Jun

✓ ₹250cr from RBI + ₹250 cr from (Banks and Card Gateway Operators) → ₹500 cr fund setup.

✓ **Objective?** Provide funding/ subsidy to encourage merchants in the small towns, villages and North Eastern states to adopt point-of-sale (PoS) card swiping machines.

भुगतान इंफ्रास्ट्रक्चर के लिए निधि/कोष: गांव, छोटे शहरों और उत्तर-पूर्वी इलाकों में व्यापारियों को कार्ड मशीन अपनाने के लिए मदद

10.1.6 🏦 💳 💾 Scheme of Offline Retail Payments Using Cards and Mobile Devices

✓ While mobile phones, cards, e-wallets, etc. ⬆ but, internet connectivity issues especially in remote areas= obstacle to digital economy 😰😩

✓ So, 2020-Aug: RBI announced trials /pilot-testing for Off-line payments through cards, wallets and mobile devices for small value transactions. (इंटरनेट बंद हो तब भी छोटी रकम के भुगतान डिजिटली किए जा सके, इस प्रकार के परीक्षण आरबीआई करवा रहा है।)

✓ How this thing really works is not important for the scope of the exam. #✋ 🚫 🎓

10.2 🔗 ✿ BITCOIN UPDATES SINCE WIN20 SERIES

WEF's Bill of Rights	⇒ World Economic Forum (WEF) is a non-government organization in Cologny-Geneva, Switzerland. (विश्व आर्थिक मंच. गैर सरकारी संगठन)
	⇒ 2020-May: Published a document, 'Blockchain Bill of Rights' . Document talks about rights to accountability, transparency, data privacy, data protection etc. (ब्लॉकचेन अधिकार पत्र/विधेयक: जवाबदेही, पारदर्शिता, डेटा गोपनीयता, डेटा सुरक्षा आदि के अधिकार)
	⇒ Aims to set global standards for web-developers, corporates and governments who're building/using blockchain technology. (वैश्विक मानदंड बनाएगा) But, WEF not as big body as UN, and this report not as great as the United Nations' Universal Declaration of Human Rights. So, ✋DON'T LOSE SLEEP.
MEITY & NITI	They're also releasing similar reports with blockchain applications, accountability, transparency, data privacy, data protection etc.
Elon Musk (2021)	Announced " 🚗 🔑 Tesla Electric car can be purchased using bitcoin, in future" → This is created crazy demand for bitcoins among investors→ 1BTC selling for over $50,000.
有 China	2020: started trials to for Central Bank Digital Currency (CBDC)-given below

10.3 🐯 🔗 ✿ CENTRAL BANK DIGITAL CURRENCY (CBDC)

केंद्रीय बैंक डिजिटल मुद्रा / संप्रभु डिजिटल मुद्रा

2020-May: People's Bank of China (PBC) started trials to issue its paper fiat money Yuan/Renminbi in digital format. (कागजी रूप में मुद्रा छापने की जगह, डिजिटल रूप में जारी करना → और उसे लाभार्थी को ई-बैंकिंग के जरिए मुहैया कराना)

⇒ PBC will use supercomputer to create its fiat currency (Yuan also called 'Renminbi') in digital format → transfer it to the recipient via e-banking e.g. loan to govt, salary to employee etc.

⇒ European Central Bank (ECB) and RBI have also setup internal committees to study the feasibility of CBDC. (केंद्रीय बैंक डिजिटल मुद्रा की व्यवहार्यता के लिए समितियां बनाई गई है)

⇒ 2020-Jan to Oct: China's digital Yuan trial experiment # 🕐 📱 🕐 ✋ ⏳ 🗃 थोड़ा-पढ़ो-आगे-बढ़ो

⇒ 2020-Oct: USA's stand: " we don't want to be the 1st to launch the digital currency, rather, we want to do it error-free. Because there are many risks associated" (इसमें जोखिम बहुत है इसलिए हमको जल्दबाजी में सबसे पहले इसे लागू करना नहीं है)

10.3.1 🐯 📀 ✳️ = 👌 😾 Benefits of CBDC

CBDC/ Sovereign Digital Fiat Money / Digital Base Money will provide following benefit

1. ⬇️ Cost **printing and transporting** physical currency. लागत और परिवहन खर्च में कमी

2. ⬇️ Scope for **counterfeiting**. जाली नोट बनाना मुश्किल

3. ⬆️Traceability, ⬇️Anonymity: सुराग लगाना आसान, गुमनाम/अज्ञात रहेना मुश्किल
    a. Whether money is reaching the intended beneficiary or not? (लाभार्थी को योजना का पैसा मिला कि नहीं)
    b. From where did the businessman accumulate this money, did he pay an appropriate amount of tax or not? Else auto-alert to the Income tax department for tax evasion. (करचोरी पर निगरानी आसान)

4. ⬇️ **masshysteria of Bitcoin** & other Cryptocurrencies, which are issued by private actors & pose danger of Terror Finance, Narcotics etc. (निजी क्षेत्र द्वारा जारी क्रिप्टोमुद्रा के प्रति लोगों का आकर्षण/ सामूहिक पागलपन कम होगा.)

5. ⬆️ **Homogeneity and promptness** of disbursal: (त्वरित और एक रूप तरीके से पेसा हर जगह/ हर व्यक्ति को भेजना)
    a. With the click of a button, Money could be sent to beneficiaries' account whether he is located in Kashmir or Kanyakumari. Irrespective of Curfew/Lockdown/Floods/Bank Hartals- Students will receive scholarship, farmers will receive subsidy, and senior citizens will receive pension.

6. Can be evolved into a **Programmable Digital Currency** to control the allocation of new money for development of various sectors. (अलग-अलग क्षेत्रों के विकास के लिए पैसे को "प्रोग्राम" करके भेजना)
    a. E.g. if RBI issues Programmable-Digital-Rupee → SBI → Student Loan → its Interest rate will be automatically "X%",
    b. but if SBI manager tries to circulate this money as loan-4-buying-luxury-iphone then A) either computer system will reject it or B) change interest rate to Y%
    c. [How will that work? Ans. ✋ 🎓 #Boycott-PHD #थोड़ा-पढ़ो-आगे-बढ़ो.]

7. ⬇️ 🦠 Spread of virus through physical currency notes. [Mains Logical Structure: low level benefits should be written at the bottom part of the answer.]

10.3.2 🐯 📀 ✳️ = ✋ 😿 Challenges of CBDC

1. Digital Divide, Financial Literacy, Access Points: (डिजिटल उपकरणों की उपलब्धता की खाई, वित्तीय साक्षरता का भाव, डिजिटल भुगतान इस्तेमाल करने के पहुंच बिंदुओं की कमी)
    a. Not everyone has electronic gadgets or internet connectivity,
    b. Not everyone knows how to operate bank account digitally,
    c. Not every village shopkeeper accepts payments in the digital form.

2. Cyber Terrorism/Nuclear Attack/Natural Disaster. If electronic equipment stops functioning → economy will stop functioning. (साइबर आतंकवाद / परमाणु हमला / प्राकृतिक आपदा: विद्युत उपकरण बंद तो अर्थव्यवस्था बंद)

10.3.3 🐯📎❄✍ CBDC: Conclusion / निष्कर्ष

✓ Considering above charms and challenges, CBDC

✓ can 'supplement' physical currency BUT cannot substitute/replace it completely, for India.
(डिजिटल मुद्रा, कागजी मुद्रा की 'पूरक' तो हो सकती है, लेकिन 'सम्पूर्ण विकल्प/एवज' नहीं)

10.3.4 🥶❌🫣😶 Redenomination: drop zeros, change name

Figure 1: expression when you need 2.5 lakh riyal for a box of eggs 🤕

REDENOMINATION involves removing zeros from currency's face value, to facilitate transactions during high inflation. Here, the old currency is not instantly declared illegal / withdrawn from circulation immediately. Old currency is allowed to continue side by side with new currency (upto some time limit).

10.3.5 🥶❌🫣😶 Iran = Toman to replace Iranian Riyal (2020)

Iran suffering from

⟹ 1) High levels of inflation. 1 box of eggs cost ~250,000 Iranian rials.

⟹ 2) Weak exchange rate (कमजोर विनिमय दर). $1 costs ~42,000 Iranian rials.

⟹ So, very inconvenient to carry/count such a large quantity of paper currency.

⟹ 2020-May: Iranian Parliament approved a new paper currency "**Toman**" to replace its existing paper currency "**Iranian Rial**" at the rate of **1 TOMAN = 10,000 Rial.**

⟹ Although it's not an 'instant demonetization' of Iranian Riyal. It will be replaced with TOMAN gradually in the next 2-5 years.

⟹ 🤩**Benefit?** Ease of carrying currency and making transactions. 😟**Challenge?** it will not increase the purchasing power or reduce inflation.

10.4 ✍🕵❀1️⃣👋 MOCK QUESTION FOR MAINS/ESSAY

Q01. (GSM3) In 2020, People's Bank of China started experimentation on Central Bank Digital Currency (CBDC). Examine critically, the charms and challenges of such initiatives for Indian monetary system. 250 words. चीन का 'केंद्रीय बैंक डिजिटल मुद्रा' प्रयोग. भारतीय मौद्रिक प्रणाली के लिए, इस तरह की पहल के आकर्षण और चुनौतियां की समीक्षा कीजिए

11 PILLAR1A2: 😵 MONEY SUPPLY (M0-M4) & MONETARY POLICY- CRR, SLR, REPO

11.1 🎴 ⛏ SUPPLY OF MONEY (मुद्रा की पूर्ति): DEPOSITS

📖📖ES21: Corona-2020: Initial months of lockdown the growth of (demand) deposit ⬇⬇ because people withdrew money in panic / precautionary motive. Although in the later months → Unlock down and normalcy → ⬆⬆ Quantity of deposit. तालाबंदी के शुरुआती महीनों में लोगों ने एहतियाती कारणों से बैंकों से अपनी डिपॉजिट निकाली हालांकि परिस्थिति सामान्य होने पर, बाद के महीनों में वापस बचत की मात्रा में बढ़ोतरी होने लगी है

Demand Deposits (DD) ——DD —— TD Time deposits (TD)
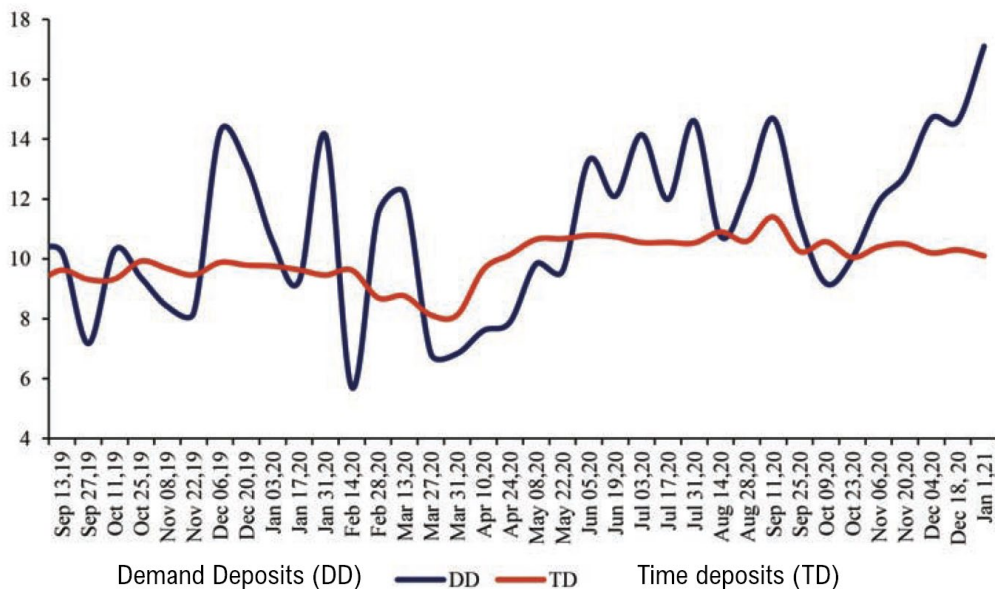
11.2 😋 🎴 ⛏ 📐 CORONA-2020 IMPACT ON MONEY SUPPLY AS PER 📖📖ES21

✋Note: There may be 500 other factors as well affecting these indicators but gives poor:cost benefit learning all those things from MCQ point of view. वास्तविक जिंदगी में और भी 500 कारकों के चलते इन आंकड़ों पर असर होता है लेकिन उन सब की पंचात करने बैठे तो परीक्षा के लिए उपयोगी नहीं #⏳ 🗄थोड़ा-पढ़ो-आगे-बढ़ो

🎴 ⛏ 📐 Indicator / measure of money supply	😋 Impact of corona-2020
M0 = also known as reserve money /high powered money	⬆
M3 = is the most commonly used measure of money supply, also known as "Aggregate Monetary Resources / Aggregate Money Supply" (समस्त मौद्रिक संसाधन).	⬆
Money multiplier= M3 divided by M0	No significant change / remained supressed

11.2.1 😋Corona-2020 impact on M0 as per 📖📖ES21

M0 = Total Currency in circulation (CIC), which consists of:

✓ Held by Public/Bank/NBFCs/Commercial entities/Govts [Which may have been given by RBI in the form of payments & loans, Ways and means advances (WMA) etc]

✓ Held by other Banks in "Vault cash" (i.e. amount kept by banks for day to day Operations.)

✓ Other Deposits in RBI (of Public**, Banks, NBFCs & Govts)

*_**such as PM Garib Kalyan Yojana (2016) under which Blackmoney holder was required to deposit 25% of his blackmoney in RBI for a lock-in period of 4 years._*

⇒ **Corona-2020**: M0 increased mainly ⬆ because: To keep the ₹:$ exchange rate stable, Reserve Bank's ⬆ purchases (of Dollars & other Foreign Currency) from Authorised Dealers (ADs) in the Foreign Currency Exchange Market → ⬆ ₹₹ Currency supply in the market. [More in Pillar#3: Balance of Payment] रुपया और डॉलर की विनिमय दर को स्थिर रखने के लिए रिजर्व बैंक ने बाजार से डॉलर करीदे और सामने रुपए मुहैया कराए जिसके चलते आरक्षित मुद्रा (M0) की मात्रा में बढ़ोतरी हुई - पिछले साल की तुलना में
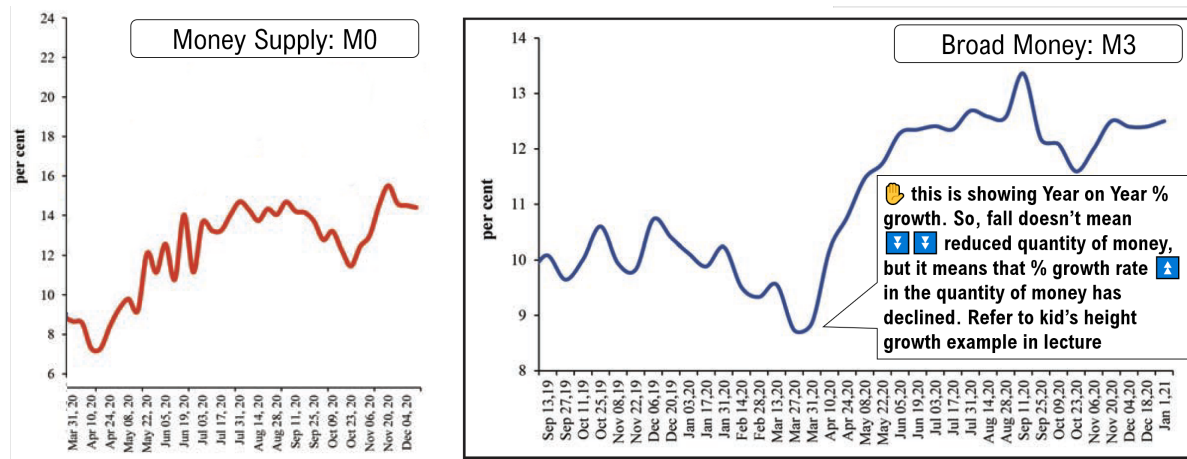
11.2.2 👑 Corona-2020 impact on [M3] as per 📱📖 ES21

M3 =Coin and currency with public + Demand deposits with banks + Time deposits with bank

⇒ **Corona-2020**: overall M3 ⬆ due to expansionary monetary policy of RBI (CRR ⬇, Repo ⬇ etc) रिजर्व बैंक की विस्तार वादी नीतियों के चलते बढ़ोतरी हुई - पिछले साल की तुलना में

🔡❓ **If you withdraw Rs. 1,00,000 in cash from your Demand Deposit Account at your bank, the immediate effect on aggregate money supply in the economy will be _ _ . (UPSC-Prelims-2020)**

[a] to reduce it by ₹ 1,00,000   [b] to increase it by ₹ 1,00,000

[c] to increase it by more than ₹ 1,00,000   [d] to leave it unchanged

11.2.3 ✴⚡Money Multiplier Before Corona as per 📱📖ES20
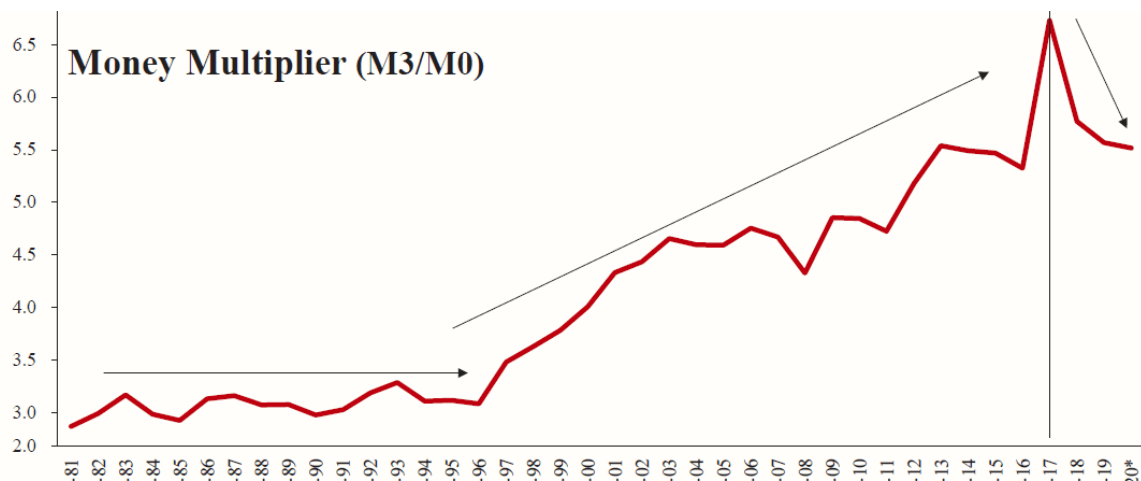
Figure 2: source- Economic Survey 2020, zigzag pattern means 'not increasing steadily'.

- 🟦🟦ES20: Between mid-1990's to 2016-17: Money multiplier (measured as a ratio of M3/M0) was mostly ⬆. But 2017-18 onwards: Money Multiplier is ⬇. Could be attributed to the lack of growth in loaning activities & slowdown in economy.

11.2.4 💣⚡: 😀Corona-2020 impact on money multiplier as per 📖📖ES21

Money Multiplier=M3÷M0 (During Corona-2020)
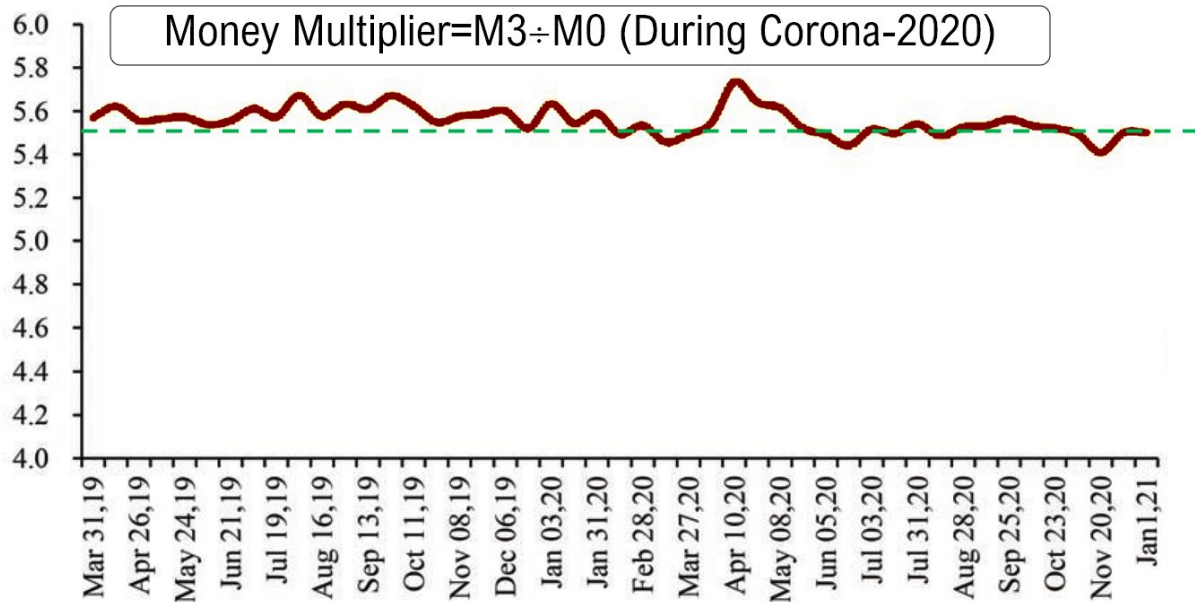
⇒ Money Multiplier = M3 divided by M0

⇒ Money Multiplier mostly ⬆increasing from 1980s onwards up to 2016-17, has however been declining ⬇since then. multiplier 5.6 (2019) but ⬇ to 5.5 (2020) = Money Multiplier didn't grow / remained suppressed / muted / Impaired in Corona-2020. Reasons? → कोरोना के दौरान मुद्रा गुणांक दबा हुआ या मूक रहा क्योंकि:

⇒ 😖Slowdown in economy, demand for loans ⬇ → so, bank deposited large amount of money with RBI under reverse repo. लोग लोन में पैसा लेने के लिए कमाए इसलिए बैंकों ने अपनी अतिरिक्त राशि रिज़र्व बैंक में ही रिवर्स रेपो रेट के स्वरूप में जमा करा दी

⇒ 😖if banks continuously loaned ₹₹ to households & business firms then M3 would grow thru 'zigzag' lending-deposit activity from One bank account to another bank account यदि वह पैसा रिज़र्व बैंक में रिवर्स रेपो रेट में डालने की वजह, बैंक वाले लोन में घुमाते तो मुद्रा गुणक में बढ़ोतरी दर्ज होती, लेकिन कोरोना के चलते लोगों में लोन की उत्सुकता कम देखी गई

⇒ 😖Then 📖📖ES21 tried to entered in technical commentary that If we ignore the Reverse repo rate money parked in RBI then "Y" thing would have happened etc but Poor cost benefit for exam. #⏳🗂थोड़ा-पढ़ो-आगे-बढ़ो Even if some inexperienced to pvt quizmaster setup faltu MCQs from it.

⇒ 😖if people keep more portion of cash in hand and less in banks-deposits then Money multiplier will not improve. Corona= ⬆ rise in cash:deposit ratio, as people drawing cash from bank account fearing lockdown / precautionary motives [Atleast, in the initial months of lockdown]. तालाबंदी के शुरुआती महीनों में लोगों ने एहतियाती कारणों से बैंकों से अपनी डिपॉजिट निकाली इस कारण भी, मुद्रा गुणक में बढ़ोतरी नहीं हो पाई.

11.3 🐻📢🗡 MONETARY POLICY: QUALITATIVE TOOLS

- To revive Indian economy after Corona, RBI pursued
  EXPANSIONARY/CHEAP/EASY/DOVISH Monetary policy measures to ⬆ money supply in
  the economy to revive economy after Corona.
- Parallelly, Govt also took announced relief in tax-filling, free-food to poor etc.
- Collectively, Modi labelled these actions of [RBI + Government] = "**Atmanirbhar Bharat
  Economic** revival package". 📄 More in Pillar#4C.
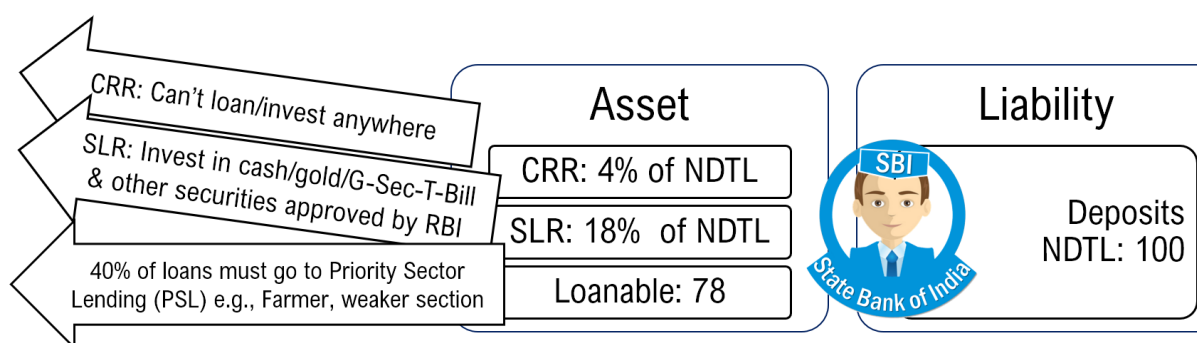
Tool	Changes in Corona-2020 upto 2021-Feb
CRR	2020= 4% to 3% to ⬆ loanable funds 2021: now enough loanable funds available& economy recovering so to be increased gradually from 3% to 4%
SLR	Unchanged @18%

- SDF: RBI plays Reverse Repo Game without G-Sec collaterals.
- OMO: RBI buys/sells G-Sec/T-bill to inject / suck liquidity
- MSS: RBI sells G-Sec/T-Bill/CMB to suck liquidity
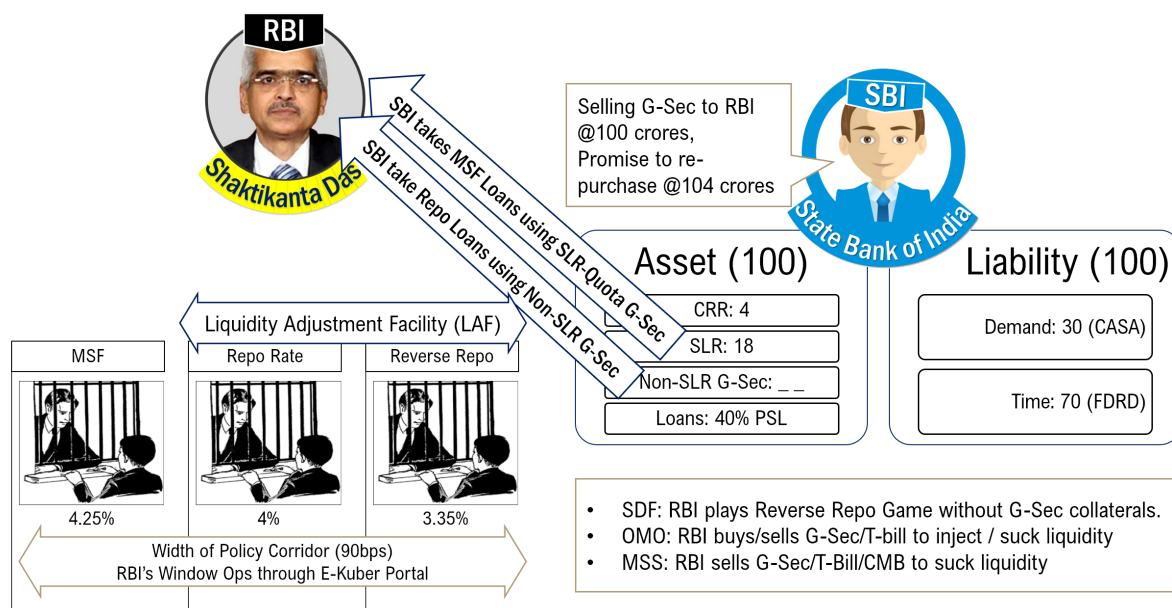
Tool	Changes in Corona-2020 upto 2021-Feb
Repo	RBI's short term loan interest rate to clients while using non-SLR-quota G-Sec as collateral. Repo Interest ▼ from 5.15 to 4.00% = 1.15% = 115 basis points cut= Cheaper loans to revive economy
TLTRO	Targeted Long Term Repo Operations (TLTRO): Up to 3 years Repo loans to Banks with condition that they must invest x% of it in y sector. ("Y" could be debt instruments of NBFC & other stressed sectors) RBI injected injected over ₹1.25 lakh crore via this route
MSF	Marginal Standing Facility (MSF) = RBI short term loan interest rate to banks while taking SLR quota g-sec as collateral. RBI increased the quantity of ₹₹ that banks can borrow from this MSF window. [this quantity is expressed as a % of NDTL But poor cost benefit chasing this for UPSC]
Helping MF	Special Liquidity Facility for mutual funds to inject ₹50kcr
OMO	Open market operations (OMOs)- RBI purchased State Development Loans (SDLs) papers from Investors to inject ₹30kcr
AIFI	RBI loaned ₹75kcr to all India financial institutions i.e., NABARD, NHB, SIDBI and EXIM Bank

11.3.1 (2020) 🦁 🏛️ Reverse Repo Rate cut & Policy corridor Changed asymmetrically

Figure 3: sir, जब तक आप loan के लिए हाँ नही कंहेंगे, हम आपको telemarketing calls करते रहेंगे!

	MSF	REPO	Reverse Repo	Total width
What?	Banks borrow short term funds from RBI by pledging G-Sec from SLR-quota	All clients borrow short term funds by pledging G-Sec. But, banks can't pledge SLR quota G-Sec	Clients park surplus funds in RBI to earn interest	Policy corridor (नीति गलियारा)
Before	R+25 bps	R%	R-25 bps	25+25=50bps
After	**R+25 bps**	**R%**	**R-65bps***	25+65=90bps
2020-May	4.25%	4.00% (40bps cut than earlier rate)	3.35%	25+65=90bps

⇒ *Corona led economic slowdown → Loan demand ▼ → banks parking their excess funds in RBI to earn interest in the form of reverse repo rate. बैंक वाले अपना अतिरिक्त धन रिज़र्व बैंक में डाल के बैठे बिठाये व्याज कमा रहे थे।

⇒ **By 2020-March:** banks parked ₹~3 lakh crores in RBI in Reverse Repo.

⇒ So, RBI has drastically ▼ the reverse repo rate to discourage such laziness of banks.

⇒ Benefit of reverse repo reduction?

   ✓ IF SBI offers 5.9% Fixed deposit interest rate to depositors, and parks it in the RBI reverse repo rate (3.35%) then SBI will actually make losses.

✔ So, RBI hopes SBI will now be 'forced' to give loans in a proactive manner (through SMS-spam, email-spam and unwanted telemarketing calls)

Although as per 📖📖ES21, Banks still continued to park their surplus funds in Reverse repo because there were not enough loan takers due to Corona slowdown.😩

11.4 🐯📢🧹 MONETARY POLICY: QUALITATIVE TOOLS (गुणात्मक साधन)

11.4.1 💍 Margin Requirements / Loan to Value (LTV) (सीमा अनिवार्यता)

Figure 4: जब घर मे पड़ा है सोना, फिर काहे को रोना?

⇒ RBI can mandate Loan to Value (LTV) for a gold-loan, home loan, auto loan or business loan etc. so a Bank/NBFC can't lend more than x% of the value of the collaterals. RBI can change this x% to boost / curb demand. (गिरवे रखी चीज के मूल्य के सामने बेंक या गैर-बेंक संस्थान व्यक्ति को कितना कर्ज दे सकते है? रिजर्व बेंक उसके मानदंड में बदलाव द्वारा, बाजार में चीज-वस्तुओ की मांग को बढ़ा या कम कर सकता है)

LTV reforms in 2020-Aug	Before	After
Gold Loan	75% value of gold/gold-jewellary	90%

🤩**Benefit?** More quantity of loan by pledging same quantity of gold → 😄 post-corona-economic-revival.

11.5 🐯📢🧹 PRIORITY SECTOR LENDING (PSL: प्राथमिकता क्षेत्र के लिए ऋण मानक)

Figure 5: थोड़ा लोन हमको भी दिलवा दो Governor-sahib!

⇒ **1968**: First time RBI used the word "priority sector": Banks must give 40% of their loans to 3 priority sectors 1) agriculture 2) small industries 3) exporters by 1985. (कृषि छोटे उद्योग और निर्यातक)

⇒ Over the years, more sectors were included in it. (समय रहते और भी क्षेत्रों को इसमें शामिल किया गया)

⇒ **2015**: some reforms in PSL. → **2019**: RBI's UK Sinha Committee on MSME loan reforms and a few Other committees had suggested the reforms in the PSL.

⇒ **2020-Sept**: RBI reformed PSL guidelines as following:

Priority Sector Loans norms → minimum quota after 2020-Sept Reforms	BEFORE	AFTER
👧 Weaker Sections (कमजोर वर्ग): ⇒ SC, ST, Women, PH, Minorities, Manual scavengers, Artisans, ⇒ PM-Jan DhanYojana Overdrafts upto Rs.10k, ⇒ Beneficiaries of Govt's National Rural/Urban Livelihood Mission Schemes (NRLM/NULM: More in 📄 Pill#6: HRD →Poverty Removal Schemes)	10 %	🔼12%*

🧺 Agriculture (कृषि) (all farmers: small and big)	10%	8%
🧺 Agriculture: सीमांत किसान और छोटे किसान ⇒ Marginal Farmer (owns upto 1hectre land) सीमांत किसान ⇒ Small farmer (>1 upto 2ht) छोटे किसान	8 %	⬆️10%*
🧵 Micro Enterprises (अति लघु उद्योग), Khadi-Village industries	7.50%	7.50%
Above categories (Weaker section, agriculture, micro-enterprise) plus, other categories such as ⇒ Small & Medium Enterprises, Affordable housing loans to beneficiaries under Pradhan Mantri Awas Yojana ⇒ food processing companies, Vermi compost, biofertilizer, seed production, ⇒ Exporters, Student-Education loans (upto Rs.10l), ⇒ Social Infrastructure (schools, health care, drinking water, sanitation facilities); ⇒ Renewable Energy Projects (wind mills, biomass generators, solar street light, micro-hydel plants etc.) etc.	4.50%	2.50%
Total PSL for Indian Scheduled Commercial Banks and (Foreign Banks with 20 or more branches).	**40%**	**40%**

* These quota ⬆️ is implemented in Phase Wise manner by 2023-24. (क्रमिक रूप से लागू होंगे)

😎Benefit? It will ⬆️ loan-availability for the weaker section and small farmers thus helping in the United Nations' Sustainable Development Goals related to poverty removal. (📄Ref: HDT-Pillar#6) कमजोर वर्ग और छोटे किसानों को ज्यादा मात्रा में कर्जा मिल पाएगा. गरीबी निवारण, संयुक्त राष्ट्र के सतत विकास लक्ष्यों की प्राप्ति में मदद करेगा.

⇒ PSL quotas are 'minimum (न्यूनतम/कम से कम)' & not maximum. So, if bank wishes, it can EVEN give even 60% of its loans to weaker sections, instead of just 12% "minimum quota" meant for weaker section.

⇒ Bank's Loans given to Non-Banking Financial Company (NBFC: गेरबेंक वित्तीय कंपनी) who are lending to above PSL categories = such 'indirect loan' to PSL sectors will also be counted for bank's quota. (परोक्ष रूप से दी लोन भी गिन ली जाती है।)

⇒ Bank + NBFC's joint lending / co-lending/ co-origination loans to PSL categories are also eligible, with certain caveats but #PHD-NOT-IMP. (बेंक और गेर-बेंक का साथ मे मिलकर पीएसएल क्षेत्र को कर्ज दिया, तो उसमे बेंक ने दिया कर्ज इस क्षेत्र में गिन लिया जाता है, कुछ शर्तों के आधीन)

11.5.1 🐯 🗣️ 🧺 PSL Reforms-2020: on RRB/SFB/UCB?

What is the difference/meaning of SCB/RRB/SFB/UCB etc? Ans: (📄Ref: HDT-Pillar#1B1: classification)

Type of Bank & PSL Reforms-2020:	Before	After
Indian Scheduled Commercial Banks (SCB: अनुसूचित वाणिज्यिक बैंक) and Foreign Banks in India with 20 or more branches	40%	same 40%
Foreign Bank in India with <20 branches (विदेशी बेंक)	40%	same 40%

Regional Rural Banks (RRB: क्षेत्रीय ग्रामीण बेंक)	75%	same 75%
Small Finance Banks (SFB: लघु वित्त बेंक)	75%	same 75%
Urban Cooperative Banks (UCB: शहरी सहकारी बेंक)*	40%	⬆75%
Rural Cooperative Banks (ग्रामीण सहकारी बेंक)	N/A	N/A

⇒ *These quota ⬆ implemented in Phasewise manner. Will be fully effective in 2023-24.

⇒ Internal quotas may be different e.g. RRBs: Weaker section =15%. But, poor cost-benefit in chasing all that information. #⌛📇थोड़ा-पढ़ो-आगे-बढ़ो

11.5.2 🐯📢🧹 PSL Reforms-2020: Startups, Renewable Energy and Healthcare

PSL Loans → other category	BEFORE	AFTER
Startup Company is a company: ⇒ **Age**: Not older than 10 years AND ⇒ **Annual turnover**: Not more than ₹100 cr AND ⇒ **Function**: innovation in goods/services. (नवाचार) (📇 Ref: HDT-Pillar#4B)	only eligible categories: ⇒ Agro/Food processing related Startup ⇒ MSME Startup [then What is MSME? (📇 Ref: HDT-Pillar#1D and #4B)]	All types of Startups allowed in PSL quota For loans upto ₹50cr
🧹💡 Renewable energy(अक्षय ऊर्जा)	only loans upto 15cr eligible	⬆30cr
🏷 Healthcare project/Hospital?	5cr	⬆10cr

11.5.3 🐯📢🧹 PSL Reforms-2020: Weightage to poor districts (गरीब/पिछड़े जिलों को भारांक)

RBI will classify the districts based on previous PSL loans given by all banks:

Type of district	if Axis bank gives ₹100 PSL loan in this district → RBI will count Axis's quota-fulfillment as _ _ .
Low Credit penetration e.g. Tawang, Dantewada etc. जहां भूतकाल में बैंक-कर्ज की पहुँच कम रही है	₹125 (आरबीआई ने एक ऐसी भारांक प्रणाली बनाइ है जिसमे बैंक पिछड़े जिलों में लोन देकर बहुत आसानी से अपना पीएसएल लक्ष्यंक हासिल कर सकती है।)
High Credit penetration e.g. Ahmedabad, Pune etc. जहाँ पहले से ही काफी कर्जा दिया जा चुका है	₹90 (ताकि बैंक जो पहले से सम्पन्न जिले है, उसे ज्यादा सम्पन्न बनाने की जगह पिछड़े जिले पर ध्यान दे)

⇒ Thus, RBI's PSL weightage system will passively discourage banks from giving more PSL-loans to the developed districts and it will encourage banks to give PSL-loans to backward districts. This will help in more balanced regional development. क्षेत्रीय रूप से संतुलित विकास में यह कदम फायदेमंद होगा।

11.6 📢 BI-MONTHLY MONETARY POLICIES- A SUMMARY TABLE

Feb-2020	covered in Mrunal's <u>Win20 Series Handout</u>
Mar-Apr-May-2020 <u>Stance</u> **Accommodative**	By default, RBI's MPC Committee supposed to meet every 2-2 months. So, After February's meeting, they should hold next meetings in April. But in Corona crisis economic slowdown they met more frequently. कोरोना महामारी

		के चलते आए आर्थिक संकट से निपटने के लिए समिति ने तय समय से पहले एकाधिक मीटिंग का आयोजन किया:
		- CRR was cut to 3% & Repo cut to 4%
		- 🐯 🦁 🔧 ✋ Loan/EMI/NPA relief / Moratorium (ऋण अदायगी पर रोक) Ref 📄 Pillar#1B2: NPA
		- RBI defers BASEL Norms, IndAS accounting Norms, orders bank to pause/halt the Dividend Distribution. Ref: 📄 1B2: BASEL norms
		- 🐯 🔧 🙂 🙁 : RBI reforms Ways and Means advances (WMA) and Consolidated Sinking Fund (CSF) Ref: 📄 1C: SEBI/Sharemarket: Short term Debt instruments
		- RBI took reforms in 1) Voluntary Retention Route (VRR: स्वैच्छिक अवधारण मार्ग) 2) Fully Accessible Route (FAR: सम्पूर्णत: सुगम्य मार्ग) Ref: 📄 3A: Balance of Payment (BoP): FDI, FPI
2020-Aug **Repo** **Unchanged@4%** **Stance** **Accommodative**		- Gold Loan LTV: Before 75% → AFTER 90%. benefit? More quantity of loan can be taken by pledging same quantity of gold → post-corona economic-revival.
		- Priority Sector Lending (PSL) reforms: 1) ⬆ quota for weaker section, small-marginal farmers. 2) Made all types of Startups eligible for PSL loans. 3) Extra weightage to give PSL-loans in poor districts.
		- RBI Committee under KV Kamath submitted report on how to restructure loans impacted by the Covid 19 pandemic. "We'll take reforms accordingly".
		- RBI to loan ₹75,000cr to All India Financial Institutions (AIFIs: NABARD, SIDBI,EXIM,NHB) → post-corona economic-revival
		- Less Cash Economy / Digital Payment / Fraud Prevention: (1) Scheme of Offline Retail Payments Using Cards and Mobile Devices (2) Online Dispute Resolution (ODR) for Digital Payments (3) Positive Pay Mechanism for Cheques.
		- We'll create a Reserve Bank Innovation Hub for research in cyber security, digital payment etc. साइबर सुरक्षा, डिजिटल भुगतान इत्यादि मैं संशोधन/नवाचार के लिए रिजर्व बैंक में एक नवाचार केंद्र बनाएंगे
2020-Oct **Repo** **Unchanged@4%** **Stance** **Accommodative**		- Less Cash Economy / Digital Payment: (1) RTGS made 24/7 (2) perpetual license. (📄 Ref: Pillar#1A1)
		- ✋Technical reform NOT important for the scope of exam such as (1) SLR holding reforms (2) banks and NBFCs: co-lending for PSL loans (3) Export Data Processing and Monitoring System (EDPMS), the 'Caution / De-caution Listing' of exporters for Authorised Dealer (AD) banks. यह सब तकनीकी दिशानिर्देश अपनी परीक्षा में काम के नहीं. फालतू में वक्त बर्बाद मत करो। # 🙂 थोड़ा-पढ़ो-आगे-बढ़ो

2020-Dec **Repo Unchanged@4%** **Stance Accommodative**	- RBI is required to control the inflation within 2 to 6% of CPI all India. Inflation @7.6%(Oct), So in theory repo ⬆ required, but corona-slowdown = RBI does not want the loans to become more expensive. So repo rate unchanged at 4%. Stance accommodative. हालांकि महंगाई नियंत्रण के लिए रेपो दर को बढ़ाना जरूरी है किंतु कोरोना के बाद अर्थव्यवस्था को पुनर्जीवित करने के लिए सस्ते लोन मुहैया कराना भी उतना ही जरूरी! इसलिए रेपो दर में कोई बदलाव नहीं. - Banks prohibited from from paying dividend to shareholders from their profits (So as to build buffer against the Corona loan defaults) बैंकों ने अपने मुनाफे में से शेयरधारकों को लाभांश वितरण करने पर रोक
2021-Feb **Repo Unchanged@4%** **Stance Accommodative**	- 1) Food inflation is normalizing with arrival / supply of winter fruits & vegetables, but fuel inflation is worrisome. So can't ⬇ Repo. खाद्य पदार्थ तो सस्ते होने लगे किंतु लेकिन इंधन के चलते महंगाई अभी भी स्थाई रूप से काबू में नहीं - 2) GDP growth yet to fully revived → so cant ⬆ Repo [else Expensive loans= =⬇demand →⬇GDP growth]. - CRR: During CORONA-2020, CRR was reduced from 4% to 3% (2020-March till 2021-March). now moving towards economic recovery, enough loanable funds available so, Restoration/⬆ of CRR in two phases: 3.5% (2021: March2May) →4% (2021-May) - 😫BEFORE: RBI appointed 3 types of ombudsman for consumer complaints: (i) Banking Ombudsman Scheme (ii) NBFC Ombudsman (iii) Digital Transaction Ombudsman. 🤩After: Integrate these 3 into a One Nation One Ombudsman / Integrated Ombudsman Scheme (एकीकृत शिकायत निवारण अधिकारी योजना) - 😫BEFORE: Retail investors Indirectly invested in G-sec via Mutual funds, stock exchanges. 🤩AFTER: Retail Investors can directly Open "Gilt Securities Accounts Retail Direct" with RBI's E-Kuber core banking solution (CBS) platform. 🤩Benefits: [1] Deepening of the g-sec market (सरकारी प्रतिभूतियों के बाजार की जड़ों को गहरा करेगा) [2] New investment opportunities for aam-aadmi. (निवेश के नए अवसर) (More in 📄 Pillar1C: SEBI share market)

11.6.1 ✍🏻🖍️⚙️1📖 Mock Questions for UPSC Mains/GSM3 (250 words)

1) Give an account of the steps undertaken by RBI to revive the Indian economy from Corona pandemic. कोरोना से भारतीय अर्थव्यवस्था को पुनर्जीवित करने के लिए आरबीआई द्वारा उठाए गए कदमो का विवरण दीजिए।

2) Enumerate the steps taken by the RBI under the Atma Nirbhar Bharat initiative in 2020. आत्मनिर्भर भारत अभियान के अंतर्गत आरबीआई द्वारा उठाए गए कदमो की सूची दीजिए।

Join Full Length Course at https://unacademy.com/@mrunal.org 🔷 Coupon Code: 'Mrunal.org' for extra discount!

📄 **NEXT HDT: Pillar1B- Classification of Banks and NBFCs, NPA & other Burning Issues in Banking Sector**